

Summary of Changes Approved August through December 2004

This summary lists changes made since the July 2004 edition of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved December 16, 2004.

Changes made before the July 2004 edition was printed are shown in appendix H of the manual.

<i>Common Manual</i> Section	Description of Change	Effective Date/Triggering Event	#
Chapter 1: Overview			
1.5 FFELP Guarantors and Contact Information	Adds federally-assigned guarantor code number for each <i>Common Manual</i> guarantor.	None.	—
Chapter 4: School Participation			
4.8 Student Enrollment Status Reporting	Adds that enrollment information must be reported whenever the enrollment status for an individual student changes. Also clarifies that enrollment status changes that must be reported include any change that the school is required to report through enrollment reporting, previously called the Student Status Confirmation Report (SSCR).	Enrollment reporting by schools beginning in September 1996.	803/116
4.8 Student Enrollment Status Reporting 4.8.B Reporting Student Enrollment Status Changes to the Lender or Guarantor 4.8.C National Student Clearinghouse	Deletes specific references to the National Student Clearinghouse. Currently, there are numerous entities that provide student enrollment status change reporting services for schools.	Enrollment reporting by schools beginning February 1997.	807/117
Chapter 5: Borrower Eligibility			
5.2.E Prior Default	Adds language stating that a borrower with one or more defaulted Title IV loans, or defaulted Title IV loans for which a judgment has been obtained, who wants his or her Title IV eligibility reinstated must request reinstatement from the holder of each defaulted loan or from the holder of each defaulted loan for which a judgment has been obtained.	Retroactive to the implementation of the <i>Common Manual</i> .	804/116
Chapter 7: Loan Origination			
7.6 Borrower Disclosures 7.6.C Guarantee Disclosure	Clarifies lender and guarantor disclosure responsibilities.	Retroactive to the implementation of the <i>Common Manual</i> .	798/115
7.7.E Disbursement for Students in Study-Abroad Programs or Foreign Schools	Community comments received on proposal 789 of Batch 114 indicate this change is necessary to coordinate language regarding students enrolled in study-abroad programs with language regarding students enrolled in foreign schools.	Retroactive to the implementation of the <i>Common Manual</i> .	799/115
Chapter 9: Loan Servicing			
9.1 Verifying Enrollment	Deletes specific references to the National Student Clearinghouse. Currently, there are numerous entities that provide student enrollment status change reporting services for schools.	Enrollment reporting by schools beginning February 1997.	807/117

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
9.11.E Applying Funds Returned by the School	Ensures that manual text is consistent with the <i>Common Manual</i> glossary definition of the term “discharge” (i.e., the release of a borrower or any comaker from all or a portion of his or her loan obligation, as applicable, due to bankruptcy, school closure, death, total and permanent disability, an unpaid refund by the school, or the school's false certification of a FFELP loan).	Retroactive to the implementation of the <i>Common Manual</i> .	802/115
Chapter 10: Deferment and Forbearance			
10.1.B Documentation Required for Authorized Deferment	Deletes specific references to the National Student Clearinghouse. Currently, there are numerous entities that provide student enrollment status change reporting services for schools.	Enrollment reporting by schools beginning February 1997.	807/117
10.19.F Delinquency before a Deferment or Certain Forbearances	States that a lender may process an administrative forbearance to resolve an outstanding delinquency that precedes an administrative forbearance granted for military mobilization and local or national emergency, in addition to natural disaster. Also incorporates the term “exceptional circumstances” when referring to specific mandatory administrative forbearances and adds cross-references to other applicable subsections.	Administrative forbearance granted by the lender on or after July 1, 2003, unless implemented by the lender no earlier than November 1, 2002.	808/117
Chapter 11: Due Diligence in Collecting Loans			
11.4 Due Diligence Requirements	Clarifies that a lender must ensure that no gap in collection activity of greater than 45 days (60 days in the case of a loan sale or transfer) occurs through the 270th day of delinquency (330th day for loans with repayment obligations less frequent than monthly). In addition, revised policy modifies the subheadings in subsections 11.4.A, “181-240 days delinquent” and 11.4.B, “241-300 days delinquent” to reflect “181-270 days delinquent” and “241-330 days delinquent,” respectively. Language also has been added under the respective subheadings to clarify that any collection effort made after the date the final demand letter is mailed must support the final demand.	Loans on which the first day of delinquency on the oldest outstanding due date is on or after July 1, 1996, unless implemented earlier by the guarantor.	801/115
11.4 Due Diligence Requirements	Removes references to a “delinquent endorser” or an “endorser’s delinquency” and instead consistently refers to the “endorser of a delinquent loan.”	Retroactive to the implementation of the <i>Common Manual</i> .	809/117
11.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations 11.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly	Clarifies that a lender must ensure that no gap in collection activity of greater than 45 days (60 days in the case of a loan sale or transfer) occurs through the 270th day of delinquency (330th day for loans with repayment obligations less frequent than monthly). In addition, revised policy modifies the subheadings in subsections 11.4.A, “181-240 days delinquent” and 11.4.B, “241-300 days delinquent” to reflect “181-270 days delinquent” and “241-330 days delinquent,” respectively. Language also has been added under the respective subheadings to clarify that any collection effort made after the date the final demand letter is mailed must support the final demand.	Loans on which the first day of delinquency on the oldest outstanding due date is on or after July 1, 1996, unless implemented earlier by the guarantor.	801/115

