

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
950	School as Lender	<p><u>3.2 Schools Acting as Lenders</u> <u>3.8.A Annual Compliance Audits</u></p> <p>Revised policy clarifies that a school lender makes loans only to students enrolled at that school; that the proceeds used for need-based grants exclude reimbursement of reasonable and direct administrative expenses which do not include costs associated with securing financing, offering reduced origination fees, reduced interest rates to borrowers, or reduced default fees; and that the annual lender compliance audit is required for any fiscal year beginning on or after July 1, 2006.</p>	Federal	<p>In order for a school to participate as a lender, the school must have met eligibility criteria as of February 7, 2006, and must have made a FFELP loan(s) on or before April 1, 2006.</p> <p>On or after July 1, 2006, existing school lenders must meet specific requirements.</p>
951	Eligible Lender Trustee Relationships	<p><u>3.2 Schools Acting as Lenders</u></p> <p>Revised policy adds a new subheading and text that addresses new and existing eligible lender trust (ELT) relationships with a school lender or an organization affiliated with the school.</p>	Federal	<p>Requirements regarding an eligible lender making or holding a FFELP loan as a trustee for a school or for an organization affiliated with a school are effective September 30, 2006.</p> <p>For loans disbursed on or after January 1, 2007, the lender, school, and school-affiliated organization involved in an existing Eligible Lender Trustee relationship must meet applicable school-as-lender requirements</p>
952	Telecommunications Program of Study	<p><u>5.12.A Telecommunications Program of Study</u> <u>appendix G</u></p> <p>Revised policy provides information regarding an exception to the accreditation requirements for certain distance education programs, clarifies the use of telecommunications technologies in a foreign school program for the purposes of Title IV eligibility, and modifies the definition of "telecommunications course."</p>	Federal	Loans disbursed on or after September 8, 2006.
953	Defining an Academic Year	<p><u>Section 6.1 Defining an Academic Year</u> <u>Figure 6-2 Frequency of Stafford Annual Loan Limits</u></p>	Federal	Publication date of the 2005-2006 <i>Federal Student Financial Aid Handbook</i> , unless implemented earlier by

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
		Revised policy states that only <i>standard</i> term-based, credit-hour programs may use a scheduled academic year to determine the frequency of annual loan limits, and clarifies the effect of grade level progression in the middle of the academic year.		the school.
954	Stafford Annual Loan Limits for Transfer Students	<p><u>6.1 Defining an Academic Year</u> <u>6.11.A Stafford Annual Loan Limits</u></p> <p>Revised policy clarifies that the remaining loan eligibility for a transfer student is based on the student's current grade level classification <i>minus</i> the loan amount the student has already received for that academic year.</p>	Federal	Publication date of the 2005-2006 <i>Federal Student Financial Aid Handbook</i> , unless implemented earlier by the school.
955	Stafford Loan Limits	<p><u>6.11.A Stafford Annual Loan Limits</u> <u>Figure 6-4 Stafford Undergraduate Loan Limits</u></p> <p>Revised policy updates the manual with the annual Stafford loan limits that become effective for loans first disbursed on or after July 1, 2007 with loan periods that include July 1, 2007 or later dates.</p>	Federal	Loans first disbursed on or after July 1, 2007 with loan periods that include July 1, 2007 or later dates.
956	Total Permanent Disability Discharges for Comakers and Endorsers	<p><u>11.1.A General Deferment Eligibility Criteria</u> <u>11.19 Forbearance</u> <u>11.19.F Forbearance of Delinquent Loans</u> <u>11.19.G Forbearance of Defaulted Loans</u> <u>11.19.H Borrower Contact during Forbearance</u> <u>11.19.I Establishing Repayment after Forbearance</u> <u>Figure 11-2</u> <u>13.8.F Total and Permanent Disability</u></p> <p>Revised policy specifies when a comaker or endorser may be eligible for TPD discharge of a portion of the loan or of his or her obligation to repay the loan, that the lender retains the loan rather than assigning it to the Department as part of the</p>	Federal	Total and permanent disability discharge requests received by a lender on or after July 1, 2007, unless implemented earlier by the guarantor.

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
		discharge claim process, how the lender should service the loan until an eligibility determination is final, and how the loan balance may be affected by the comaker's or endorser's final discharge.		
957	Discharging Underlying Loans of a Consolidation Loan	<p><u>13.8 Discharge</u></p> <p>Revised policy requires a lender to file a request for partial discharge of a Consolidation loan with the guarantor of the Consolidation loan when an underlying loan of a Consolidation loan is eligible for discharge due to closed school, death, disability, false certification, unpaid refund, or other discharge type.</p>	Federal	Partial discharge requests filed by a lender on or after July 1, 2007, unless implemented earlier by the guarantor.
958	Recapture of Excess Interest	<p><u>A.2 Special Allowance</u></p> <p>Revised policy requires lenders to remit excess interest to the Department on any loan, first disbursed on or after April 1, 2006, for any quarter in which the applicable interest rate on the loan exceeds the defined special allowance support level.</p>	Federal	Effective for quarterly lender reporting and payment of excess interest on FFELP loans first disbursed on or after April 1, 2006.
959	Special Allowance	<p><u>A.2 Special Allowance</u> <u>Figure A-3 LaRS Special Allowance and Interest Reporting for FFELP Loans</u></p> <p>Revised policy states that PLUS loans first disbursed on or after January 1, 2000, for any period prior to April 1, 2006, are only eligible for special allowance if the loan is accruing at the cap and the interest rate calculated prior to applying the cap exceeds the maximum interest rate for the loan.</p> <p>Revised policy also updates Figure A-3 with the applicable changes.</p>	Federal	Special allowance payments made on or after April 1, 2006.

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
960	Excess Interest Calculation	<p><u>A.2.A Special Allowance Rates</u></p> <p>Revised policy includes formulas and explanations of the calculation of excess interest to be remitted to the Department by a lender.</p>	Federal	Effective for the quarterly calculation of excess interest to be remitted by lenders on FFELP loans first disbursed on or after April 1, 2006.
961	Waiver for Deferment-Active Duty and Military	<p><u>H.4 Statutory and Regulatory Waivers</u> <u>Figure H-2</u></p> <p>Revised policy reflects waivers that are applicable to borrowers who have loans deferred by the Armed Forces deferment and the Military deferment.</p>	Federal	Military deferment waivers granted on or after July 1, 2006.
962	Partial Discharge of a Consolidation Loan	<p><u>15.5.F Delinquency, Default, and Claim Filing</u></p> <p>Revised policy acknowledges that in certain cases, a portion of a Consolidation loan may be discharged based on the total and permanent disability of one of the co-borrowers. Revised policy is also amended to provide information and cross-references to appropriate text regarding the circumstances under which other partial loan discharge or loan forgiveness may apply to the Consolidation loan.</p>	Correction	<p>Closed school and false certification provisions retroactive to the implementation of the <i>Common Manual</i>.</p> <p>Teacher loan forgiveness provisions for Consolidation loans comprised solely of loans first disbursed on or after October 1, 1998.</p> <p>Death discharge provisions effective July 1, 2003.</p> <p>Discharges due to the total and permanent disability of one comaker for claims filed by the lender on or after August 1, 2006.</p>

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 28, 2007

X	DRAFT	Comments Due	Mar 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: School as Lender

AFFECTED SECTIONS: 3.2 Schools Acting as Lenders
3.8.A Annual Compliance Audits

POLICY INFORMATION: 950/Batch 141

EFFECTIVE DATE/TRIGGER EVENT: In order for a school to participate as a lender, the school must have met eligibility criteria as of February 7, 2006, and must have made a FFELP loan(s) on or before April 1, 2006.

On or after July 1, 2006, existing school lenders must meet specific requirements.

BASIS:

Preamble to the *Federal Register* dated November 1, 2006, pages 64390-64391.

CURRENT POLICY:

Current policy requires an eligible school lender to comply with all of the following requirements:

- The school may make Stafford loans, subsidized or unsubsidized, only to graduate and professional students.
- The school must employ at least one person to administer financial aid programs at the school.
- The school must offer origination fees or interest rates, or both, that are less than the statutory maximums for those fees or rates for any loan first disbursed on or after July 1, 2006.
- The school must ensure that the proceeds from special allowance and interest payments and from the sale or other disposition of its FFELP loans are used to supplement non-federal funds that the school otherwise would use for need-based grants.
- The school must not be a home-study school.
- The school's cohort default rate may not exceed 10% for each of the three most recent fiscal years for which data are available.
- The school must award any contract for financing, servicing, or administering its FFELP loans on a competitive basis.
- The school must submit to the Department of Education an annual lender compliance audit of its lender function for any year in which it engages in any activities as a FFELP lender.

REVISED POLICY:

Revised policy clarifies language within these requirements to specify that the school lender makes loans only to students enrolled at that school; that the proceeds used for need-based grants exclude reimbursement of reasonable and direct administrative expenses which do not include costs associated with securing financing, offering reduced origination fees, reduced interest rates to borrowers, or reduced default fees; and that the annual lender compliance audit is required for any fiscal year beginning on or after July 1, 2006.

In addition, revised policy has added a paragraph to subsection 3.8.A, Annual Compliance Audits stating that beginning on or after July 1, 2006, a school lender must submit an annual compliance audit on its FFELP lending activities.

REASON FOR CHANGE:

This change is made to comply with the statutory changes derived from the Preamble to the *Federal Register* dated November 1, 2006.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise section 3.2, page 2, column 1, paragraph 2, as follows:

3.2

Schools Acting as Lenders

An eligible school may act as a lender under the Federal Stafford Loan Program if it met all eligibility requirements applicable as of February 7, 2006, and made its first loan under the FFELP on or before April 1, 2006. In addition, in order to continue to participate, the eligible school must meet all of the following criteria:

- The school makes only loans to students enrolled at the school.
[HEA 435(d)(2)(A)(iii)(II); §682.601(a)(3)(iii)]
- The school makes only subsidized and unsubsidized Stafford loans.
[HEA 435(d)(2)(A)(iii)(II); §682.601(a)(3)(i)]
- The school makes loans only to graduate and professional students.
[HEA 435(d)(2)(A)(iii)(I) and (III); §682.601(a)(3)(ii)]
- The school must employ at least one person whose full-time responsibilities are limited to the administration of the school's financial aid programs for students attending that school.
[HEA 435(d)(2)(A)(i); §682.601(a)(1)]
- The school offers origination fees or interest rates, or both, that are less than the statutory maximums for those fees or rates.
[HEA 435(d)(2)(A)(v); §682.601(a)(5)]
- The school uses the proceeds from its interest benefits and special allowance payments from the Department and from interest payments from its borrowers, as well as the proceeds from the sale or other disposition of its loans, for need-based grant programs, except for reimbursement of reasonable and direct administrative expenses. Administrative expenses do not include costs associated with securing financing or offering reduced origination fees, interest rates, or default fees to the school's borrowers. The school must demonstrate that funds for need-based grants are used to supplement, rather than to supplant, the non-federal funds the school would otherwise use for need-based grants.
[HEA 435(d)(2)(A)(viii); HEA 435(d)(2)(c); §682.601(a)(~~7~~8); (b)(9) and (c)]
- The school is not a home study school.
[HEA 435(d)(2)(A)(ii); §682.601(a)(2)]
- The school has not had cohort default rates that exceed 10% for each of the two most recent fiscal years—unless it has received a waiver on this restriction from the Department.
[HEA 435(d)(2)(A)(vi); §682.601(a)(6)]
- The school awards any contract for financing, servicing, or administration of its FFELP loans on a competitive basis.
[HEA 435(d)(2)(A)(iv); 682.601(a)(4)]
- The school submits to the Department an annual lender compliance audit for any fiscal year beginning on or after July 1, 2006, in which the school engages in activities as an eligible lender. This requirement applies regardless of the size of the school's loan portfolio or annual loan volume. (See subsection 3.8.A for more information regarding the annual compliance audit.)
[HEA 435(d)(2)(A)(vii); §682.601(a)(7)]

Revise section 3.8.A, page 18, column 1, adding new paragraph 5, as follows:

3.8.A
Annual Compliance Audits

...

...

For any fiscal year beginning on or after July 1, 2006, a school lender must submit an annual compliance audit that includes its FFELP lending activities regardless of the size of the school's loan portfolio or annual loan volume. A school lender subject to the Single Audit Act is required to include its FFELP lending activities in the annual audit and to include information on those activities in the audit report, whether or not the lending activities or the student financial aid programs are considered a "major program" under the Single Audit Act. Other school lenders must arrange for a separate audit of their lending activities using the Lender Audit Guide.

[HEA 435(d)(2)(A)(vii); §682.601(a)(7)]

PROPOSED LANGUAGE - COMMON BULLETIN:

School as Lender Changes

The *Common Manual* has been revised to incorporate regulatory clarifications from the Preamble to the *Federal Register* dated November 1, 2006, regarding the eligibility requirements for School as Lender.

Revised policy clarifies that:

- The school lender must make loans only to students enrolled at that school.
- The proceeds used for need-based grants exclude the amount necessary for reimbursement of reasonable and direct administrative expenses and that the definition of administrative expenses does not include the costs associated with securing financing, offering reduced origination fees, interest rates, or default fees to borrowers.
- The annual lender compliance audit of the school's FFELP portfolio is required for any year beginning on or after July 1, 2006.

In addition, revised policy adds a paragraph to subsection 3.8.A, Annual Compliance Audits, stating that beginning on or after July 1, 2006, a school lender must submit an annual compliance audit that includes its FFELP lending activities regardless of the size of the school's loan portfolio or annual loan volume includes information on required annual compliance audits for Schools as Lenders.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

Graduate and professional student borrowers will be eligible for Stafford Loans offered by their school if it is an existing School Lender. Need-based grant aid at schools acting as FFELP lenders may increase.

School:

A school will not include costs associated with securing financing or offering reduced origination fees, interest rates, or default fees to the school's borrowers for reimbursement of reasonable and direct administrative expenses. A school must demonstrate that funds for need-based grants are used to supplement, rather than to supplant, the non-federal funds the school would otherwise use for need-based grants. A school acting as a lender must schedule and have performed an annual lender compliance audit of its administration of the FFELP, regardless of its loan volume.