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Figure 11-1 Due Diligence Requirements for Loans with Monthly Repayment Obligations and with Repayment Obligations Less Frequent than Monthly	Adds policy stating that the timing of the collection activities must ensure that no gaps of greater than 45 days occur through the 330th day of delinquency for loans with repayment obligations less frequent than monthly.	Loans on which the first day of delinquency on the oldest outstanding due date is on or after July 1, 1996, unless implemented earlier by the guarantor.	805/116
Figure 11-3 Due Diligence with a Rolling Delinquency or Special Occurrence – For Loans with Repayment Obligations Less Frequent than Monthly	Clarifies that the timing of the collection activities must ensure that no gaps of greater than 45 days occur through the 330th day of delinquency.	Loans on which the first day of delinquency on the oldest outstanding due date is on or after July 1, 1996, unless implemented earlier by the guarantor.	806/116
11.7.D Endorser Address Skip Tracing Requirements 11.8.B Endorser Telephone Skip Tracing Requirements	Removes references to a “delinquent endorser” or an “endorser’s delinquency” and instead consistently refers to the “endorser of a delinquent loan.”	Retroactive to the implementation of the <i>Common Manual</i> .	809/117
Chapter 14: Federal Consolidation Loans			
14.3.C Reviewing the Loan Verification Certificate	Includes additional exceptions under which the loan holder is not required to complete the LVC as published by the Department in <i>Dear Colleague Letter</i> FP-04-02.	None.	797/115
14.4 Disbursement 14.5.A Establishing the First Payment Due Date 14.5.B Disclosing Repayment Terms	Ensures that manual text is consistent with the <i>Common Manual</i> glossary definition of the term “discharge” (i.e., the release of a borrower or any comaker from all or a portion of his or her loan obligation, as applicable, due to bankruptcy, school closure, death, total and permanent disability, an unpaid refund by the school, or the school’s false certification of a FFELP loan).	Retroactive to the implementation of the <i>Common Manual</i> .	802/115
Appendix B: PLUS/SLS Refinancing			
Introduction B.3 Option 3: Refinancing by Obtaining a New Loan	Ensures that manual text is consistent with the <i>Common Manual</i> glossary definition of the term “discharge” (i.e., the release of a borrower or any comaker from all or a portion of his or her loan obligation, as applicable, due to bankruptcy, school closure, death, total and permanent disability, an unpaid refund by the school, or the school’s false certification of a FFELP loan).	Retroactive to the implementation of the <i>Common Manual</i> .	802/115
Appendix F: FFELP Community Initiatives			
Mapping Your Future, Inc.	Adds description of the Mapping Your Future project.	None.	—
Appendix G: Glossary			
Exceptional Performer	Adds a general definition of “Exceptional Performer.”	Retroactive to the implementation of the <i>Common Manual</i> .	810/117

4.7.D**Return of Title IV Funds Calculations for Students Subject to Verification**

When a school completes a return of Title IV funds calculation for a student subject to verification, it must comply with the following rules:

- The school must complete the return of Title IV funds calculation in time to comply with the 30-day return of Title IV funds deadlines (see [subsections 4.7.A](#) and [4.7.B](#)).
- If the student does not provide all of the required verification documentation in time for the school to comply with the 30-day return of Title IV funds deadlines, the school must include as disbursed aid or aid that could have been disbursed only those funds not subject to verification (i.e., PLUS loans and unsubsidized Stafford loans).
- If the student does not provide all of the required verification documentation in time for the school to comply with the 30-day return of Title IV funds deadlines but does provide the documentation before the verification deadline, the school is required to perform a new return of Title IV funds calculation and make the appropriate adjustments.

If the school is unable to offer the post-withdrawal disbursement to the student, or parent in the case of a PLUS loan, within the required 30 days after the date that the school determined that the student withdrew (see [subsection 4.7.A](#)), the school must offer the funds as soon as possible. Also, whenever possible, the school must provide the student or parent with the minimum 14-day period to respond to the offer of a post-withdrawal disbursement.

[DCL GEN-04-03]

4.8**Student Enrollment Status Reporting**

A [school](#) must develop procedures to ensure that student enrollment status changes are reported correctly and in a timely manner to the [guarantor](#) and/or the lender. Timely and accurate enrollment status reporting is critical for the effective administration of the Title IV student loan programs. Enrollment information is used to determine a student borrower's eligibility for in-school status, deferment, interest subsidy, and grace period. Enrollment information is also used to determine the cohort into which the student's loans are relegated for purposes of determining the school's cohort default rate (see [sections 4.6](#) and [15.2](#)).¹

All schools with the exception of foreign schools must report enrollment status changes to the [National Student Loan Data System \(NSLDS\)](#). Schools may elect to satisfy this requirement ~~through~~ by reporting to the NSLDS directly or through the use of a third-party servicer. ~~participation in the National Student Clearinghouse (see [subsection 4.8.C](#)).~~² Changes that must be reported include any change that the school is required to report through enrollment reporting, previously called the Student Status Confirmation Report (SSCR). Examples of enrollment changes that a school is required to report include a change from full-time to half-time status,³ a change from⁴ half-time to less than half-time status, a withdrawal, a graduation, or an approved leave of absence that complies with Title IV requirements. If a student's enrollment status changes and the school does not expect its NSLDS enrollment reporting to be completed within the next 60 days, the school must submit an ad hoc report within 30 days.⁵

If a school reports enrollment status information to a third-party servicer, the school may deliver any request for enrollment verification received from a guarantor to the third-party servicer for completion.

If a school does not report to the NSLDS directly or through the use of a third-party servicer ~~such as the National Student Clearinghouse~~, the school is not in compliance with the enrollment reporting requirements.⁶ [§682.610(c); *NSLDS Enrollment Reporting Guide*, January 2004, Chapter 1, Section 1.1]⁷

1. Policy 803 (Batch 116), approved September 16, 2004

2. Policy 807 (Batch 117), approved December 16, 2004

3. Policy 803 (Batch 116), approved September 16, 2004

4. Policy 807 (Batch 117), approved December 16, 2004

5. Policy 803 (Batch 116), approved September 16, 2004

6. Policy 807 (Batch 117), approved December 16, 2004

7. Policy 803 (Batch 116), approved September 16, 2004

4.8.B Reporting Student Enrollment Status Changes to the Lender or Guarantor

In addition to requiring the timely completion of student [enrollment reporting](#), federal regulations specify conditions under which a [school](#) is to report changes in the student's enrollment status directly to the applicable [lender](#) or [guarantor](#).

Unless the school expects to submit a Submittal File within the next 60 days, the school must report to the lender or guarantor within 30 days of discovering that a student for whom a [FFELP](#) loan was made:

- Has dropped to less than half-time enrollment.
- Has failed to enroll on at least a half-time basis.
- Has ceased to be [enrolled](#) on a full-time basis. [[§682.610\(c\)\(2\)](#)]

A school should notify the lender and/or guarantor of an enrollment status change by any means acceptable to the guarantor (such as an individual letter on school letterhead, a computer-generated report, or a specific form provided by the guarantor).

By providing notice of a change in student status as outlined in this subsection, participating schools help the lender promptly establish repayment terms with the [borrower](#). This will help prevent [FFELP](#) loan [defaults](#) and assist in controlling the school's default rate.

Information Sharing with the Department, a Lender, or a Guarantor

A school (or its designated [servicer](#)) is required—upon request by the [Department](#), a lender, or a guarantor—to promptly provide any information the school has regarding the last known address, full name, telephone number, enrollment information, employer, and employer address of a borrower who attends or has attended the school. The school should respond to such a request within 30 days.

If the school discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address, the school is required to notify the [holder](#) of the loan of the new address within 30 days, either directly or through the guarantor.

Schools should be aware that, ~~along with other status-change reporting~~, the [National Student Loan Data System \(NSLDS\)](#) and ~~some third-party servicers~~, the [National](#)

~~Student Clearinghouse~~ in addition to reporting enrollment status changes, are capable of reporting to lenders and guarantors changes in an enrolled borrower's full name, permanent address, telephone number, enrollment information, employer, and employer address ~~to lenders and guarantors~~. However, the reporting frequencies of both the NSLDS ~~and or the third-party servicer~~ the [National Student Clearinghouse](#) may ~~not be unable to comply with~~ ~~accommodate the required~~ federal 30-day time frame for [school](#) reporting of changes in an enrolled borrower's address.

Unless a school expects to report to either the NSLDS or a ~~third-party servicer~~ the [National Student Clearinghouse](#) within 30 days of discovering a change in an enrolled borrower's permanent address, the school should notify the holder of the loan directly or through the guarantor of changes in an enrolled borrower's permanent address. [[§668.24\(f\)\(4\)](#); [§682.610\(c\)\(2\)\(iv\)](#); [Appendix A of DCL 96-L-186/96-G-287](#)]¹

4.8.C National Student Clearinghouse

~~The National Student Clearinghouse is a nonprofit, industry-sponsored organization that accepts, processes, and shares student loan enrollment and deferment information with authorized program participants.~~

~~Participating schools report all of their enrolled students to the Clearinghouse—by electronic transmission, tape, or diskette. Participating guarantors send computer tapes listing all of their guaranteed borrowers to the Clearinghouse. The Clearinghouse then matches the guarantor data base against the school enrollment data base and reports to the guarantor the student's most current status—including the identification of each borrower who has withdrawn from school, transferred from one school to another, returned to school and is eligible for deferment, or continued in school and is eligible for a deferment extension. Guarantors then report status changes to lenders. Lenders and loan servicers that would rather request status information directly may become members of the Clearinghouse.~~