Lender/Servicer:

None.

Guarantor:

Guarantors may be required to amend program review parameters.

U.S. Department of Education:

The Department may be required to amend its program review parameters. The Department may be required to update the A-133 report for use by schools acting as lenders or may be required to track receipt and its own review of the annual compliance reviews submitted by schools.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

October 17, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

om/edited-rb

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 28, 2007

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	FINAL	Consider at GB meeting	
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SUBJECT: Eligible Lender Trustee Relationships

AFFECTED SECTIONS: 3.2 Schools Acting as Lenders

POLICY INFORMATION: 951/Batch 141

EFFECTIVE DATE/TRIGGER EVENT: Requirements regarding an eligible lender making or holding a FFELP loan as a trustee for a school or for an organization affiliated with a school are effective September 30, 2006.

For loans disbursed on or after January 1, 2007, the lender, school, and school-affiliated organization involved in an existing Eligible Lender Trustee relationship must meet applicable school-as-lender requirements.

BASIS:

Dear Colleague Letter GEN-06-21.

CURRENT POLICY:

Current policy does not address Eligible Lender Trustee (ELT) Relationships.

REVISED POLICY:

Revised policy adds a new subheading and text in subsection 3.2 that addresses new regulatory mandates regarding new and existing ELT relationships.

- Effective September 30, 2006, an eligible lender may not enter into a new relationship to make or hold a FFELP loan as a trustee for a school or for an organization affiliated with a school.
- If an ELT relationship was established prior to September 30, 2006, it may continue as long as the relationship remains in effect after September 30, 2006 and the ELT held at least one loan on behalf of the school as of that date.
- Effective January 1, 2007, a school involved in an ELT relationship must meet the eligibility requirements applicable to a school-as-lender, with the exception of the requirement to award servicing contracts on a competitive basis.
- A school-affiliated organization involved in an ELT relationship must meet the same eligibility requirements as a school involved in an ELT relationship, except that the school-affiliated organization does not have the requirements regarding cohort default rates, the prohibition against being a home school, or the employment of at least one person whose responsibilities are limited to the administration of its financial aid programs.
- A lender involved in an ELT relationship must meet the same eligibility requirements as a school involved in an ELT relationship, except that the lender does not have the requirements regarding cohort default rates, the prohibition against being a home school, or the employment of at least one person whose responsibilities are limited to the administration of its financial aid programs, nor is the lender required to use loan proceeds for need-based grants.

REASON FOR CHANGE:

This change is made to comply with the changes outlined in *Dear Colleague Letter* GEN-06-21.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise section 3.2, page 2, column 2, adding new subheading and text as follows:

3.2

Schools Acting As Lenders**School As Lender and ELT Relationships**

Special rules apply for a school that acts as a lender or for any party in an Eligible Lender Trustee (ELT) relationship.

Schools Acting as Lenders

- . . .
- . . .
- The school submits to the Department an annual lender compliance audit in which the school engages in activities as an eligible lender. This requirement applies regardless of the size of the school's loan portfolio or annual loan volume. (See subsection 3.8.A for more information regarding the annual compliance audit.) [HEA 435(d)(2)(A)(vii)]

Eligible Lender Trustee (ELT) Relationships

Effective September 30, 2006, a school may not enter into a new relationship with an eligible lender to make and/or hold a FFELP loan as a trustee for the school or for an organization affiliated with the school, also known as an Eligible Lender Trustee relationship. ELT relationships established prior to September 30, 2006, may continue as long as the relationship remains in effect after September 30, 2006, and the ELT held at least one loan in trust on behalf of the school or organization as of that date.

Effective January 1, 2007, all parties involved in an ELT relationship must meet the following eligibility requirements:

- A school directly involved in, or affiliated with an organization directly involved in an ELT relationship:
 - Must employ at least one person whose full-time responsibilities are limited to the administration of the school's financial aid programs for students attending that school.
 - Must not be a home study school.
 - Must have a cohort default rate of 10% or less.
 - May only lend to its own students.
 - May make only Stafford loans to graduate or professional students.
 - Must offer origination fees and/or interest rates that are lower than the maximum rates provided in the HEA.
 - Must use the proceeds from interest payments from borrowers, interest subsidy and special allowance payments, and proceeds from the sale or other disposition of the loans made or held in trust for need-based grants.
 - Must ensure that ELT loans are included in the school's annual compliance audit.
- An "organization affiliated with the school" is defined as any organization that is directly or indirectly connected to the school, including, but not limited to, an alumni association, athletics organization, or social, academic or professional organizations. An organization affiliated with the school and involved in an ELT relationship:
 - May only lend to students attending the school with which it is affiliated.

- May make only Stafford loans to graduate or professional students.
- Must offer origination fees and/or interest rates that are lower than the maximum rates provided in the HEA.
- Must use the proceeds from interest payments from borrowers, interest subsidy and special allowance payments, and proceeds from the sale or other disposition of the loans made or held in trust for need-based grants.
- Must ensure that ELT loans are included in the annual lender compliance audit.
- An eligible lender acting as trustee:
 - May only lend to students attending the school for which it is a trustee.
 - May make only Stafford loans to graduate or professional students on behalf of that school.
 - Must offer origination fees and/or interest rates that are lower than the maximum rates provided in the HEA.
 - Must ensure that ELT loans are included in the annual lender compliance audit.

[DCL GEN-06-21]

PROPOSED LANGUAGE - COMMON BULLETIN:

Eligible Lender Trustee Relationships

The *Common Manual* has been revised to add a new subheading and text in subsection 3.2 that addresses new regulatory mandates regarding new and existing eligible lender trustee (ELT) relationships.

- Effective September 30, 2006, an eligible lender may not enter into a new relationship to make or hold a FFELP loan as a trustee for a school or for an organization affiliated with a school.
- If an ELT relationship was established prior to September 30, 2006, it may continue as long as the relationship remains in effect after September 30, 2006 and the ELT held at least one loan on behalf of the school as of that date.
- Effective January 1, 2007, a school involved in an ELT relationship must meet the eligibility requirements applicable to a school-as-lender, with the exception of the requirement to award servicing contracts on a competitive basis.
- A school-affiliated organization involved in an ELT relationship must meet the same eligibility requirements as a school involved in an ELT relationship, except that the lender or school-affiliated organization does not have the requirements regarding cohort default rates, the prohibition against being a home school, or the employment of at least one person whose responsibilities are limited to the administration of its financial aid programs.
- A lender involved in an ELT relationship must meet the same eligibility requirements as a school involved in an ELT relationship, except that the lender does not have the requirements regarding cohort default rates, the prohibition against being a home school, or the employment of at least one person whose responsibilities are limited to the administration of its financial aid programs, nor is the lender required to use loan proceeds for need-based grants.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A graduate or professional student borrower will be eligible for Stafford loans offered by their school if it is an existing School Lender or making loans under an ELT agreement. Need-based grant aid at schools acting as

FFELP lenders or with ELT agreements may increase.

School:

A school may not enter into an ELT relationship on or after September 30, 2006. An ELT relationship established prior to the September 30, 2006, may continue as long as it remains in effect after September 30, 2006 and the ELT holds at least one loan on behalf of the school as of that date. Effective January 1, 2007, the ELT must meet applicable school-as-lender eligibility requirements.

Lender/Service:

A lender may not enter into a new relationship to make or hold a FFELP loan as a trustee for a school or for an organization affiliated with a school effective September 30, 2006. An ELT relationship established prior to September 30, 2006, may continue as long as it remains in effect after September 30, 2006 and the ELT held at least one loan in trust on behalf of the school or organization as of that date. Effective January 1, 2007, an eligible lender acting as trustee must meet all applicable eligibility requirements.

Guarantor:

A guarantor may be required to update program review parameters.

U.S. Department of Education:

The Department may be required to update its program review parameters.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

January 17, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

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CM Guarantor Designees

Interested Industry Groups and Others

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COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 28, 2007

X	DRAFT	Comments Due	Mar 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Telecommunications Program of Study

AFFECTED SECTIONS: 5.12.A Telecommunications Program of Study
appendix G

POLICY INFORMATION: 952/Batch 141

EFFECTIVE DATE/TRIGGER EVENT: Loans disbursed on or after September 8, 2006.

BASIS:

Interim Final Rules published in the *Federal Register* on August 9, 2006, page 45667-45668, 45692, 45693, and 45696; *Dear Colleague Letter* GEN-06-17.

CURRENT POLICY:

Current policy states that an otherwise eligible student enrolled in a telecommunications program is eligible for Title IV aid if the program leads to a recognized certificate or degree, and the school is accredited by an agency recognized by the Department as having the evaluation of distance education programs within its scope of recognition.

Current policy also states that a program offered by a foreign school is ineligible if it includes even a single telecommunications course; however, telecommunications technologies may be used within the foreign school classroom to supplement and support instruction.

REVISED POLICY:

Revised policy provides information regarding an exception to the accreditation requirements for certain distance education programs published by the Department.

Revised policy also clarifies that telecommunications technologies used to supplement and support instruction in a foreign school program must be used in a classroom where the students and instructor are physically present in order for students in the program to be eligible for Title IV assistance.

In addition, revised policy modifies the definition of "telecommunications course" to clarify that the telecommunications technologies must be used to support regular and substantive interaction between the students and the instructor.

REASON FOR CHANGE:

The *Common Manual* is being revised to provide clarifications to the accreditation requirements for programs offered in whole or in part through telecommunications published in the Interim Final Rules dated August 9, 2006 and a *Dear Colleague Letter* published September 28, 2006.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise subsection 5.12.A, page 15, column 1, paragraph 2, as follows:

5.12.A Telecommunications Program of Study

An otherwise eligible student enrolled in a program of study offered in whole or in part through telecommunications is eligible for Title IV program assistance if each of the following applies:

- The program leads to a recognized certificate, or to an associate, bachelor's, or graduate degree.
[HEA 484(l)(1); ~~§668.38(b)(1)(i)~~; DCL GEN-06-05]

- The student's school has been evaluated and determined to have the capability to effectively deliver distance education programs by an accrediting agency that is recognized by the Department and has the evaluation of distance education programs within its scope of recognition. Beginning July 1, 2006, the Department provides an 18-month waiver of the distance education evaluation component. The waiver applies to certain distance education programs that were being offered as of July 1, 2006, but for which the accrediting agency was not recognized by the Department as having the evaluation of distance education programs within its scope of recognition. [HEA 481(b)(3); §668.8(m); DCL GEN-06-05; GEN-06-17]

If a foreign school offers a program of study that includes even a single telecommunications course, that program of study is ineligible for Title IV funds. Telecommunications technologies may be used in the foreign school classroom to supplement and support instruction offered as part of an otherwise eligible program in a classroom where the students and instructor are physically present.

[§600.51(d)(4); §668.8(m); DCL GEN-06-11]

Revise Appendix G, page 18, column 2, as follows:

Telecommunications Course: A course offered during an award year that principally uses one or a combination of technologies including television, audio, or computer transmission, including through open broadcast, closed circuit, cable, microwave or satellite, audio conferencing, computer conferencing, or video cassettes or discs. These technologies may be used to deliver instruction to students who are separated from the instructor and to support regular and substantive interaction between these students and the instructor, either simultaneously or at different times. A course is not considered to be a telecommunications course if the course is delivered using video cassettes or discs unless that same course is also delivered to students who are physically attending classes at the school providing the course during the same award year.

PROPOSED LANGUAGE - COMMON BULLETIN:

Telecommunications Program of Study

The *Common Manual* has been revised to provide information regarding an exception to the accreditation requirements for certain distance education programs published by the Department.

Revised policy also clarifies that telecommunications technologies used to supplement and support instruction in a foreign school program must be used in a classroom where the students and instructor are physically present in order for students in the program to be eligible for Title IV assistance.

In addition, revised policy modifies the definition of "telecommunications course" to clarify that the telecommunications technologies must be used to support regular and substantive interaction between the students and the instructor, by either simultaneous communications or by communications that occur at different times.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

The borrower may be eligible for Title IV assistance for the 18-month waiver period for enrollment in a program offered in whole or in part by telecommunication technology, even if the school's accrediting agency does not have the review of telecommunications courses in its scope.

School:

The school must ensure that Title IV funds are awarded to students enrolled in a telecommunication program only if that program meets the regulatory definition of "telecommunications course" and is accredited by an agency recognized by the Department as having the evaluation of distance education programs within its scope of recognition (or meets the accreditation exception granted by the Department through December 31, 2007).

Lender/Service:
None.

Guarantor:
The guarantor may need to revise program review procedures.

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

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
November 16, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

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

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COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 28, 2007

X	DRAFT	Comments Due	Mar 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Defining an Academic Year

AFFECTED SECTIONS: Section 6.1 Defining an Academic Year
Figure 6-2 Frequency of Stafford Annual Loan Limits

POLICY INFORMATION: 953/Batch 141

EFFECTIVE DATE/TRIGGER EVENT: Publication date of the 2005-2006 *Federal Student Financial Aid Handbook*, unless implemented earlier by the school.

BASIS:
2005-2006 *Federal Student Financial Aid Handbook*, Volume 3, Chapter 4, pages 3-66 through 3-71.

CURRENT POLICY:
Current policy states that term-based, credit-hour programs may use either the scheduled academic year (SAY) or the borrower-based academic year (BBAY) to determine the frequency of annual loan limits; clock-hour and non-term-based credit-hour programs are required to use the BBAY.

REVISED POLICY:
Revised policy states that only *standard* term-based, credit-hour programs may use the SAY; all other programs, including *nonstandard* term- or non-term-based, credit-hour programs and clock-hour programs must use the BBAY to determine the frequency of annual loan limits.

Revised policy also clarifies the effect of grade level progression in the middle of the academic year.

REASON FOR CHANGE:
The *Common Manual* is being revised to include a distinction between standard term-based, credit-hour programs and nonstandard term-based, credit-hour programs in determining the academic year and the frequency of annual loan limits. This distinction first appeared in the 2005-2006 *Federal Student Financial Aid Handbook*.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise section 6.1, page 2, column 1, paragraph 1 as follows:

Both the SAY and BBAY must meet the statutory requirements of an academic year as defined by the Department. Schools with clock-hour programs and nonstandard term- or non-term-based credit-hour programs must use a BBAY. Schools with standard term-based, credit-hour programs may use either a SAY or a BBAY.
[2006-2007 *Federal Student Aid Handbook*, Volume 3, Chapter 4, pp. 3-66 to 3-71]

Standard Term-Based, Credit-Hour Programs

A school with standard term-based, credit-hour programs using a SAY must designate the summer term as either a "leader" (precedes the academic year) or a "trailer" (follows the academic year). The school has the following options:

- ...
- ...
- ...
- ...

...

Clock-Hour Programs and Nonstandard-Term- or Non-Term-Based Credit-Hour Programs

At a school with clock-hour programs, or nonstandard term- or non-term-based credit-hour programs, the BBAY begins when the student enrolls and does not end until the student completes both the required number of weeks and the required number of clock or credit hours in the academic year. A student who does not attend on a full-time basis will take longer to complete the academic year than a full-time student.

Revise Figure 6-2, page 4, as follows:

Frequency of Stafford Annual Loan Limits

Figure 6-2

	Scheduled Academic Year (SAY)	Borrower-Based Academic Year (BBAY)
Standard Term- Based Programs
<u>Nonstandard Term- or Non-Term-Based Programs</u>

Revise subsection 6.11.A, page 18, column 2, paragraph 5 as follows:

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 the same school or a different school, schools and lenders must adhere to the following additional parameters:

- ...
- ...
- ...
- ...
- In a standard term-based program, a student who experiences a grade level change within the academic year becomes eligible for the loan limits that are applicable to the new grade level, minus any loan funds already received for that academic year. In a nonstandard term- or non-term-based program, the student may not borrow an additional loan for progress to the next grade level until the student completes both the minimum number of weeks and credit/clock hours in the academic year.
- ...

PROPOSED LANGUAGE - COMMON BULLETIN:

Defining an Academic Year

The *Common Manual* has been revised to include a distinction between standard term-based, credit-hour programs and nonstandard term-based, credit-hour programs in determining the academic year and the

frequency of annual loan limits. This distinction first appeared in the 2005-2006 *Federal Student Financial Aid Handbook*, and clarifies that only standard term-based, credit-hour programs may use the scheduled academic year to determine the frequency of annual loan limits. Nonstandard term- and non-term-based, credit-hour programs, as well as clock-hour programs, must use the borrower-based academic year to determine the frequency of annual loan limits.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower enrolled in a nonstandard term-based credit hour program may have reduced loan eligibility.

School:

A school may need to update its procedures for determining the frequency of annual loan limits for students enrolled in nonstandard term-based, credit-hour programs.

Lender/Servicer:

None

Guarantor:

A guarantor may need to update program review procedures.

U.S. Department of Education:

The Department may need to update program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

November 16, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

kke/edited-chh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 28, 2007

X	DRAFT	Comments Due	Mar 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: **Stafford Annual Loan Limits for Transfer Students**

AFFECTED SECTIONS: **6.1 Defining an Academic Year**
6.11.A Stafford Annual Loan Limits

POLICY INFORMATION: **954/Batch 141**

EFFECTIVE DATE/TRIGGER EVENT: Publication date of the 2005-2006 *Federal Student Financial Aid Handbook*, unless implemented earlier by the school.

BASIS:

Dear Guaranty Agency Director Letter March 16, 1994; NCHELP Q&A Frequency of Annual Loan Limits June 15, 1994; 2005-2006 *Federal Student Financial Aid Handbook*, Volume 3, Chapter 4.

CURRENT POLICY:

Current policy outlines rules for defining the academic year and determining the annual loan limits for a transfer student with overlapping loan periods in the two programs of study.

REVISED POLICY:

Revised policy clarifies that the remaining loan eligibility for a transfer student is based on the student's current grade level classification *minus* the loan amount the student has already received for that academic year.

REASON FOR CHANGE:

Frequent inquiries from schools regarding the application of the annual loan limit policy for transfer students indicate that clarification is needed.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise section 6.1, page 2, column 2, paragraph 2, as follows:

If a student borrows Stafford funds to attend one school and then transfers to a new school, the new school is not permitted to certify a loan until it determines whether the student's new loan period will overlap with the ~~loan period~~ final academic year at the prior school. This requires the new school to determine the student's academic year at the prior school. The school may use either of the following methods to make this determination:

- Obtain documentation from the prior school about its academic year.
- Make assumptions about the prior school's academic year based on information obtained from the National Student Loan Data System (NSLDS). Schools that use this method must determine that the academic year at the prior school ended on the *later* of the following:
 - 30 weeks after the first day of the most recent loan period listed.
 - The end date of the loan period for all loans made in the academic year.

If the academic year of the first school does not overlap with the loan period of the new school, the new school may process a loan up to the amount of the student's current annual loan limit.

[Dear Guaranty Agency Director Letter March 16, 1994]

If the ~~loan period~~ academic year of the prior school does overlap with the loan period of the

new school, the new school must subtract the gross amount of the loan (less any refunds or cancellations for that loan period) that the student received at the prior school from the student's current annual loan limit. If the student's grade level decreases as a result of the transfer, the new school must not certify a loan for more than the student's new annual loan limit *minus* the outstanding loan amount received at the previous school for the current academic year.

Example: Transfer to a Standard-Term-Based Program

The student received a subsidized Stafford loan in the amount of \$2000 as a grade level 3 student at School A for the period August 21, 2006 to December 20, 2006. The student then enrolled in School B, where he was classified as grade level 1 in a standard-term-based program. School B wishes to certify a loan from his start date, January 5, 2007 through the end of that term, May 11, 2007.

School B opts to use the "assumption" method of determining the academic year at the prior school. The most recent loan period at School A began August 21, 2006; the end of the minimum 30-week academic year, based on that date, would be March 18, 2007. When compared to the end date of School A's loan period, the later of these two dates is March 18, 2007; therefore, the assumed expiration of School A's academic year is March 18, 2007.

Because School B's loan period begins prior to the assumed expiration of the academic year at School A, School B may award a subsidized Stafford loan of no more than \$625 (the student's maximum subsidized Stafford annual loan limit as a grade level 1 student at School B, \$2625, less the \$2000 received at School A.)

For a subsequent term that begins after the end of the prior school's academic year, but within the initial academic year at the new school, the student may borrow up to the difference between the applicable annual loan limit (\$2625) and the amount already received for the new school's academic year (\$625), or \$2000.

Example: Transfer to a Clock-Hour-, Nonterm-, or Nonstandard-Term-Based Program

The student received a subsidized Stafford loan in the amount of \$2000 as a grade level 3 student at School A for the period August 21, 2006 to December 20, 2006. The student then enrolled in School B, where he was classified as grade level 1 in a clock-hour-, nonterm-, or nonstandard-term-based program. School B wishes to certify a loan from his start date, January 5, 2007 through the end of his first academic year in the new program of study, August 20, 2007.

School B contacts School A and determines that the academic year at School A will end May 11, 2007. Because School B's loan period begins prior to the expiration of the academic year at School A, School B may award a subsidized Stafford loan of no more than \$625 (the student's maximum subsidized Stafford annual loan limit as a grade level 1 student at School B, \$2625, less the \$2000 received at School A) until the completion of the first academic year at the new school.

If the loan periods do not overlap, the new school may process a loan up to the amount of the student's current annual loan limit.

These same principles apply when a student transfers from one program of study to another program of study within the same school.
[Dear Guaranty Agency Director Letter March 16, 1994; 2006-2007 Federal Student Financial Aid Handbook, Volume 3, Chapter 4, pages 3-75 to 3-77]

Revise subsection 6.11.A , page 19, column 1, by modifying the 2nd bullet as follows:

- . . .

- 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, minus any outstanding loan funds received in the prior program for the current academic year—even if that student previously obtained an undergraduate degree in a different program has a lower grade level in the new program. For subsequent term(s) that begin within the first academic year of the new program, but after the end of the last academic year in the prior program, a student who transfers to a standard-term-based program may receive the remainder of the applicable grade level annual loan limit minus any outstanding loan funds already received in the current academic year. See section 6.1 for detailed information about defining an academic year and calculating annual loan limits for a student who transfers. See section 6.10 for information about determining a student's grade level.
[2006-2007 *Federal Student Aid Handbook*, Volume 3, Chapter 4, pp. 3-75 to 3-77]

PROPOSED LANGUAGE - COMMON BULLETIN:

Stafford Annual Loan Limits for Transfer Students

The *Common Manual* has been revised to clarify that the remaining loan eligibility for a transfer student is based on the student's current grade level classification *minus* the loan amount the student has already received for that academic year.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower who transfers may have his or her loan eligibility decreased based on outstanding loan funds previously received for the current academic year.

School:

A school may need to revise its policy and procedures for determining remaining loan eligibility for a transfer student.

Lender/Servicer:

None.

Guarantor:

A guarantor may need to modify program review procedures.

U.S. Department of Education:

The Department may need to modify program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

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November 14, 2006

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Interested Industry Groups and Others

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 28, 2007

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	APPROVED	with changes/no changes	

SUBJECT: **Stafford Loan Limits**

AFFECTED SECTIONS: **6.11.A Stafford Annual Loan Limits**
Figure 6-4 Stafford Undergraduate Loan Limits

POLICY INFORMATION: **955/Batch 141**

EFFECTIVE DATE/TRIGGER EVENT: Loans first disbursed on or after July 1, 2007 with loan periods that include July 1, 2007 or later dates.

BASIS:

Higher Education Act of 1965, Sections 425(a)(1)(A), 428(b)(1)(A), and 428H(d), as amended by the Higher Education Reconciliation Act (HERA) of 2005; *Dear Colleague Letter* GEN-06-03; §682.204.

CURRENT POLICY:

Current policy reflects the annual Stafford loan limits in effect through June 30, 2007.

REVISED POLICY:

Revised policy updates the manual with the annual Stafford loan limits that become effective for loans first disbursed on or after July 1, 2007 with loan periods that include July 1, 2007 or later dates.

REASON FOR CHANGE:

These changes are made to comply with the statutory changes derived from the HERA.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise subsection 6.11.A, page 18, column 2, paragraph 5 as follows:

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 the same school or a different school, schools and lenders must adhere to the following additional parameters:

- ...
- ...
- ...
- ...
- ...
- 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 to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to \$12,500. Subsidized Stafford loans may comprise no more than \$5,500 of the total amount borrowed for the year. See figure 6-4. 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)]
- ...

- 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 to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to \$12,500. Subsidized Stafford loans may comprise no more than \$5,500 of the total amount borrowed for the year. See figure 6-4. 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]

Revise subsection 6.11.A, page 19, column 2, paragraph 2 as follows:

Graduate and Professional Students

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~~ \$20,500 for each academic year. Subsidized Stafford loans 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~~ \$20,500 Stafford annual loan limit in unsubsidized Stafford loan funds.
[§682.204(a)(5) and (d)(5)]

Revise Figure 6-4, Stafford Undergraduate Loan Limits, as follows:

First-Year Undergraduates

Base Stafford eligibility (subsidized and unsubsidized)	\$2,625 <u>\$3,500</u>
...	

Second-Year Undergraduates

Base Stafford eligibility (subsidized and unsubsidized)	\$3,500 <u>\$4,500</u>
...	

Teacher's Certification or Preparatory Coursework for a Graduate or Professional Program

<u>Base Stafford eligibility (subsidized and unsubsidized)</u>	<u>\$5,500</u>	<u>N/A</u>
<u>Additional unsubsidized Stafford eligibility</u>	<u>\$7,000</u>	<u>N/A</u>
...		

Proportional Proration Calculation #2

Multiply the lesser of the following ratios by ~~\$2,625~~ \$3,500 for base annual Stafford loan limit and by \$4,000 for additional annual unsubsidized Stafford loan limit:
...

PROPOSED LANGUAGE - COMMON BULLETIN:

Stafford Annual Loan Limits

The *Common Manual* has been revised to reflect the new annual Stafford loan limits that will be effective for loans first disbursed on or after July 1, 2007 with loan periods that include July 1, 2007 or later dates. Changes to the annual Stafford loan limits include:

- First-year undergraduate base Stafford eligibility has been increased from \$2,625 to \$3,500.
- Second-year undergraduate base Stafford eligibility has been increased from \$3,500 to \$4,500.

- Additional unsubsidized Stafford eligibility for 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 has been increased from \$5,000 to \$7,000.
- Additional unsubsidized Stafford eligibility for 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 has been increased from \$5,000 to \$7,000.
- Additional unsubsidized Stafford eligibility for a graduate or professional student has been increased from \$10,000 to \$12,000.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

The borrower will have increased annual Stafford loan eligibility at various educational levels for loans first disbursed on or after July 1, 2007 with loan periods that include July 1, 2007 or later dates, but will be limited to the same aggregate loan maximums.

School:

The school may begin awarding the increased annual Stafford loan amounts for loans first disbursed on or after July 1, 2007 with loan periods that include July 1, 2007 or later dates, but must ensure that the student does not exceed the unchanged aggregate loan maximums.

Lender/Servicer:

The lender may need to make system adjustments to allow processing of the higher annual loan limits.

Guarantor:

The guarantor may need to make system adjustments to allow guarantee of the higher annual loan limits.

U.S. Department of Education:

None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

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Interested Industry Groups and Others

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COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 28, 2007

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SUBJECT: Total Permanent Disability Discharges for Comakers and Endorsers

AFFECTED SECTIONS:

- 11.1.A General Deferment Eligibility Criteria
- 11.19 Forbearance
- 11.19.F Forbearance of Delinquent Loans
- 11.19.G Forbearance of Defaulted Loans
- 11.19.H Borrower Contact during Forbearance
- 11.19.I Establishing Repayment after Forbearance
- Figure 11-2
- 13.8.F Total and Permanent Disability

POLICY INFORMATION: 956/Batch 141

EFFECTIVE DATE/TRIGGER EVENT: Total and permanent disability discharge requests received by a lender on or after July 1, 2007, unless implemented earlier by the guarantor.