~~The Clearinghouse maintains historical information and audit trails on transactions. Participants may request records of enrollment status certifications made to or from the Clearinghouse at any time.~~²

1. Policy 807 (Batch 117), approved December 16, 2004

2. Policy 807 (Batch 117), approved December 16, 2004

~~If a school reports enrollment status information to the Clearinghouse, the school may deliver to the Clearinghouse for completion any request for enrollment verification received from a guarantor that participates in the Clearinghouse.~~

- ▲ ~~Schools may contact individual guarantors to determine whether each guarantor participates in the Clearinghouse. See section 1.5 for contact information.~~

~~Information on the National Student Clearinghouse may be obtained by calling (703) 742-7791, or by writing the Clearinghouse at:~~

~~National Student Clearinghouse
1050 Thomas Jefferson Street, NW
Washington, DC 20077-3437¹~~

4.9 Providing Information to Students

Federal regulations outline specific requirements for student counseling. Generally, this information is provided by a school's financial aid office.

A school must provide debt management counseling to each of its Stafford loan **borrowers**—individually or in groups—before the student's completion of study or at the time the student leaves the school. If the student withdraws without the school's knowledge, the school must attempt to provide information to the student in writing by sending it to the student's last known address.

The following information must be included in debt counseling:

- Average anticipated monthly payment amounts.
- A summary of available repayment options, including strategies for debt management designed to facilitate repayment.

For more information on the responsibilities of a financial aid office, the school may refer to [34 CFR 682.604](#) and [34 CFR 668.42](#), as well as the *Federal Student Aid Handbook*, *School Eligibility and Operations Reference*.

4.9.A Consumer Information

A school participating in any [Title IV](#) program must provide annually to all **enrolled** students—and to prospective students, upon request—consumer information concerning the school and any financial assistance available to students attending the school, along with the school's completion or graduation rate and its transfer-out rate. A school must also provide consumer information to employees and prospective employees and provide certain related reports (e.g., crime statistics reports).

The school's written student consumer information and related reports must adhere to regulatory requirements, as outlined in [Subpart D \(Institutional and Financial Assistance Information for Students\) of the Student Assistance General Provisions](#). Schools should refer to [34 CFR 668.41](#) through [668.48](#). Schools also may wish to consult other Department of Education publications, such as the *Federal Student Aid Handbook*, *School Eligibility and Operations Reference* for more information on student consumer information requirements.

Student consumer information must be made available to all currently enrolled students and prospective students. Regulations define a prospective student as an individual who has contacted an eligible school to request information about admission to the school. The information must be made available prior to the student's enrolling or entering into any financial obligation with the school. An Internet Web site may be used to provide information to prospective students; however, an *Intranet* Web site may *not* be used. For enrolled students, the information may be made available through an Internet Web site or an Intranet Web site that is reasonably accessible to the individuals to whom the information must be disclosed. [\[§668.41\]](#)

When a school participating in any Title IV program offers a potential student athlete athletically related student aid, the school must provide the potential student athlete—and his or her parents, high school coach, and guidance counselor—information on completion or graduation rates and transfer-out rates for student athletes, following the requirements of [34 CFR 668.48](#). The school also must submit the report produced to provide information to these students to the Department by July 1 of each year. Schools should refer to [34 CFR 668.41\(b\) and \(f\)](#) and [668.48](#) for

¹. Policy 807 (Batch 117), approved December 16, 2004

Chapter 9 describes servicing requirements for FFELP loans. The information presented in this chapter applies to Stafford, PLUS, and SLS loans. Where noted, provisions also apply to Consolidation loans. Other requirements specific to Consolidation loans are covered in [chapter 14](#).

Servicing requirements begin when the loan is disbursed and encompass all activities during the [in-school](#), [grace](#), and [repayment periods](#). Servicing activities include:

- Verifying the student's in-school status.
- Converting the loan to repayment.
- Establishing repayment terms.
- Applying payments, [deferments](#), and [forbearances](#) (for more information on deferment and forbearance, see [chapter 10](#)).
- Reporting transactions to the [guarantor](#).
- Reporting information about the loan to a [national credit bureau](#) (see [subsection 3.5.C](#)).
- Performing collection [due diligence](#) (see [section 11.2](#)).
- Responding to [borrower](#) or [endorser](#) inquiries within 30 days of receiving the inquiry.
[§682.208(c)(1)]

The procedures the lender develops and the resources it devotes to servicing its loans and complying with the due diligence requirements specified in [chapter 11](#) will be the largest single commitment the lender makes to the proper administration of FFELP loans. Many lenders contract with [third-party servicers](#) to perform servicing functions required for FFELP loans. The use of a reliable servicer can be an effective way for the lender to standardize procedures, facilitate growth, minimize costs, and ensure its loans are administered in full compliance with federal laws and regulations, and guarantor policies and procedures. For more information on lender and servicer requirements, see [chapter 3](#).