BASIS:

Conditional Disability Discharge: Joint Consolidations, PLUS Co-Borrowers, and Disabled Endorsers dated August, 2006, developed by the Department in coordination with NCHELP's Default Aversion and Claims Standardization (DACS) subcommittee. The document is located on the Department's Conditional Disability Discharge Unit's (CDD) website at <http://www.fsacollections.ed.gov/contractors/ga/cdd/index.asp>.

CURRENT POLICY:

Current policy does not specify the applicability of total and permanent disability (TPD) loan discharges for joint Consolidation comakers, PLUS comakers, or PLUS loan endorsers. Also, current policy does not establish the affect on the non-disabled borrower's alternate repayment agreements, forbearance or deferment eligibility if a disabled borrower is in a conditional discharge period.

REVISED POLICY:

Revised policy specifies when a comaker or endorser may be eligible for TPD discharge of a portion of the loan or of his or her obligation to repay the loan, that the lender retains the loan rather than assigning it to the Department as part of the discharge claim process, how the lender should service the loan until an eligibility determination is final, and how the loan balance may be affected by the comaker's or endorser's final discharge.

Revised policy provides that if a comaker of a joint Consolidation loan or PLUS loan applies for total and permanent disability discharge, the lender must continue servicing the loan for the non-disabled comaker. The lender must protect the status of the loan during the conditional discharge period so that the loan does not become more past due during the conditional discharge period. The lender must ensure that the loan retains the same status when the lender resumes the billing of the disabled comaker after his or her final discharge because the disabled borrower remains obligated to repay the remaining balance. The lender may apply an administrative forbearance on the entire loan if the non-disabled comaker is not eligible for another repayment option, deferment, discretionary forbearance, or reduced-payment forbearance. The administrative forbearance may begin on the date the lender receives the disabled comaker's loan discharge application, or the date the lender receives the notification from the guarantor that one comaker is totally and permanently disabled, whichever is earlier. The forbearance ends on the date that the lender receives notice of the disabled comaker's final discharge determination.

Revised policy also provides that the non-disabled comaker may qualify for deferment on the loan for the period during which the disabled comaker is in a conditional discharge status. The deferment may begin on the date that the lender receives the disabled comaker's loan discharge application and ends on the date of the disabled borrower's final discharge determination, or the date that the non-disabled comaker otherwise would become ineligible for additional deferment.

Further, revised policy states that the lender must report the correct status of the non-dischargeable portion to NSLDS in a timely manner. NSLDS currently reports joint Consolidation loans under one primary borrower only. However, to ensure proper reporting during the conditional discharge period, the lender should report the non-dischargeable portion under the non-disabled borrower's name and social security number. If the borrower on record with NSLDS is the disabled borrower, the NSLDS must be updated to reflect the non-disabled borrower as the borrower of record. If the discharge is denied, the lender resumes reporting the full balance under the primary borrower currently being reported. If a final discharge is granted, the lender continues to report the non-discharged portion of the Consolidation loan under the non-disabled borrower's name and social security number (primary borrower on record).

REASON FOR CHANGE:

The Department issued guidance regarding various aspects of loan servicing for comade Consolidation and PLUS loans and for PLUS loans with an endorser when one of the comakers or the endorser asserts that he or she is totally, permanently disabled. Regulations do not provide guidance for servicing a loan in the above situations.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise subsection 11.1.A, page 1, column 2, paragraph 2, bullet 4, by inserting a new sub bullet, as follows:

**11.1.A
General Deferment Eligibility Criteria**

There are several conditions under which borrowers qualify for deferment. In granting a deferment, the lender should be aware of the following general characteristics of deferments:

- ...
- ...
- ...
- If a PLUS loan is made to two parents as comakers (as applicable to PLUS loans made prior to April 16, 1999), or a Consolidation loan is made to spouses as comakers, the loan may not be deferred unless each comaker requests deferment and satisfies applicable eligibility requirements for deferment. If each comaker qualifies under a separate deferment provision, the lender may defer the loan under one of those deferment types.
 - If a PLUS loan is made to two parents as comakers or a Consolidation loan is made to spouses as comakers, and if the disabled comaker is in a conditional discharge status, the lender must defer the entire loan based solely on the non-disabled comaker's deferment eligibility. The deferment period for the non-disabled borrower may not begin prior to the date the lender receives the disabled borrower's loan discharge application, or the notification from the guarantor that a loan discharge application was submitted to the guarantor, whichever is earlier. The deferment ends on the date that the non-disabled borrower's deferment eligibility otherwise would end, or the date on which the lender receives notice of the final discharge determination for the disabled borrower, whichever is earlier.
- ...

Revise section 11.19, page 23, column 2, paragraph 4, as follows:

If two individuals are jointly liable for repayment of a PLUS loan or Consolidation loan, a lender may grant forbearance on repayment of the loan only if the ability of each individual to make scheduled payments has been impaired based on the same or differing conditions —except in cases when one comaker has applied for total and permanent disability discharge (see subsection 11.19.F, Forbearance of a Loan for a Comaker during the TPD Conditional

Period).
[§682.210(a)(3)]

Revise subsection 11.19.F, page 25, column 2, by moving the current language to 11.19.G and inserting a new paragraph in 11.19.F, and reassigning new, sequential subsection numbers to subsequent subsections, as follows:

11.19.F

Forbearance of a Loan for a Comaker during the TPD Conditional Period

When one comaker of a joint Consolidation loan or a comade PLUS loan applies for a total and permanent disability discharge, a lender must continue servicing the loan for the non-disabled comaker. The lender must protect the status of the loan so that the loan does not become more past due during the conditional discharge period. The lender must also ensure that the loan retains the same status that it had when it entered the conditional discharge period when the lender resumes the billing of the disabled comaker after his or her final discharge because the disabled comaker remains obligated to repay the remaining balance. If the lender determines that the non-disabled comaker is unable to make full payments to protect this status, the lender must explore with the non-disabled comaker any other available options such as alternative repayment agreements, deferments, discretionary forbearance, or reduced payment forbearance. As a last resort, the lender may apply an administrative forbearance to ensure that the loan does not become delinquent or that an existing delinquency does not increase during the conditional discharge period. After the disabled comaker's final discharge, he or she remains obligated to repay the remaining balance. The lender must ensure that the loan retains the same status it had during the conditional discharge period at the point when the lender resumes the billing of the disabled comaker. (See subsection 10.6.C for repayment options; section 11.2 - 11.18 for deferment information; section 11.21 for discretionary forbearance; subsection 11.21.A for reduced-payment forbearance.)

11.19.FG

Forbearance of Delinquent Loans

11.19.GH

Forbearance of Defaulted Loans

11.19.HI

Borrower Contact during Forbearance

11.19.IJ

Establishing Repayment after Forbearance

Revise Figure 11-2, page 27, row 5, as follows:

Total and Permanent Disability ⁶

Date the lender receives reliable . . .

Date lender receives physician's . . .

For the non-disabled comaker on the earlier of the date that the lender receives the discharge application or the date the lender receives notice from the guarantor that one comaker is totally and permanently disabled, until the date that the lender receives notice of the final discharge determination.

Revise subsection 11.20.P, page 31, column 1 by inserting a new paragraph at the end of the subsection, as follows:

If a comaker of a joint Consolidation loan or PLUS loan applies for total and permanent disability discharge, the lender must continue servicing the loan for the non-disabled comaker. The lender must protect the status of the loan during the conditional discharge period so that

the loan does not become more past due during the conditional discharge period. The lender must also ensure that the loan retains the same status when the lender resumes the billing of the disabled comaker after his or her final discharge because the disabled comaker remains obligated to repay the remaining balance. The lender may apply an administrative forbearance on the entire loan if the non-disabled comaker is not eligible for another repayment option, deferment, discretionary forbearance, or reduced-payment forbearance. The administrative forbearance may begin on the date the lender receives the disabled comaker's loan discharge application, or the date the lender receives the notification from the guarantor that one comaker is totally and permanently disabled, whichever is earlier. The forbearance ends on the date that the lender receives notice of the disabled comaker's final discharge determination.

Revise section 13.8, page 16, column 1, by adding a new paragraph 2, as follows:

Comakers and Endorsers

If a PLUS loan was obtained by two parents as comakers (as applicable to PLUS loans made prior to April 16, 1999), or a Consolidation loan was obtained by a married couple and one of the borrowers is eligible for the discharge, one or both borrowers ~~the other borrower~~ remains obligated to repay the loan. However, if each comaker on a loan meets the eligibility criteria for a discharge –under the same type or a different discharge type–discharge can be granted on the loan.

[682.402(a)(2) and (3)]

If a comaker on a joint Consolidation is totally and permanently disabled, the disabled comaker's underlying loans are discharged but the disabled comaker and the non-disabled comaker both remain jointly and severally responsible for the repayment of the balance of the loan. For a comade PLUS loan, if one comaker is certified as being totally and permanently disabled, that comaker's obligation on the loan is discharged and the non-disabled comaker assumes responsibility for repayment of the entire loan balance. If the lender has begun collection activities with respect to the endorser's obligation on a PLUS loan, and if the endorser is determined to be totally and permanently disabled, there is no reduction of the loan's principal and the endorser's repayment obligation on the PLUS loan is discharged.

Revise subsection 13.8.F, page 35, column 1, paragraph 1, as follows:

13.8.F

Total and Permanent Disability

If any party to the loan is claiming total and permanent disability, ~~claims to be totally and permanently disabled~~, the lender must request that the borrower party ~~the borrower~~ provide certification of the disability from a physician. Eligible parties include any one of the following:

- A borrower.
- One of two comakers on a PLUS or Consolidation loan.
- An endorser, if the lender is pursuing collection activities against the endorser.

The lender may request that the borrower's, comaker's, or endorser's representative provide the physician's certification if the borrower, comaker, or endorser is unable to do so. The borrower, comaker, or endorser, or his or her ~~the borrower's~~ representative must submit a completed Loan Discharge Application: Total and Permanent Disability or other form(s) approved by the Department. The certification must include the date the borrower, comaker, or endorser became unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death.

[§682.402(c)(2)]

Suspending Collection

If a lender receives reliable information indicating that a borrower or one of two comakers on a PLUS or Consolidation loan has become totally and permanently disabled, the lender may grant the borrower apply an administrative forbearance to the loan, not to exceed 60 days, until the lender receives certification of the borrower's total and permanent disability. If the lender does not grant the borrower an administrative forbearance, the lender must continue collection activity until it receives the certification—or until it receives a written request from the physician requesting additional time to determine whether the borrower or comaker is totally and permanently disabled. If the lender receives a reliable information indicating that an endorser has become totally and permanently disabled, the lender may not apply an administrative forbearance to the PLUS loan pending receipt of the required forms.
[§682.211(f)(10); §682.402(c)(3)]

If the lender receives a written request from the borrower's or comaker's physician requesting additional time to make a determination, the lender must suspend collection activity on the loan for up to 60 days or until the certification is received, whichever is earlier. If the lender determines that the borrower or comaker does not meet the definition of totally and permanently disabled, or if the lender does not receive the physician's certification of total and permanent disability within 60 days of the receipt of the physician's written request for additional time, the lender must resume collection activity and treat the loan as though forbearance had been granted during this period. A signed forbearance agreement is not required for this administrative forbearance period. The delinquency status, if any, that existed on the loan before the lender suspended its due diligence remains. The lender must resume due diligence immediately at the level of delinquency at which it was suspended. For more information on the use of administrative forbearance in conjunction with the lender's receipt of a physician's written request for additional time, see subsection 11.20.P.
[§682.402(c)(5)]

For a comade Consolidation loan on which one comaker's loan discharge application will not result in the discharge of the entire loan balance, the lender must continue to service the portion of the loan that is not eligible for loan discharge. The lender must ensure that when the comaker who is asserting total and permanent disability resumes repayment on the remaining balance of the loan, the loan itself has not become more past due during the conditional discharge period. The lender may apply an administrative forearance to the entire Consolidation loan for the conditional discharge period, after first exploring with the non-disabled comaker any other available options, such as alternative repayment agreements, deferment, discretionary forbearance, or reduced payment forbearance. For a comade PLUS loan on which one comaker is applying for loan discharge, the lender must continue to collect on the full balance of the loan from the non-disabled comaker. The lender must ensure that the loan status does not deteriorate during the conditional discharge period, and should work with the non-disabled comaker to discuss deferment options or to negotiate forbearance terms. The lender may apply an administrative forbearance to the entire loan balance if the non-disabled comaker is not eligible for deferment or forbearance.

For a PLUS loan on which the endorser is applying for loan discharge, the lender may not collect from the endorser but must continue to collect the entire loan amount from the borrower. The lender may permit the loan to become more past due or to default if the borrower does not make payments or other repayment arrangements.

General Requirements for Total and Permanent Disability Loan Discharge

If a doctor of medicine or osteopathy, legally authorized to practice in a state, certifies that the borrower, comaker, or the endorser on a PLUS loan is totally and permanently disabled, the borrower's obligation to repay the loan may be discharged. If a comaker on a joint Consolidation is totally and permanently disabled, the disabled comaker's underlying loans are discharged but the disabled comaker and the non-disabled comaker both remain jointly and severally responsible for the repayment of the balance of the loan. For a comade PLUS loan, if one comaker is certified as being totally and permanently disabled, that comaker's obligation on the loan is discharged and the non-disabled borrower assumes responsibility for repayment of the entire loan balance. If the lender has begun collection activities with respect to the endorser's obligation on a PLUS loan, and if the endorser is determined to be totally

and permanently disabled, there is no reduction of the loan's principal and the endorser's repayment obligation on the PLUS loan is discharged.

[\$682.402(a)(2) and (3)]

For these purposes, a borrower, comaker, or endorser is considered totally and permanently disabled if he or she is unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death. A borrower, comaker, or endorser is not considered totally and permanently disabled on the basis of a condition that existed at the time the loan was made, unless that condition has substantially deteriorated to the point of total and permanent disability since the loan was made. In this situation, ~~the borrower should ensure that~~ the physician must clearly notes that the condition became totally and permanently disabling after the date on which the loan was made.

[\$682.402(c)(1)(iii)]

If a borrower, comaker, or endorser receives a new loan under the Perkins, FFEL, or Direct Loan Programs (with the exception of a Consolidation loan that does not include any loans that are in a conditional discharge status) within 3 years of the date ~~the borrower~~ he or she became unable to work and earn money, the borrower, comaker, or endorser is not eligible for discharge on ~~that the loan on which he or she is a signatory or any loan made prior to that date.~~ This 3-year period, i.e., the conditional discharge period, begins on the date the borrower, comaker, or endorser became unable to work and earn money, as certified by the physician. The lender must review its records for any new loan(s) made to the borrower, comaker, or endorser on or after the date ~~the borrower~~ he or she became totally and permanently disabled. If the lender's records indicate (or the lender is otherwise aware) that a new loan(s) was made during the 3-year conditional discharge period, the lender must deny the discharge and inform the borrower, comaker, or endorser. For information regarding a borrower's eligibility for a new loan(s) after the conditional period, see section 5.4.

[\$682.402(c)(1)(ii)(B)]

For a Consolidation loan made to a single borrower, a borrower must be certified totally and permanently disabled according to FFELP discharge criteria for *all* underlying loans—including any non-FFELP loans. In other words, all of the underlying loans would be eligible for discharge due to total and permanent disability had these loans not been consolidated. A borrower is considered totally and permanently disabled based on a condition that existed at the time the borrower's underlying loans were made only if the borrower's condition substantially deteriorated to the point that the borrower was rendered totally and permanently disabled after the loans were made. If requested, a borrower seeking to discharge a Consolidation loan obligation must provide the lender with the disbursement dates of the underlying loan(s), if that information is not available in the lender's servicing records.

[\$682.402(c)(1)(iv)]

~~If a Consolidation loan is made jointly to a married couple as comakers, and one of the borrowers becomes totally and permanently disabled, the portion of the Consolidation loan attributable to the disabled borrower may be discharged. However, both borrowers remain jointly and severally liable for any remaining balance after the discharge.~~

~~[\$682.402(a)(2)]~~

~~If a PLUS loan is made to two borrowers as comakers, the loan is dischargeable due to total and permanent disability only if both borrowers become disabled, or if one borrower becomes disabled and the other has his or her obligation to repay the loan discharged on another basis (such as death or bankruptcy). If only one comaker has his or her obligation discharged, the other comaker is obligated for repayment of the remaining loan balance.~~

~~[\$682.402(a)(3)]~~

...

Conditional Discharge Due to Total and Permanent Disability

Total and permanent disability discharge determinations made by the lender on or after July 1,

2002, and subsequently paid as a claim by the guarantor, are permanently assigned to the Department. The Department then determines if the certification and information provided by the borrower, comaker, or endorser support the conclusion that ~~the borrower~~ he or she meets the criteria for a total and permanent disability discharge. If the Department determines that the certification and information provided by the borrower, comaker, or endorser do not support the conclusion that ~~the borrower~~ he or she meets the criteria for a total and permanent disability discharge, the Department notifies the borrower, comaker, or endorser that the application for a total and permanent disability discharge has been denied and that the loan is due and payable under the terms of the promissory note.

If the Department makes an initial determination that the borrower, comaker, or endorser is totally and permanently disabled, the Department ~~notifies the borrower~~ sends notification to the borrower, comaker or endorser that the loan—or the comaker's or endorser's obligation on the loan—is conditionally discharged and that the conditional discharge period will last for up to 3 years after the date ~~the borrower became~~ that he or she became totally and permanently disabled, as certified by the physician. The Department's notification specifies that all or part of the 3-year period may predate the Department's initial determination, and identifies the following conditions that apply during the 3-year conditional discharge period:

- The disabled borrower, comaker, or endorser is not required to make any payments on the loan.
- The disabled borrower, comaker, or endorser is not considered delinquent or in default on the loan, unless ~~the borrower~~ he or she was delinquent or in default at the time the conditional discharge was granted.
- The disabled borrower, comaker, or endorser must promptly notify the Department of any changes in address or phone number.
- The disabled borrower, comaker, or endorser must notify the Department if his or her annual earnings from employment exceed 100 percent of the poverty line for a family of two.
- The disabled borrower, comaker, or endorser must provide the Department, upon request, with additional documentation or information related to the borrower's eligibility for a total and permanent disability discharge.
[§682.402(c)(14)]
- The disabled borrower, comaker, or endorser must not receive a new loan under the Perkins, FFEL, or Direct Loan Programs, except for a FFELP or Direct Consolidation loan that does not include any loans that are in a conditional discharge status.
[§682.402(c)(1)(ii)(B)]

The Department also notifies the disabled borrower, for those loans assigned to the Department, that, if at any time during the 3-year conditional discharge period ~~the borrower~~ he or she does not continue to meet the eligibility requirements for a total and permanent disability discharge, the Department will resume collection activity on the loan but will not require the borrower to pay any interest that accrued on the loan from the date of the initial determination of total and permanent disability through the end of the conditional discharge period.
[§682.402(c)(16)]

NSLDS Reporting during the Conditional Period for Comade Loans

In cases where a comaker of a joint consolidation or PLUS loan has applied for total and permanent disability discharge, the lender must perform all NSLDS reporting. The lender must report the correct status of the non-dischargeable portion to NSLDS in a timely manner. NSLDS currently reports joint Consolidation loans under one primary borrower only. However, to ensure proper reporting during the conditional discharge period, the lender should report the non-dischargeable portion under the non-disabled borrower's name and

social security number. If the borrower on record with NSLDS is the disabled borrower, the NSLDS must be updated to reflect the non-disabled borrower as the borrower of record. If the discharge is denied, the lender resumes reporting the full balance under the primary borrower currently being reported. If a final discharge is granted, the lender continues to report the non-discharged portion of the Consolidation loan under the non-disabled borrower's name and social security number (primary borrower on record).

Total and Permanent Disability Discharge Payment

Federal regulations require a guarantor to determine if the borrower, comaker, or endorser meets the eligibility criteria for total and permanent disability (TPD) discharge. If the guarantor determines that the borrower, comaker, or endorser meets the criteria, the guarantor will take the following action, as appropriate:

- For a loan made solely to the borrower, the guarantor will pay the lender the remaining balance on the loan and assign the loan to the Department.
- For a comade (spousal) Consolidation loan, the guarantor will pay the lender the amount that represents the disabled borrower's portion of the Consolidation loan. The guarantor will forward the disability documentation to the Department for determination of the final discharge eligibility.
- For a comade PLUS loan or a PLUS loan with an endorser, the guarantor will forward the documentation to the Department for a determination of final discharge eligibility. The guarantor will not remit a claim payment to the lender.

Revise subsection 13.8.F, page 37, column 1, paragraph 3, as follows:

Notification Requirements after Claim Filing or Filing of a Partial Discharge Request

If the guarantor determines that the borrower or comaker of a Consolidation loan meets the criteria for a TPD loan discharge, the guarantor pays the total and permanent disability claim to the lender. If the guarantor determines that the endorser is eligible for TPD discharge, the guarantor does not pay a claim on the loan but the endorser's obligation on the loan is discharged and the borrower remains responsible for repayment of the loan. After the lender receives payment of the total and permanent disability claim, the lender must notify the borrower and, if applicable, the Consolidation loan comaker that the loan, or a portion of the loan, will be assigned to the Department for final determination of eligibility for a total and permanent disability discharge. If the guarantor determines that the endorser or a PLUS comaker meets the criteria for discharge, the guarantor will notify the lender that the TPD loan discharge application has been forwarded to the Department for determination of final discharge eligibility. The lender must notify the borrower that the application has been forwarded to the Department.

[§682.402(c)(8)]

If the guarantor determines that the borrower, comaker, or endorser is not eligible for loan discharge, the guarantor will notify the lender ~~claim will be returned to the lender~~ with an explanation of the reason for the denial. The lender must notify the borrower, comaker, or endorser that the application for a disability discharge has been denied, provide the basis for the denial, and inform the borrower, comaker, or endorser that the lender will resume collection on the loan.

[§682.402(c)(7)]

Resuming Loan Servicing on Comade or Endorsed Loans

If the Department grants a final discharge on a comade Consolidation loan, the lender must resume collection on the remaining loan balance, collecting that balance from both the disabled and non-disabled spouses. If the Department denies the final loan discharge, the lender must refund to the guarantor the amount of the discharge payment previously received and return the loan to repayment with the corrected loan balance. No interest accrues on the

disabled borrower's portion of the loan during the conditional discharge period.

If the Department grants a final discharge on a comade PLUS loan, there is no reduction of the loan's principal and the lender must resume loan collection on the full loan amount. The lender may bill only the non-disabled borrower. If the Department denies the final discharge, the lender may resume collection activities with both borrowers.

If the Department grants a final discharge for a PLUS loan endorser, there is no reduction of the loan's principal and the lender must continue billing the borrower on the loan. The endorser's obligation on the loan is discharged and the lender may not pursue collection activities against the endorser. If the endorser's final discharge is denied, the lender may resume billing both the borrower and endorser, as appropriate.

PROPOSED LANGUAGE - COMMON BULLETIN:

Total Permanent Disability (TPD) Discharges for Comakers and Endorsers

The *Common Manual* has been revised to specify that when a comaker or endorser may be eligible for TPD loan discharge, that the lender retains the loan rather than assigning it to the Department, how the lender should service the loan until an eligibility determination is final, and how the loan balance may be affected by the comaker's or endorser's final discharge.

Revised policy provides that if a comaker of a joint Consolidation loan or PLUS loan applies for total and permanent disability discharge, the lender must continue servicing the loan for the non-disabled comaker. The lender must protect the status of the loan during the conditional discharge period so that the loan does not become more past due during the conditional discharge period. The lender must also ensure that the loan retains the same status when the lender resumes the billing of the disabled borrower after his or her final discharge because the disabled borrower remains obligated to repay the remaining balance. The lender may apply an administrative forbearance on the entire loan if the non-disabled comaker is not eligible for another repayment option, deferment, discretionary forbearance, or reduced-payment forbearance. The administrative forbearance or deferment for the non-disabled comaker may begin on the date the lender receives the disabled comaker's loan discharge application, or the date the lender receives the notification from the guarantor that one comaker is totally and permanently disabled, whichever is earlier. The forbearance or deferment ends on the date that the lender receives notice of the disabled comaker's final discharge determination.

Provisions for the discharge of the endorser's obligation apply only if the lender has begun collection activities against the endorser. If the lender is pursuing collections from the endorser and the endorser applies for a total and permanent disability discharge, the lender may not collect from the endorser but must continue to collect the entire loan amount from the borrower. The lender may not apply a conditional discharge administrative forbearance on the borrower's loan in this case. The lender may permit the loan to become more past due or to default if the borrower does not make payments or other repayment arrangements.

If the Department grants a final discharge on a comade Consolidation loan, the lender must resume collection on the remaining loan balance, collecting that balance from both the disabled and non-disabled spouses. If the Department denies the final loan discharge, the lender must refund to the guarantor the amount of the discharge payment previously received and return the loan to repayment with the corrected loan balance. No interest accrues on the disabled borrower's portion of the loan during the conditional discharge period.

If the Department grants a final discharge on a comade PLUS loan, there is no reduction of the loan's principal and the lender must resume loan collection on the full loan amount. The lender may bill only the non-disabled borrower. If the Department denies the final discharge, the lender may resume collection activities with both borrowers.

If the Department grants a final discharge for a PLUS loan endorser, there is no reduction of the loan's principal and the lender must continue billing the borrower on the loan. The endorser's obligation on the loan is discharged and the lender may not pursue collection activities against the endorser. If the endorser's final discharge is denied, the lender may resume billing both the borrower and endorser, as appropriate.

The lender must report the correct status of the non-dischargeable portion to NSLDS in a timely manner. NSLDS currently reports joint Consolidation loans under one primary borrower only. However, to ensure proper reporting during the conditional discharge period, the lender should report the non-dischargeable

portion under the non-disabled borrower's name and social security number. If the borrower on record with NSLDS is the disabled borrower, the NSLDS must be updated to reflect the non-disabled borrower as the borrower of record. If the discharge is denied, the lender resumes reporting the full balance under the primary borrower currently being reported. If a final discharge is granted, the lender continues to report the non-discharged portion of the Consolidation loan under the non-disabled borrower's name and social security number (primary borrower on record).

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower, comaker, and endorser should receive more consistent treatment with respect to applications for total and permanent disability discharge, and the remaining responsibility for making payments on the balance of the loan, if any.

School:

None.

Lender/Servicer:

A lender may be required to amend claim filing, borrower/endorser notifications rules, due diligence, and deferment and forbearance procedures and systems. A lender may also be required to amend procedures for counseling borrowers of comade loans or PLUS loans on which there is an endorser regarding TPD provisions.

Guarantor:

A guarantor may be required to amend TPD claim review and payment protocols for loans with comakers and endorsers, procedures for providing information on TPD claims to the Department, lender payment and notification processes, and program review procedures.

U.S. Department of Education:

The Department may receive additional TPD discharge requests for comakers and endorsers, and may be required to amend program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

Default Aversion and Claims Standardization Subcommittee (DACs)

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 21, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

bg/edited-tmh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 28, 2007

X	DRAFT	Comments Due	Mar 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Discharging Underlying Loans of a Consolidation Loan

AFFECTED SECTIONS: 13.8 Discharge

POLICY INFORMATION: 957/Batch 141

EFFECTIVE DATE/TRIGGER EVENT: Partial discharge requests filed by a lender on or after July 1, 2007, unless implemented earlier by the guarantor.

BASIS:

Private Department guidance letter from Pam Moran dated April 9, 1997.

CURRENT POLICY:

Current policy does not specify that a lender should file a request for partial discharge of a Consolidation loan with the guarantor of the Consolidation loan when an underlying loan is eligible for discharge due to closed school, death, disability, false certification, unpaid refund, or other discharge type.