9.1 Verifying Enrollment

During the [in-school](#), [grace](#), and [in-school deferment periods](#), [guarantors](#) and the Department, via the National Student Loan Data System (NSLDS), monitor the enrollment status of the borrower, or the student on whose behalf a [parent](#) has borrowed a PLUS loan, to determine whether the student maintains continuous enrollment on at least a half-time basis. As a result, [schools](#) are required to supply enrollment information to the NSLDS or to [guarantors](#), [lenders](#), [holders](#), or their [servicers](#), as applicable.

To monitor a student's enrollment, the guarantor or the NSLDS obtains enrollment information from the school. This enrollment verification is facilitated through the [Enrollment Reporting](#) process, as outlined in [section 4.8](#). Schools that have received a letter from the Department confirming successful submission of an enrollment Roster File to the NSLDS are exempt from the requirement to provide enrollment Roster Files directly to guarantors. The NSLDS forwards to guarantors, and in some cases lenders, the information received from the Enrollment Reporting process and each guarantor forwards it to lenders, holders, and/or servicers, as appropriate.

The guarantor notifies the lender of changes in the student's enrollment status as reported to the guarantor by any of the following:

- The student's school through the Enrollment Reporting process or another approved mechanism such as a third-party servicer ~~the National Student Clearinghouse~~.¹
- Another [lender](#) holding a loan for the same [borrower](#).
- A new loan certification record for a repeat borrower.
- The borrower (these status changes must be verified by the school as outlined in [subsection 9.1.A](#)).

Some guarantors have additional requirements regarding enrollment status updates from borrowers. These requirements are noted in [appendix C](#).

The lender must document, in the borrower's file or the servicing history of the loan, both the receipt of any enrollment change information obtained from the [guarantor](#)

¹. Policy 807 (Batch 117), approved December 16, 2004

The lender should determine a borrower's deferment eligibility, based on borrower information contained in the lender's records and any information provided by the borrower, before approving a deferment for that borrower. The lender may rely on the borrower's certification, as evidenced by the borrower's signature on the deferment form or other documentation or certification provided by the borrower, that he or she meets the deferment eligibility criteria. If the lender is aware of any conflicting information related to the borrower's deferment eligibility, the lender must resolve the discrepancy before approving or denying the deferment.

If, after approving the deferment, the lender receives information indicating that the borrower did not qualify for all or a portion of the deferment, the portion of the deferment for which the borrower did not qualify must be canceled. The lender must make any necessary interest adjustments to the borrower's account. The lender may grant an [administrative forbearance](#) to cover past due payments resulting from the cancellation of all or part of the deferment. See [section 10.19](#) for information regarding the application of an administrative forbearance.

10.1.B Documentation Required for Authorized Deferment

A [lender](#) may accept a [borrower's verbal request](#) for [deferment](#). However, the lender may not grant the deferment until it receives the required [documentation](#). The lender must document a borrower's request (except for an in-school deferment) and eligibility for a deferment and retain the documentation as required under [subsection 3.4.A](#).

The common deferment forms are used widely for obtaining the signatures and information necessary to grant deferments (the form applicable to each deferment type is provided in the subsection entitled "Deferment Documentation" in [sections 10.2 to 10.17](#)). However, the lender is encouraged to be flexible in accepting information that would support a borrower's deferment entitlement. The lender may use combinations of verbal requests and supporting documentation from an appropriate source (e.g., the borrower, [school](#), [guarantor](#), [third-party servicer](#), [National Student Clearinghouse](#), or National Student Loan Data System [NSLDS])—provided the documentation supplies sufficient information to ensure that the borrower meets all eligibility criteria.¹

10.1.C Deferment Length

All deferments begin on the date the condition entitling the borrower to the deferment first existed, as determined by the lender, except an initial unemployment deferment that is based on a borrower's self-certification (see [subsection 10.16.A](#)).

An authorized deferment period ends on the earliest of the following dates:

- The date the condition establishing a borrower's eligibility for the deferment ends.
- The date the borrower has used the maximum amount of time allowed for that type of deferment.
- The expiration of the period covered by the required [certification](#).
- In the case of an in-school deferment, the student's [anticipated graduation date \(AGD\)](#) certified by an authorized official of the school and updated by notice to the lender from the [school](#) or guarantor. For more information on in-school deferments, see [section 10.5](#). [[§682.210\(a\)\(6\)](#)]

10.1.D Payment of Interest during Deferment

If a subsidized Stafford loan, Consolidation loan, or any portion of a Consolidation loan is eligible for [federal interest benefits](#), the borrower is not responsible for paying the [interest](#) that accrues on the loan or subsidized portion of the loan during eligible deferment periods and [post-deferment grace periods](#). If the borrower is not entitled to [interest benefits](#), the borrower is responsible for paying interest that accrues during periods of deferment and making arrangements with the lender to pay the interest in installments or to have it capitalized (see [subsection 9.9.D](#)).