REVISED POLICY:

Revised policy requires a lender to file a request for partial discharge of a Consolidation loan with the guarantor of the Consolidation loan when an underlying loan of a Consolidation loan is eligible for discharge due to closed school, death, disability, false certification, unpaid refund, or other discharge type. Upon approval of the discharge, the guarantor will process a payment for the discharged principal and interest portion of the Consolidation loan and forward the payment to the Consolidation loan holder.

REASON FOR CHANGE:

This change is necessary to align the manual with the Department's guidance regarding partial discharge for any underlying loan of a Consolidation loan that is eligible for discharge due to closed school, death, disability, false certification, unpaid refund, or other discharge type.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise section 13.8, page 16, column 1, by adding a new paragraph 2, as follows:

13.8 Discharge

A loan discharge is a release of a borrower's or any comaker's obligation to repay his or her loan, either in whole or in part. There are several circumstances under which a borrower's or comaker's loan may be discharged. Each of these circumstances and its corresponding borrower eligibility criteria are outlined in this section. In certain circumstances, a lender that discharges all or a portion of an eligible borrower's loan may be reimbursed by the guarantor by filing a claim. For information about claim filing procedures, see section 13.1.

Partial Discharge of a Consolidation Loan

The lender must submit to the guarantor of the current Consolidation loan a request for partial discharge for any underlying loans of a Consolidation loan that are eligible for discharge due to closed school, death, disability, false certification, unpaid refund, or other discharge type. Upon approval of the discharge, the guarantor will process a payment for the discharged principal and interest portion of the Consolidation loan and forward the payment to the Consolidation loan holder.



Lenders may contact the guarantor of the Consolidation loan for information on how to file the request for partial discharge.

~~In certain circumstances, a lender that discharges all or a portion of an eligible borrower's loan may be reimbursed by the guarantor by filing a claim. For information about claim filing procedures, see section 13.1.~~

PROPOSED LANGUAGE - COMMON BULLETIN:

Discharging Underlying Loans of a Consolidation Loan

The *Common Manual* has been revised to state that a lender must submit to the guarantor of the current Consolidation loan a request for partial discharge for any underlying loans of a Consolidation loan that are eligible for discharge due to closed school, death, disability, false certification, unpaid refund, or other discharge type. Upon approval of the discharge, the guarantor will process a payment for the discharged principal and interest portion of the Consolidation loan and forward the payment to the Consolidation loan holder.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower will be ensured that his or her eligible underlying loans of a Consolidation loan will be discharged in a timely manner.

School:

None.

Lender/Service:

A lender may need to update its procedures for filing requests for partial discharges of underlying loans of a Consolidation loan, using the appropriate processes directed by the guarantor of the Consolidation loan, to ensure all borrowers' discharges are processed timely and consistently.

Guarantor:

A guarantor may need to update its procedures for processing requests for partial discharge of underlying loans of a Consolidation loan to ensure that it processes these requests for all Consolidation loans it guarantees.

U.S. Department of Education:

None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

Default Aversion and Claims Standardization subcommittee

DATE SUBMITTED TO CM POLICY COMMITTEE:

February 6, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

ma/edited-chh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 28, 2007

X	DRAFT	Comments Due	Mar 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Recapture of Excess Interest

AFFECTED SECTIONS: A.2 Special Allowance

POLICY INFORMATION: 958/Batch 141

EFFECTIVE DATE/TRIGGER EVENT: Effective for quarterly lender reporting and payment of excess interest on FFELP loans first disbursed on or after April 1, 2006.

BASIS:

Higher Education Act of 1965, Section 438(b)(2)(I)(v), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Interim Final Rules published in the *Federal Register* dated August 9, 2006, pages 45680, 45681, 45690, and 45705.

CURRENT POLICY:

Current policy does not address the collection of excess interest by the Department.

REVISED POLICY:

Revised policy addresses the requirement for lenders to remit excess interest to the Department on any loan, first disbursed on or after April 1, 2006, for any quarter in which the applicable interest rate on the loan exceeds the defined special allowance support level.

REASON FOR CHANGE:

This change is necessary to comply with the statutory changes derived from the HERA and from the interim final rules in the *Federal Register* dated August 9, 2006.

PROPOSED LANGUAGE - COMMON MANUAL:

Note: Additional proposed changes to this subsection are reflected in proposal H076 which is also included in Batch 141.

Revise section A.2, page 4, column 2, paragraph 2, as follows:

A.2
Special Allowance and Excess Interest

A lender may receive special allowance payments on most FFELP loans. The Department pays special allowance on a loan for any quarter in which the applicable calculation for that type of loan yields a positive number.

Special allowance is not paid on the following:

- Unconsummated loans.
[§682.302(b)(3)]
- Nonsubsidized Stafford loans first disbursed on or after October 1, 1981, for periods of enrollment beginning before October 1, 1992.
[§682.302(b)(1)]
- Any portion of a Consolidation loan derived from an underlying HEAL loan.
[HEA 428C(d)(3)(A)]

For a loan first disbursed on or after April 1, 2006, the Department will collect excess interest for quarters in which the applicable interest rate on the loan exceeds the special allowance support level

(see subsection A.2.A).

The formulas used to calculate special allowance and excess interest, which are exhibited on the following pages, are based on the maximum applicable interest rates specified in law for each category of loan. If a lender charges a borrower an interest rate that is less than the statutory maximum rate applicable to that loan, the lender must report the loan at the statutory rate for special allowance purposes.

PROPOSED LANGUAGE - COMMON BULLETIN:

Recapture of Excess Interest

The *Common Manual* has been updated to include information related to the Department's collection of excess interest on any FFELP loan first disbursed on or after April 1, 2006, for quarters in which the applicable interest rate exceeds the special allowance support level.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Servicer:

A lender will need to revise procedures and update systems to report and remit excess interest to the Department.

Guarantor:

A guarantor may need to update program review procedures.

U.S. Department of Education:

The Department may need to develop procedures and systems to collect excess interest payments by lenders.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

February 23, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

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CM Guarantor Designees

Interested Industry Groups and Others

ce-/edited-tmh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 28, 2007

X	DRAFT	Comments Due	Mar 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Special Allowance

AFFECTED SECTIONS: A.2 Special Allowance
Figure A-3 LaRS Special Allowance and Interest Reporting for FFELP Loans

POLICY INFORMATION: 959/Batch 141

EFFECTIVE DATE/TRIGGER EVENT: Special allowance payments made on or after April 1, 2006.

BASIS:
§682.302(b)(2), as amended by the Higher Education Reconciliation Act (HERA) of 2005; *Dear Colleague Letter* FP-06-10.

CURRENT POLICY:

Current policy states that PLUS loans first disbursed on or after July 1, 1998, are eligible for special allowance if the loan is accruing at the maximum interest rate specified in law (the cap) and the interest rate calculated prior to applying the cap exceeds the maximum interest rate for the loan.

REVISED POLICY:

Revised policy states that PLUS loans first disbursed on or after January 1, 2000, for any period prior to April 1, 2006, are only eligible for special allowance if the loan is accruing at the cap and the interest rate calculated prior to applying the cap exceeds the maximum interest rate for the loan.

Revised policy also updates Figure A-3, LaRS Special Allowance and Interest Reporting for FFELP Loans, with the applicable changes.

REASON FOR CHANGE:

These changes align the manual with the statutory changes derived from the Higher Education Reconciliation Act (HERA) of 2005.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise section A.2, page 5, column 1, paragraph 1, as follows:

Special Allowance

....

Variable-rate PLUS or SLS loans first disbursed before July 1, 1994, and PLUS loans first disbursed on or after July 1, 1998, or on or after January 1, 2000, for any period prior to April 1, 2006, are eligible for special allowance only when the following criteria are met:

....

Revise Figure A-3, LaRS Special Allowance and Interest Reporting for FFELP Loans, as follows:

Note: Some of the changes reflected in this chart were made within the text of the manual as part of Proposal 902 in Batch 133.

See attached chart.

PROPOSED LANGUAGE - COMMON BULLETIN: Special Allowance

The *Common Manual* has been revised to clarify that PLUS loans first disbursed on or after January 1, 2000, for any period prior to April 1, 2006, are only eligible for special allowance if the loan is accruing at the maximum interest rate specified in law (the cap) and the interest rate calculated prior to applying the cap exceeds the maximum interest rate for the loan.

The manual has also been revised to include an updated version of Figure A-3, LaRS Special Allowance and Interest Reporting for FFELP Loans.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Service:

A lender is now eligible to receive special allowance on PLUS loans first disbursed on or after January 1, 2000, for any period beginning on or after April 1, 2006, as the special allowance limitations no longer apply.

Guarantor:

A guarantor may need to update program review procedures.

U.S. Department of Education:

The Department may need to update special allowance billing parameters, as well as program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

February 8, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

sf/edited-bb

LaRS Special Allowance and Interest Reporting for FFELP Loans

Figure A-3

LaRS Special Allowance and Interest Rate Reporting For FFELP Loans					
Loan Type Code		Special Allowance Factor			
<u>TS⁵ SF¹</u>	Subsidized Stafford and Subsidized FISL loans	SA	3.50% round up to 1/8%	SJ	2.20%
<u>TP⁵ PL</u>	PLUS (parent) loans <u>and</u> Grad PLUS loans	SB	3.50%	SK	2.80%
<u>TP²⁺⁵ PL²</u>	PLUS (student) and ALAS loans	SD	3.25%	SL	3.10%
<u>TP⁵ SU</u>	Unsubsidized Stafford loans	SE	3.10%	CA, CE	1.74%
<u>TS⁵ SL</u>	SLS loans	SG	3.10%	CB, CF	2.34%
<u>TP²⁺⁵ SL³</u>	PLUS (student) and ALAS loans	SH	2.50% / 3.10% (see below)	CC, CG	2.64%
<u>TC⁵ CL</u>	Consolidation loans	X★	3.50%, tax exempt ⁴	CD, CH	2.64%
Special Allowance Codes - For loans made or purchased with taxable funds or tax-exempt funds originally issued on/after 10-1-1993 not subject to the <u>minimum/maximum rules⁴</u>					
SA	All loans first disbursed prior to 10-1-1981. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4, rounded up to the nearest 1/8 percent)	SB	All loans first disbursed on/after 10-1-1981 through 10-16-1986 and loans first disbursed on/after 10-17-1986 through 11-15-1986 with a loan period begin date prior to 11-16-1986. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4)		
SC	All loans first disbursed during sequester periods (1st four quarters after first disbursement). These sequester periods included 3-1-1986 to 9-30-1986 and 10-1-1989 to 12-31-1989. (Formulas no longer in effect)	SD	All loans first disbursed on/after 10-17-1986 through 11-15-1986 with a loan period begin date on/after 11-16-1986, and loans first disbursed on/after 11-16-1986 through 9-30-1992. (Formula: Average 90-day Tbill + 3.25% - Interest Rate / 4)		
SE	All loans first disbursed on/after 10-1-1992 through 6-30-1994, and consolidation loans based on applications received by the lender prior to 11-13-1997. (Formula: Average 90-day Tbill + 3.10% - Interest Rate / 4)	SG	All Stafford and PLUS loans first disbursed on/after 7-1-1994 through 6-30-1998 (except Stafford loans first disbursed on/after 7-1-1995 through 6-30-1998 while in school, grace, or deferment status) and consolidation loans based on applications received by the lender on/after 11-13-1997 through 9-30-1998. (Formula: Average 90-day Tbill + 3.10% - Interest Rate / 4)		
SH	All <u>Stafford</u> loans first disbursed on/after 7-1-1995 through 6-30-1998 while in school, grace, or deferment status, and PLUS loans first disbursed on/after 7-1-1998 through 12-31-1999. (Stafford Formula: Average 90-day Tbill + 2.50% - Interest Rate / 4) (<u>PLUS Formula: Average 90-day Tbill + 3.10% - Interest Rate / 4</u>)	SJ	All Stafford loans first disbursed on/after 7-1-1998 through 12-31-1999 while in school, grace, or deferment status. (Formula: Average 90-day Tbill + 2.20% - Interest Rate / 4)		
SK	All Stafford loans first disbursed on/after 7-1-1998 through 12-31-1999 while in a status other than in-school, grace or deferment status. (Formula: Average 90-day Tbill + 2.80% - Interest Rate / 4)	SL	Consolidation loans based on applications received by the lender on/after 10-1-1998 through 12-31-1999. (Formula: Average 90-day Tbill + 3.10% - Interest Rate / 4)		
CA	All Stafford loans first disbursed on/after 1-1-2000 <u>through 3-31-2006</u> while in school, grace, or deferment status. (Formula: Average 3-month CP + 1.74% - Interest Rate / 4)	CB	All Stafford loans first disbursed on/after 1-1-2000 <u>through 3-31-2006</u> while in a status other than in-school, grace, or deferment status. (Formula: Average 3-month CP + 2.34% - Interest Rate / 4)		
CC	Consolidation loans based on applications received by the lender on/after 1-1-2000 <u>through first disbursed on/before 3-31-2006</u> . (Formula: Average 3-month CP + 2.64% - Interest Rate / 4)	CD	PLUS loans first disbursed on/after 1-1-2000 <u>through 3-31-2006</u> . (Formula: Average 3-month CP + 2.64% - Interest Rate / 4)		
<u>CE</u>	<u>All Stafford loans first disbursed on/after 4-1-2006 while in school, grace, or deferment status. (Formula: Average 3-month CP + 1.74% - Interest Rate / 4, subject to excess interest rebates)</u>	<u>CF</u>	<u>All Stafford loans first disbursed on/after 4-1-2006 while in a status other than in-school, grace, or deferment status. (Formula: Average 3-month CP + 2.34% - Interest Rate / 4, subject to excess interest rebates)</u>		
<u>CG</u>	<u>Consolidation loans first disbursed on/after 4-1-2006. (Formula: Average 3-month CP + 2.64% - Interest Rate / 4, subject to excess interest rebates)</u>	<u>CH</u>	<u>PLUS loans first disbursed on/after 4-1-2006. (Formula: Average 3-month CP + 2.64% - Interest Rate / 4, subject to excess interest rebates)</u>		
Special Allowance Codes - For loans made or purchased with tax exempt funds originally issued prior to 10-1-1993 <u>subject to the minimum/maximum rules⁴</u>					
SA	All loans first disbursed prior to 10-1-1980. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4, rounded up to the nearest 1/8 percent)	XA	All loans first disbursed on/after 10-1-1980 through 9-30-1981. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)		
XB	All loans first disbursed on/after 10-1-1981 through 9-30-1992. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)	XC	All loans first disbursed during sequester periods (1st four quarters after first disbursement). These sequester periods include 3-1-1986 to 9-30-1986 and 10-1-1989 to 12-31-1989. (Formulas no longer in effect)		
XE	All loans first disbursed on/after 10-1-1992 through 6-30-1994, and consolidation loans based on applications received by the lender prior to 11-13-1997. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)	XG	All Stafford and PLUS loans first disbursed on/after 7-1-1994 through 6-30-1998 (except Stafford loans while in school, grace, or deferment) and consolidation loans based on applications received by the lender on/after 11-13-1997 through 9-30-1998. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)		
XH	All Stafford loans first disbursed on/after 7-1-1995 through 6-30-1998 while in school, grace, or deferment, and PLUS loans first disbursed on/after 7-1-1998 <u>through 3-31-2006</u> . (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)	XJ	All Stafford loans first disbursed on/after 7-1-1998 <u>through 3-31-2006</u> while in school, grace, or deferment. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)		
XK	All Stafford loans first disbursed on/after 7-1-1998 <u>through 3-31-2006</u> while in a status other than in-school, grace or deferment. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)	XL	Consolidation loans based on applications received by the lender on/after 10-1-1998 <u>through first disbursement on/before 3-31-2006</u> . (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)		
<u>XM</u>	<u>All Stafford loans first disbursed on/after 4-1-2006 while in school, grace, or deferment, held by lenders eligible for the HERA of 2005 special exemptions. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)</u>	<u>XN</u>	<u>All Stafford loans first disbursed on/after 4-1-2006 while in a status other than in-school, grace or deferment, held by lenders eligible for the HERA of 2005 special exemptions. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)</u>		