¹. Policy 807 (Batch 117), approved December 16, 2004

10.19.F**Delinquency before a Deferment or Certain Forbearances**

A lender may process an administrative forbearance to resolve an outstanding delinquency that precedes any of the events listed below. The forbearance may be granted from the date on which the borrower's delinquency began and may be extended through the day before the first date on which the borrower is eligible for:

- A deferment.
- An administrative forbearance granted ~~for~~ due to a military mobilization, a local or national emergency, or a natural disaster (see subsection 10.19.K).
- A mandatory administrative forbearance granted ~~for~~ due to exceptional circumstances—a military mobilization, a local or national emergency, or a designated disaster area (see subsection 10.21.B).

[§682.211(f)(2); §682.211(f)(11); §682.211(i)(2)]¹

10.19.G**Delinquency after a Deferment or Mandatory Forbearance**

A lender may grant an [administrative forbearance](#) for a period of delinquency that may remain after a borrower ends a period of [deferment](#) or mandatory forbearance. The administrative forbearance may be applied to resolve any [delinquency](#) that exists on the date the deferment or mandatory forbearance ends, regardless of when the delinquency originally occurred, and may be extended until the date the borrower's next payment is due. For example, if the lender properly grants a borrower's request for a deferment or mandatory forbearance where the end date is in the past or if the borrower will still have a period of delinquency at the conclusion of a deferment or mandatory forbearance, a lender may process an administrative forbearance to resolve the outstanding delinquency. The lender may apply the administrative forbearance concurrently with the application of the deferment or mandatory forbearance and need not wait until the deferment or mandatory forbearance ends before applying the administrative forbearance.

[§682.211(f)(9)]

10.19.H**Documentation Collection and Processing**

The lender may grant a forbearance for a period not to exceed 60 days if the lender determines it is warranted in order to collect and process supporting documentation following a borrower's request for a deferment, forbearance, change in repayment plan, or loan consolidation. A new administrative forbearance period for each occurrence may be granted by the lender. The lender must document the reasons for granting each forbearance in the borrower's loan history.

[§682.211(f)(10)]

The lender must not capitalize [interest](#) accrued during this period of administrative forbearance unless it receives documentation or information that results in the granting of a deferment or other forbearance type that would be concurrent with this period in which case [capitalization](#) is permitted.

[HEA 428(c)(3)(D); HEA 428H(e)(7)]

10.19.I**Late Notification of Out-of-School Dates**

If the lender receives information that the borrower's loan has entered or reentered repayment, and the information is received after the date on which the [repayment period](#) began, the lender must treat the loan as though it were in forbearance. The forbearance extends from the first date of the repayment period through the date on which the first or next payment on the loan is scheduled to be due.

[§682.211(f)(3)]

10.19.J**Loan Sale or Transfer**

The lender may grant the borrower a forbearance for a period of [delinquency](#) existing at the time the loan is sold or transferred, if the borrower or [endorser](#) is less than 60 days delinquent on the loan at the time of the loan sale or transfer.

[§682.211(f)(8)]

¹ Policy 808 (Batch 117), approved December 16, 2004

diligence requirements, such as sending letters or notices and requesting [default aversion assistance](#) in a timely manner.

If a [loan](#) is delinquent and the borrower's or [endorser's](#) address is unknown, a lender must perform [skip tracing](#) activities (as described in [section 11.7](#)) instead of normal collection activities for the individual whose address is unknown. Due diligence activities must continue for the individual whose address is known. If the lender initiates and exhausts its efforts to locate the borrower or endorser before the beginning of the borrower's or endorser's delinquency, a loan becomes delinquent, the lender is not required to initiate new skip tracing activities unless a new address is obtained and the borrower or endorser subsequently becomes a "skip" before the date on which the [final demand](#) letter is mailed. The lender must submit another request for default aversion assistance if the borrower's loan again ages below the level at which default aversion assistance is required by the [guarantor](#) (see [section 11.5](#)).

[DCL 96-L-186/96-G-287, Q&As #59 and #60]

Interest-Only Payments and Reduced-Payment Forbearances

For loans on which payments of interest are due, a lender may schedule a borrower for interest-only payments—if the borrower requests such payments—during in-school and [grace periods](#), during [deferment](#), and during [forbearance](#) for periods of required medical or dental internship. If a borrower fails to make scheduled interest-only payments, the only activities required of lenders for the period during which an interest-only payment is delinquent are those outlined in [subsection 9.10.C](#).

[§682.202(b)(5)]

If the borrower fails to make interest-only payments as scheduled and his or her address is not valid, the lender need not send the notice that is otherwise required, but may capitalize the delinquent interest (see [subsection 10.18.I](#) for information regarding the required notice).

A lender may file a [default claim](#) solely on the basis of delinquent interest-only payments only if the payments are the result of an income-sensitive repayment schedule or a reduced-payment forbearance (see [subsection 12.6.A](#)).

A lender also may schedule a borrower or endorser for a reduced-payment forbearance. Under this agreement, a borrower's or endorser's scheduled payment amount is temporarily reduced for a time period specified in the forbearance agreement. If a borrower or endorser fails to fulfill his or her agreement to make the reduced payments,

the lender must comply with the terms of the forbearance agreement and, if included in the terms of the agreement, perform collection activities and file a claim as applicable.

Collection activities performed in accordance with a reduced-payment forbearance agreement must require payment based on the reduced-payment amount due during the forbearance period. If the ~~borrower or endorser loan~~ remains delinquent at the expiration of the reduced-payment forbearance, any collection activities that follow must be based on the applicable monthly payment amounts.¹

11.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations

If a [lender](#) has a valid address and telephone number for a [borrower](#) with a monthly repayment obligation, the lender must perform—at a minimum—the following [due diligence](#) activities within the noted time frames. In at least one of the collection activities, the lender must inform the borrower of the availability of the Department's Student Loan Ombudsman's office (see [appendix D](#)).

[§682.411(b)(3)]

In all cases, the lender must ensure that no gap in collection activity of ~~46 days or more~~ greater than 45 days (~~61–60 days~~ in the case of a loan sale or transfer) occurs through the 270th day of delinquency ~~exists~~. See [subsection 13.1.D](#) for a definition of what constitutes a gap in collection activity and information on violations due to gaps in collection activity.

[§682.411(b)(2); §682, Appendix D]²

If the borrower's address or telephone number is unknown, the lender must follow the skip tracing requirements described in [sections 11.7](#) and [11.8](#).

1–15 days delinquent

The lender must send the borrower at least one written notice or collection letter informing the borrower of the [delinquency](#) and urging the borrower to make payments sufficient to eliminate the delinquency. The notice or collection letter sent during this period must include, at a minimum, lender/[servicer](#) contact information and a telephone number (e.g., the name and telephone number of the customer service department). It also must include a prominent statement informing the borrower that assistance

1. Policy 809 (Batch 117), approved December 16, 2004

2. Policy 801 (Batch 115), approved August 19, 2004

A lender is not considered to be exercising reasonable care and [due diligence](#) if it mails a series of letters or notices to the address at which it has determined that the borrower no longer resides. Although sending a collection letter to the borrower in care of the references—or to the borrower at the reference’s address—may be an effective due diligence technique, such an action does not meet the [Department’s](#) definition of a skip tracing activity. A letter sent to the borrower in care of the reference—or to another person such as a comaker or endorser—may not be substituted for a required attempt to directly contact the borrower by telephone or to satisfy a requirement to send a letter to the borrower.

If a lender obtains a valid address for a borrower on or before the 240th day of delinquency (the 300th day for loans payable in installments that are less frequent than monthly), it must resume the appropriate due diligence activities (see [subsections 11.4.A](#) and [11.4.B](#)). If, after determining the borrower’s valid address, the lender still does not have a valid telephone number for the borrower, telephone skip tracing should be performed (see [section 11.8](#)).

[§682.411(g); §682.411(h)(3)]

11.7.D Endorser Address Skip Tracing Requirements

If a lender determines that it does not know the current address for ~~a delinquent~~ the endorser of a delinquent loan, the lender must diligently attempt to locate the endorser through the use of [effective commercial skip tracing](#) techniques. This effort must include an inquiry to directory assistance or a comparable service. If the lender determines that the endorser’s address is invalid after it mails the [final demand](#) letter, [skip tracing](#) activities are not required.

[§682.411(n)(3)]

The lender is strongly encouraged to initiate skip tracing activities on the endorser if the endorser’s address becomes invalid during any period when the ~~endorser~~ endorser loan is not delinquent.

[DCL 96-L-186/96-G-287, Q&As #59 and #60]¹

11.7.E Address Skip Tracing Exceptions

The lender is not required to perform skip tracing activities if either of the following criteria applies:

- The lender determines that the address is invalid after it has mailed a timely final demand letter.
- The borrower’s loan becomes 241 days or more delinquent (301 days or more delinquent for loans payable in installments less frequently than monthly) as a result of the reversal of a payment, provided a timely final demand letter has previously been mailed.

If the lender learns that a reference on a loan record in the borrower’s file does not know the borrower’s current whereabouts and does not anticipate contact with the borrower in the future, or is not acquainted with the borrower, the lender must note this information in the loan’s servicing history. The lender is not required to contact that reference again in the course of subsequent skip tracing efforts, unless the lender has reason to believe that the earlier response was erroneous or that the reference now has valid or complete borrower information. If a lender determines that a reference should no longer be contacted, but the lender is required to perform telephone skip tracing activities on the same borrower at a later date, the lender is strongly encouraged to contact a different reference identified in the borrower’s file, if one is available.

During the performance of address skip tracing activities, the lender must continue to make diligent efforts to contact the borrower by telephone. The lender may cease making such calls only if it determines that the borrower’s telephone number is invalid, in which case the lender must also perform telephone skip tracing (see [section 11.8](#)).

¹ Policy 809 (Batch 117), approved December 16, 2004

11.8.A Telephone Skip Tracing Activities

If a **lender** discovers that it does not have a valid telephone number for a delinquent **borrower**, the lender must attempt to obtain the borrower's number using all available resources, including the following:

- Inquiring of directory assistance or a comparable service to obtain the borrower's telephone number.
- Sending a letter or making a **diligent effort** (one contact or two unsuccessful attempts) to contact by telephone each **comaker**, **endorser**, reference, relative, or individual identified on the most recent loan record or school certification for that borrower.
- Contacting, either in writing or by telephone, the school identified on the most recent school certification. This contact should be with the **financial aid administrator** or other school official who may reasonably be expected to know the borrower's telephone number or address.