LaRS Special Allowance and Interest Reporting for FFELP Loans

Figure A-3

XO	Consolidation loans first disbursed on/after 4-1-2006, held by lenders eligible for the HERA of 2005 special exemptions. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)	XP	PLUS loans first disbursed on/after 4-1-2006, held by lenders eligible for the HERA of 2005 special exemptions. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)
XQ	PLUS loans first disbursed on/after 1-1-2000 through 3-31-2006, for quarters beginning 4-1-2006 which would have been reported under the "XH" category for quarters prior to 4-1-2006. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)		

Loan Type and Special Allowance Code Reporting Combinations			
TG	SA, SB, SC, SD, SE, SG, SH, SJ, SK, XA, XB, XC, XE, XG, XH, XJ, XK, CA, CB	TU	SE, SG, SH, SJ, SK, XE, XG, XH, XJ, XK, CA, CB
TC	SC, SD, SE, SG, SL, XB, XC, XE, XG, XL, CC	TS	SA, SB, SC, SD, SE, XA, XB, XC, XE
TP	SA, SB, SC, SD, SE, SH, XA, XB, XC, XE, XG, XH, CD		
Interest Rate Codes			
.07	Stafford loans at a fixed rate of 7% or less		
.99999	Consolidation loans based on applications received by the lender on/after 10-1-1998 through 6-30-2003 where the fixed interest rate is a weighted average of the underlying loan interest rates rounded up to the nearest 1/8 of a percent		
CVAR	PLUS loans and SLS loans made in 1986 and 1987 where the interest rate changes each January 1.		
VAR	PLUS and SLS loans with first disbursements on or after 7-1-1987, but before 10-1-1992, where the interest rate changes each July 1.		
EVAR	All FFELP loans that were guaranteed as variable rate loans with first disbursements on or after 10-1-1992 and Consolidation loans based on applications received by the lender between 11-13-1997 and 9-30-1998, inclusive, where the interest rate changes each July 1, and HEAL portions of Consolidation loans.		
FVAR#	Stafford loans that were originally guaranteed as fixed rate loans, but were converted to a variable rate, where the interest rate now changes each July 1. Includes 8/10% loans except for those that fall under the FVARX category. FVAR# includes FVAR7, FVAR8, FVAR9, FVAR10.		
FVARX	FFELP Stafford loans with a 8/10% interest rate first disbursed to prior borrowers on or after 7-23-1992 but before 10-1-1992, when such loans reach the 49 th month of repayment and beyond.		

Special Allowance and Interest Rate Code Reporting Combinations		
SA, XA	Stafford/PLUS/SLS/ALAS	7%, 9%
SB	Stafford/PLUS/SLS/ALAS	7%, 8%, 9%, 12%, 14%, CVAR
SC	Stafford/PLUS/SLS/ALAS	7%, 8%, 9%, 12%, 14%, CVAR
XB	Stafford/PLUS/SLS/ALAS/Consolidation	7%, 8%, 9%, 10%, 12%, 14%, CVAR, FVAR7, FVAR8, FVAR9, FVAR10, FVARX, VAR
SD	Stafford/PLUS/SLS/ALAS/Consolidation	7%, 8%, 9%, 10%, 12%, 14%, CVAR, FVAR7, FVAR8, FVAR9, FVAR10, FVARX, VAR
SC	Stafford/PLUS/SLS/ALAS/Consolidation	7%, 8%, 9%, 10%, 12%, 14%, CVAR, FVAR7, FVAR8, FVAR9, FVAR10, VAR
SE, XE	Stafford/PLUS/SLS/Consolidation	7%, 8%, 9%, 10%, FVAR7, FVAR8, FVAR9, FVAR10, EVAR
SG, XG	Stafford/PLUS/Consolidation	EVAR
SH, XH	Stafford/PLUS	EVAR
SJ, SK, XJ, XK	Stafford	EVAR
SL, XL	Consolidation	.99999
CA, CB	Stafford	EVAR
CC	Consolidation	.99999
CD	PLUS	EVAR

Valid Special Allowance, Loan Type, and Interest Rate Code Reporting Combinations									
Subsidized Stafford		Unsubsidized Stafford		PLUS ⁵		SLS ⁵		Consolidation	
Taxable	Tax-exempt	Taxable	Tax-exempt	Taxable	Tax-exempt	Taxable	Tax-exempt	Taxable	Tax-exempt
SA TG SF .07	SA TG SF .07	SE TU SU .07	XE TU SU .07	SA TP PL .09	XA TU PL .09	SA TS SL .09	XA TS SL .09	SC TC CL .09	XC TC CL .09
SA TG SF .09	XA TG SF .07	SE TU SU .08	XE TU SU .08	SB TU PL .14	XB TU PL .14	SB TS SL .14	XB TS SL .14	SC TC CL .10	XC TC CL .10
SB TG SF .07	XA TG SF .09	SE TU SU .09	XE TU SU .09	SB TU PL .12	XB TU PL .12	SB TS SL .12	XB TS SL .12	SC TC CL .11	XC TC CL .11
SB TG SF .08	XB TG SF .07	SE TU SU EVAR	XE TU SU EVAR	SB TU PL CVAR	XB TU PL CVAR	SB TS SL CVAR	XB TS SL CVAR	SC TC CL .12	XC TC CL .12
SB TG SF .09	XB TG SF .08	SE TU SU FVAR7	XE TU SU FVAR7	SC TU PL .12	XB TU PL VAR	SC TS SL .12	XB TS SL VAR	SD TC CL .09	XB TC CL .09
SC TG SF .07	XB TG SF .09	SE TU SU FVAR8	XE TU SU FVAR8	SC TU PL VAR	XC TU PL .12	SC TS SL VAR	XC TS SL .12	SD TC CL .10	XB TC CL .10
SC TG SF .08	XB TG SF .10	SE TU SU FVAR9	XE TU SU FVAR9	SD TU PL .12	XC TU PL VAR	SD TS SL .12	XC TS SL VAR	SD TC CL .11	XB TC CL .11
SC TG SF .09	XB TG SF	SE TU SU	XE TU SU	SD TU PL	XE TU PL	SD TS SL VAR	XE TS SL	SD TC CL .12	XB TC CL .12

LaRS Special Allowance and Interest Reporting for FFELP Loans

Figure A-3

	FVAR7	FVAR10	FVAR10	CVAR	EVAR		EVAR		
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Valid Special Allowance, Loan Type, and Interest Rate Code Reporting Combinations, cont'd									
Subsidized Stafford		Unsubsidized Stafford		PLUS ⁵		SLS ⁵		Consolidation	
Taxable	Tax-exempt	Taxable	Tax-exempt	Taxable	Tax-exempt	Taxable	Tax-exempt	Taxable	Tax-exempt
SD TG <u>SF</u> .07	XB TG <u>SF</u> FVAR8	SG TU <u>SU</u> EVAR	XG TU <u>SU</u> EVAR	SD TU <u>PL</u> VAR	XG TU <u>PL</u> EVAR	SD TS <u>SL</u> CVAR		SE TC <u>CL</u> .01-.25	XE TC <u>CL</u> .01-.25
SD TG <u>SF</u> .08	XB TG <u>SF</u> FVAR9	SH TU <u>SU</u> EVAR	XH TU <u>SU</u> EVAR	SE TU <u>PL</u> EVAR	XH TU <u>PL</u> EVAR	SE TS <u>SL</u> EVAR		SG TC <u>CL</u> EVAR	XG TC <u>CL</u> EVAR
SD TG <u>SF</u> .09	XB TG <u>SF</u> FVAR10	SJ TU <u>SU</u> EVAR	XJ TU <u>SU</u> EVAR	SG TU <u>PL</u> EVAR				SL TC <u>CL</u> .99999	XL TC <u>CL</u> .99999
SD TG <u>SF</u> .10	XB TG <u>SF</u> FVARX	SK TU <u>SU</u> EVAR	XK TU <u>SU</u> EVAR	SH TU <u>PL</u> EVAR				CC TC <u>CL</u> .99999	
SD TG <u>SF</u> FVAR7	XC TG <u>SF</u> .07	CA TU <u>SU</u> EVAR		CD TU <u>PL</u> EVAR					
SD TG <u>SF</u> FVAR8	XC TG <u>SF</u> .08	CB TU <u>SU</u> EVAR							
SD TG <u>SF</u> FVAR9	XC TG <u>SF</u> .09								
SD TG <u>SF</u> FVAR10	XE TG <u>SF</u> .07								
SD TG <u>SF</u> FVARX	XE TG <u>SF</u> .08								
SE TG <u>SF</u> .07	XE TG <u>SF</u> .09								
SE TG <u>SF</u> .08	XE TG <u>SF</u> EVAR								
SE TG <u>SF</u> .09	XE TG <u>SF</u> FVAR7								
SE TG <u>SF</u> EVAR	XE TG <u>SF</u> FVAR8								
SE TG <u>SF</u> FVAR7	XE TG <u>SF</u> FVAR9								
SE TG <u>SF</u> FVAR8	XE TG <u>SF</u> FVAR10								
SE TG <u>SF</u> FVAR9	XG TG <u>SF</u> EVAR								
SE TG <u>SF</u> FVAR10	XH TG <u>SF</u> EVAR								
SG TG <u>SF</u> EVAR	XJ TG <u>SF</u> EVAR								
SH TG <u>SF</u> EVAR	XK TG <u>SF</u> EVAR								
SJ TG <u>SF</u> EVAR									
SK TG <u>SF</u> EVAR									
CA TG <u>SF</u> EVAR									
CB TG <u>SF</u> EVAR									
Notes									
¹	Stafford Nonsubsidized and FISL Nonsubsidized loans disbursed prior to 10-1-81 are included within SF loan types.								
²	Loans disbursed prior to 10-17-86 and unable to distinguish from PLUS (parent) loans.								
³	Loans disbursed prior to 10-17-86 and able to distinguish from PLUS (parent) loans.								
⁴	Loans made or purchased with attributable to tax-exempt funds originally issued prior to 10-1-93 receive ½ the regular special allowance rate but not less than 9.5% minus the applicable interest rate. Loans made or purchased with attributable to tax-exempt funds originally issued on or after 10-1-93 receive regular special allowance and must be reported using the taxable special allowance codes.								
⁵	PLUS and SLS loans first disbursed on/after 7-1-1987 but before 6-30-1994, and PLUS loans first disbursed on/after 7-1-1998 but before 6-30-2003 do not receive any special allowance if the annual interest rate calculation does not exceed the applicable maximum interest rate.								

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 28, 2007

X	DRAFT	Comments Due	Mar 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Excess Interest Calculation

AFFECTED SECTIONS: A.2.A Special Allowance Rates

POLICY INFORMATION: 960/Batch 141

EFFECTIVE DATE/TRIGGER EVENT: Effective for the quarterly calculation of excess interest to be remitted by lenders on FFELP loans first disbursed on or after April 1, 2006.

BASIS:

Higher Education Act of 1965, Section 438(b)(2)(I)(v), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Interim Final Rules published in the *Federal Register* dated August 9, 2006, pages 45680, 45681, 45690, and 45705.

CURRENT POLICY:

Current policy does not address the calculation of excess interest that lenders are required to remit to the Department.

REVISED POLICY:

Revised policy includes the requirement for the calculation and application of the excess interest rate. The excess interest rate is the applicable interest rate on any FFELP loan, first disbursed on or after April 1, 2006, minus the appropriate special allowance support level. The special allowance support level is defined as the average of the bond equivalent rates of quotes of the 3-month commercial paper (financial) rates in effect for each of the day in the quarter (also called the 3-month commercial paper rate) as reported by the Federal Reserve in Publication H-15 for the 3-month period plus one of the following:

- 2.34% for a Stafford loan in repayment.
- 1.74% for a Stafford loan during the in-school, grace, or deferment period.
- 2.64% for a Consolidation or PLUS loan.

The amount of excess interest that is collected by the Department on a qualifying loan is determined by multiplying the average daily principal balance (not including unearned interest added to principal) of the loan by the appropriate excess interest rate.