[§682.411(m)(1)(iii)]

11.8.B Endorser Telephone Skip Tracing Requirements

If a lender determines that it does not know the current telephone number for ~~a delinquent~~ the endorser of a delinquent loan, the lender must diligently attempt to locate the endorser through the use of **effective commercial skip tracing techniques**. This effort must include an inquiry to directory assistance or a comparable service. If the lender determines that the endorser's telephone number is incorrect after it sends the **final demand** letter, **skip tracing** activities are not required.¹

11.9 Resuming Loan Servicing after Claim Return

If a guarantor returns a claim to a lender for a reason other than inadequate documentation or loss of guarantee, the lender must resume servicing activities on the loan from the point of delinquency, if any, at which it ceased performing **due diligence**. The lender must ensure that all due diligence activities are performed accurately and timely, and that no **gaps** of 46 days or more occur.

The lender may not capitalize the interest accrued between the date the claim was inadvertently filed and the date it was subsequently returned, unless it obtains written authorization from the borrower. Guarantors recommend that a lender attempt to obtain authorization in the form of a **forbearance agreement** that enables the lender to capitalize all accrued interest and bring the loan current.

¹. Policy 809 (Batch 117), approved December 16, 2004

EFT: See [Electronic Funds Transfer](#)

Electronic Funds Transfer: (EFT) The electronic transfer of Stafford or PLUS loan proceeds from the lender to an account at the school or the school's financial institution. See [subsection 7.7.D](#).

Electronic Signature: Information in electronic format that is attached to or logically associated with an electronic record and used by a person with the intent to sign the electronic record.

Eligibility Letter: A term used to describe the materials the Department's Institutional Participation Division sends to a school that has received federal approval for participation in the Title IV programs. The "letter" includes an Approval Notice and a copy of the school's Program Participation Agreement (PPA).

Eligible Borrower: A borrower or potential borrower who meets federal eligibility criteria for a Federal Stafford loan or, in the case of a parent borrower, a Federal PLUS loan. See [sections 5.1](#) and [5.2](#) for specific criteria.

Eligible Student: A student who meets federal student eligibility criteria. See [subsection 5.1.B](#) for specific criteria.

Emergency Action: A special action taken by the guarantor or the Department to temporarily immediately suspend a school, lender, or servicer from participation in the guarantor's programs prior to the initiation of formal Limitation, Suspension, and Termination procedures. See [subsection 17.1.D](#).

Endorser: A signer of a promissory note who is secondarily liable for a loan obligation, i.e., who agrees to pay if the borrower does not. A lender may require a PLUS borrower with adverse credit to obtain a creditworthy endorser in order to receive the loan.

Enrolled: The status of a student who has met either of the following requirements:

- Completed the registration requirements (except for the payment of tuition and fees) at the school the student is attending.
- Been admitted into an educational program offered predominantly by correspondence and has submitted one lesson, completed by the student after acceptance for enrollment and without the help of a representative of the school.

Enrollment Reporting: The method by which schools confirm and report to the National Student Loan Data System (NSLDS) the enrollment status of attending students who receive Title IV loans. This process was formerly known as the Student Status Confirmation Report (SSCR).

Entity: For purposes of this manual, any organization, institution, government agency, nonprofit corporation, or other group that participates in federal student financial aid programs.

Entrance Counseling (or Entrance Interview): See [Debt-Management Counseling](#)

Escrow Agent: A guarantor or other eligible lender that receives the proceeds of a FFELP loan as an agent of an eligible lender for the purpose of transmitting those proceeds to the borrower or the borrower's school.

Estimated Financial Assistance: (EFA) The school's estimate of the amount of financial assistance from federal, state, institutional, or other sources that a student (or parent on behalf of a student) will receive for a period of enrollment. This may include veterans' and national service awards and benefits (except when determining eligibility for a subsidized Stafford Loan), scholarships, grants, financial need-based employment, or loans. EFA does not include Federal Perkins Loans or Federal Work-Study funds that the student has declined or certain loans used to replace the expected family contribution. See [section 6.7](#).

Exceptional Performer: A designation conferred upon a qualified lender, servicer, or guarantor by the Department of Education for an exceptional level of performance in servicing FFELP loans, if the lender, servicer, or guarantor requests such status and meets all statutory and regulatory requirements. See [section 3.9](#) for more information.¹

Excess Interest Rebate: See [Windfall Profits](#)

Exit Counseling (or Exit Interview): See [Debt-Management Counseling](#)

Expected Family Contribution: (EFC) The amount a student and the student's spouse or family are expected to pay toward the student's cost of attendance. The [Federal Need Analysis Methodology](#) must be used to calculate the EFC. See [section 6.6](#).

¹. Policy 810 (Batch 117), approved December 16, 2004