REASON FOR CHANGE:

This change is necessary to comply with the statutory changes derived from the HERA and from the interim final rules in the *Federal Register* dated August 9, 2006.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise subsection A.2.A, page 5, column 1, paragraph 2, as follows:

A.2.A

Special Allowance and Excess Interest Rates

Special Allowance Rates

The amount of special allowance that is payable on an eligible loan is determined by multiplying the average daily balance of principal and capitalized interest on the loan by the applicable special allowance rate. Special allowance rates are calculated and published quarterly by the Department. The formulas used to calculate these rates are exhibited on the following pages. The following factors are considered in the calculation of special allowance rates for a loan:

- . . .

- ...
- ...
- ...

Revise subsection A.2.A, page 9, column 1, by adding a new subheading as follows:

Certain loan holders remain subject to the maximum/minimum special allowance rates on eligible loans until December 31, 2010, if all of the following apply:

- ...
- ...
- ...

Excess Interest Rates

The amount of excess interest that is remitted on a qualifying loan is determined by multiplying the average daily principal balance (not including unearned interest added to principal) of the loan by the applicable excess interest rate.

Excess Interest Formulas

FORMULA 1

(Applicable Interest Rate of the Loan - Average 3-month Commercial Paper Rate + 2.34%*) ÷ 4

- Stafford loans first disbursed on or after April 1, 2006, when such loans are in repayment.

FORMULA 2

(Applicable Interest Rate of the Loan - Average 3-month Commercial Paper Rate + 1.74%*) ÷ 4

- Stafford loans first disbursed on or after April 1, 2006, when such loans are in an in-school, grace, or deferment period.

FORMULA 3

(Applicable Interest Rate of the Loan - Average 3-month Commercial Paper Rate + 2.64%*) ÷ 4

- Consolidation and PLUS loans first disbursed on or after April 1, 2006.

*The average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter (also called the 3-month commercial paper rate) as reported by the Federal Reserve in Publication H-15 for each quarter plus the indicated percentage is known as the special allowance support level.

Example of Excess Interest Calculations

A PLUS loan is first disbursed on October 2, 2006, and is accruing interest at 8.5%. Excess interest for this loan is calculated using Formula 3.

For the quarter ending December 31, 2006, the average 3-month commercial rate is 5.38%. The special allowance support level is 8.02% (5.38% + 2.64%). The quarterly excess interest rate is calculated as follows:

$$(8.50\% - 8.02\%) \div 4 = 0.12\%$$

If the loan has an average daily principal balance for the quarter of \$1,000, applying the above rate yields the following quarterly excess interest amount:

$$0.0012 \times \$1,000 = \$1.20$$

PROPOSED LANGUAGE - COMMON BULLETIN:**Excess Interest Calculation**

The *Common Manual* has been updated to include formulas and explanations of the calculation of excess interest to be remitted to the Department by a lender. The excess interest rate is the applicable interest rate on any FFELP loan, first disbursed on or after April 1, 2006, minus the appropriate special allowance support level. The special allowance support level is defined as the average of the bond equivalent rates of quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter (also called the 3-month commercial paper rate) as reported by the Federal Reserve in Publication H-15 for the 3-month period plus one of the following:

- 2.34% for a Stafford loan in repayment.
- 1.74% for a Stafford loan during the in-school, grace, or deferment period.
- 2.64% for a Consolidation or PLUS loan.

The amount of excess interest that is collected by the Department on a qualifying loan is determined by multiplying the average daily principal balance (not including unearned interest added to principal) of the loan by the appropriate excess interest rate.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Service:

A lender will need to develop procedures and update systems with the formulas to quarterly calculate the excess interest amount to be remitted to the Department.

Guarantor:

A guarantor may need to update program review procedures.

U.S. Department of Education:

The Department may need to develop procedures to review excess interest calculations and payments.

To be completed by the Policy Committee**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

February 23, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

ce-/edited-tmh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 28, 2007

X	DRAFT	Comments Due	Mar 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Waiver for Deferment-Active Duty and Military

AFFECTED SECTIONS: H.4 Statutory and Regulatory Waivers
Figure H-2

POLICY INFORMATION: 961/Batch 141

EFFECTIVE DATE/TRIGGER EVENT: Military deferment waivers granted on or after July 1, 2006.

BASIS:

Higher Education Act of 1965, Section 428F(a)(1)(A), as amended by the Higher Education Reconciliation Act (HERA) of 2005; §682.210(t); *Dear Colleague Letter* GEN-06-02.

CURRENT POLICY:

Current policy in section H.4, item 18, and Figure H-2, addresses waivers that pertain to the Military Deferment and cross references section 11.3 which is titled, Armed Forces Deferment. Current policy does not address waivers for affected individuals who have loans deferred by the new Military deferment created by HERA.

REVISED POLICY:

Revised policy corrects section H.4, item 18 and Figure H-2 to refer to the deferment as the Armed Forces deferment. Revised policy adds that waivers are also available for affected individuals who have loans deferred by the new Military deferment created by HERA.

REASON FOR CHANGE:

This change is necessary to align the HEROES deferment waivers with language in sections 11.3, 11.8 and H.4.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise section H.4, page 94, Figure H-2, rows 18 -23 , as follows:

18. Military Deferment <u>Armed Forces Deferment</u>	11.3; Figure 11-1	x		x			
19. Forbearance <u>Deferment-Military</u>	41.22.B <u>11.8</u>	<u>x</u>		<u>x</u>		*	
20. Rehabilitation of <u>Defaulted Loans Forbearance</u>	43.7 <u>11.22.B</u>	x		x		<u>x</u>	
21. Loan Forgiveness <u>Rehabilitation of Defaulted</u> <u>Loans</u>	43.9.B <u>13.7</u>	x		x		x	
22. Consolidating Defaulted <u>Title IV Loans</u> <u>Loan Forgiveness</u>	45.2 <u>13.9.B</u>	x		x		x	
23. Collection Activities on <u>Defaulted Title IV Loans</u> <u>Consolidating Defaulted Title</u> <u>IV Loans</u>	34 CFR 682.410; 2006-2007 Federal Student Aid Handbook, Volume 6 <u>15.2</u>	<u>x</u>		<u>x</u>		<u>x</u>	

<u>24. Collection Activities on Defaulted Title IV Loans</u>	<u>34 CFR 682.410: 2006-2007 Federal Student Aid Handbook, Volume 6</u>	<u>x</u>		<u>x</u>		<u>x</u>	
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Revise section H.4, page 99, column 2, item 18, as follows:

18. ~~Deferment - Military~~ Armed Forces (see section 11.3 and Figure 11-1: Certain borrowers are entitled to defer principal. . .

The Department modifies the 3-year cumulative limit on ~~military~~ an armed forces deferment so that the time during which affected individuals are serving on active duty is excluded from the time limit. The Department pays interest that accrues on subsidized Stafford loans during an extended deferment period under this modification. In addition, the Department waives the requirement that a borrower request the deferment. A loan holder may grant deferment to an affected individual based on a request from a family member or other reliable source. Further, the Department waives documentation requirements to allow a loan holder to grant an affected individual an military armed forces deferment for a 1-year period without documentation. In order to grant an military armed forces deferment beyond the initial 1-year period, the loan holder must obtain supporting documentation from the borrower, a member of the borrower's family, or another reliable source.

Revise section H.4, page 100, column 1 by adding a new item 19 and renumbering items 20-24, as applicable.

19. ~~Forbearance~~ (see subsection 11.22.B): A loan holder must require a borrower who requests mandatory administrative forbearance because of military mobilization to provide documentation showing that the borrower is subject to a military mobilization. The Department waives this requirement to allow a borrower to receive forbearance at the request of the borrower, a member of the borrower's family, or another reliable source, for a one-year period, including a 3-month transition period that immediately follows, without providing the loan holder with documentation. In order to grant the borrower forbearance beyond this initial, fifteen-month period, the loan holder must obtain documentation supporting the borrower's military mobilization.

Deferment - Military (see section 11.8): Certain borrowers are entitled to defer principal payments on a loan(s) first disbursed on or after July 1, 2001, for periods not to exceed 3 years for each loan while the borrower is serving on active duty during a war or other military operation, or a national emergency, or while the borrower is performing qualifying National Guard duty during a war or other military operation, or a national emergency. To qualify for the deferment, the borrower must provide the loan holder with documentation establishing his or her eligibility for the deferment. (See section 11.8 for detailed information about military deferment criteria.)

The Department modifies the 3-year cumulative limit for each eligible loan on military deferment so that the time during which affected individuals are serving in this capacity is excluded from the time limit. The Department pays interest that accrues on subsidized Stafford loans during an extended deferment period under this modification. In addition, the Department waives the requirement that a borrower request the deferment. A loan holder may grant deferment to an affected individual based on a request from a family member or other reliable source. Further, the Department waives documentation requirements to allow a loan holder to grant an affected individual a military deferment for a 1-year period without documentation. In order to grant a military deferment beyond the initial 1-year period, the loan holder must obtain supporting documentation from the borrower, a member of the borrower's family, or another reliable source.

- ~~1920.~~ Forbearance (see subsection 11.22.B): A loan holder must require a borrower who requests mandatory administrative forbearance because of military mobilization to provide documentation showing that the borrower is subject to a military mobilization. The Department waives this requirement to allow a borrower to receive forbearance at the

request of the borrower, a member of the borrower's family, or another reliable source, for a one-year period, including a 3-month transition period that immediately follows, without providing the loan holder with documentation. In order to grant the borrower forbearance beyond this initial, fifteen-month period, the loan holder must obtain documentation supporting the borrower's military mobilization.

. . .

PROPOSED LANGUAGE - COMMON BULLETIN:

The *Common Manual* has been revised to align language in section H.4, Statutory and Regulatory Waivers, with policy in sections 11.3 and 11.8. Section H.4 reflects waivers that are applicable to borrowers who have loans deferred by the Armed Forces deferment and the Military deferment.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower may be eligible for a waiver if he or she is an affected individual who has loans deferred by the new Military deferment created by HERA.

School:

None.

Lender/Service:

A lender may need to update its processes and procedures related to granting waivers for affected individuals who have loans deferred by the new Military deferment created by HERA.

Guarantor:

A guarantor may need to update its program review procedures.

U.S. Department of Education:

The Department may need to update its program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

December 5, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

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COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: February 28, 2007

X	DRAFT	Comments Due	Mar 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Partial Discharge of a Consolidation Loan

AFFECTED SECTIONS: 15.5.F Delinquency, Default, and Claim Filing

POLICY INFORMATION: 962/Batch 141

EFFECTIVE DATE/TRIGGER EVENT: Closed school and false certification provisions retroactive to the implementation of the *Common Manual*.

Teacher loan forgiveness provisions for Consolidation loans comprised solely of loans first disbursed on or after October 1, 1998.

Death discharge provisions effective July 1, 2003.

Discharges due to the total and permanent disability of one comaker for claims filed by the lender on or after August 1, 2006.

BASIS:

NCHELP/Default Aversion and Claims Standardization (DACS) subcommittee matrix of total and permanent disability (TPD) provisions for comakers and endorsers dated June 13, 2006.

CURRENT POLICY:

Current policy states that the claim filing requirements for Consolidation loans are identical to those for other FFELP loans. Current policy also does not acknowledge that in some cases, a Consolidation loan may be partially discharged based on certain conditions pertinent to underlying loans.

REVISED POLICY:

Revised policy acknowledges that in certain cases, a portion of a Consolidation loan may be discharged based on the total and permanent disability of one of the co-borrowers. Revised policy is also amended to provide information and cross-references to appropriate text regarding the circumstances under which other partial loan discharge or loan forgiveness may apply to the Consolidation loan.

REASON FOR CHANGE:

Current text has been preempted by the November 1, 2002, final regulations and subsequent Departmental guidance regarding the applicability of loan discharge and forgiveness to portions of a Consolidation loan based on the eligibility of certain underlying loans or of one spouse for discharge of his or her portion of a co-made Consolidation loan. Enhanced cross-references and explanations will make this subsection more useful to lenders and servicers in accessing appropriate information relevant to claim and discharge provisions, and claim-filing requirements for Consolidation loans.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise subsection 15.5.F, as follows:

Delinquency, Default and Claim Filing

The due diligence, and default, and ~~and~~ and bankruptcy claim filing requirements for a Federal Consolidation loans are identical to those for other FFELP loans ~~guaranteed by the guarantor (see chapters 12 and 13).~~ Loan discharge provisions and discharge claim filing requirements, however, may be different for a Consolidation loan, as follows:

- For Consolidation loan discharge provisions due to closed school and false certification, see subsection 13.8.B and 13.8.D, respectively.

- For Consolidation loan discharge due to teacher loan forgiveness, the Consolidation loan must be comprised solely of loans that are first disbursed on or after October 1, 1998. See subsection 13.9.B for teacher loan forgiveness provisions for Consolidation loans.
- For Consolidation loan discharge provisions due to the death of one spouse in the case of a joint Consolidation loan, or for the portion of a Consolidation loan attributable to an underlying PLUS loan that was made for a dependent student who dies, see subsection 13.8.C.
[§682.402(a)(2) and (b)(6)]
- For discharge due to total and permanent disability, the borrower must be considered totally and permanently disabled according to FFELP discharge criteria on all underlying loans included in the Consolidation loan—including any non-FFELP loans. The loan origination dates of the underlying loans will be used in determining a borrower's eligibility. If a Consolidation loan is made jointly to a married couple as comakers, the portion of the Consolidation loan attributable to one of the spouses may be discharged if that spouse becomes totally and permanently disabled. See subsection 13.8.F for more information regarding the discharge of all or a portion of a Consolidation loan due to total and permanent disability.
[§682.402(a)(2) and (c)(1)(iv)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Consolidation Loan Claim and Discharge Provisions

The *Common Manual* subsection that references claim and discharge provisions applicable to Consolidation loans has been updated to include cross-references to the specific cites within the manual that address the special claim and discharge provisions applicable to Consolidation loans. Information has also been added to explain that if a Consolidation loan is made to two spouses as comakers, the portion of the Consolidation loan attributable to one of the spouses may be discharged if that spouse becomes totally and permanently disabled.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Servicer:

None.

Guarantor:

None.

U.S. Department of Education:

None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 21, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

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