

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
979	Providing Consolidation Loan Information to Borrowers	<p><u>15.3.A Providing Consolidation Loan Information</u></p> <p>Revises language to acknowledge electronic delivery methods. Also suggests that consolidating lenders provide Consolidation loan applicants with a complete explanation of any applicable loss of loan benefits if a borrower is consolidating loans from other loan programs into a Federal Consolidation loan and an explanation of any special consolidation programs the lender may offer.</p>	Guarantor	July 1, 2008, unless implemented earlier by the lender.
980	Borrowing from FFELP and FDLP	<p><u>4.1.A Establishing Eligibility</u></p> <p>Clarifies that a school may certify loans of different types (Stafford or PLUS) in separate programs for the same enrollment period and same student.</p>	Federal	Stafford or PLUS loans certified on or after December 1, 2006, unless implemented earlier by the school.
981	Federal Data Matches	<p><u>5.2 Federal Data Matches</u> <u>5.2.A Citizenship Data Match</u> <u>5.2.D Prior Overpayment</u> <u>5.2.E Prior Default</u> <u>Appendix F FFELP Community Initiatives</u></p> <p>Removes from Appendix F, FFELP Community Initiatives, the information on the NSLDS data match and adds it to Section 5.2 Federal Data Matches. Also adds information on the DOJ data match, the DHS data match, and the VA data match. Current references in 5.2.A to the Immigration and Naturalization Service (INS) have been replaced with references to the DHS, which now performs the citizenship data match.</p>	Correction	Implementation of any federal data match is determined by the Department.
982	Required Authorizations	<p><u>8.3 Required Authorizations</u></p> <p>Clarifies that parent PLUS loan proceeds not credited to authorized school charges must be delivered to the parent borrower, unless the parent borrower authorizes the school to deliver those funds to the student.</p>	Correction	Publication date of the 97-98 FSA Handbook.
983	Release of Endorser	<p><u>12.4.E Endorser Due Diligence</u></p> <p>Aligns the Manual's text with the history Appendix to specify that when a loan is discharged due to the borrower's total</p>	Correction	Retroactive to the implementation of the <i>Common Manual</i> .

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
		and permanent disability, bankruptcy, closed school, false certification, or unpaid refund, the endorser is released from his or her obligation to repay the loan.		

Batch 144

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COMMON MANUAL - GUARANTOR POLICY PROPOSAL

Date: September 14, 2007

X	DRAFT	Comments Due	Oct 5
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Providing Consolidation Loan Information to Borrowers

AFFECTED SECTIONS: 15.3.A Providing Consolidation Loan Information

POLICY INFORMATION: 979/Batch 144

EFFECTIVE DATE/TRIGGER EVENT: July 1, 2008, unless implemented earlier by the lender.

BASIS:
None.

CURRENT POLICY:

Current policy is written from the perspective of lenders providing written documentation and information to potential Consolidation loan borrowers.

REVISED POLICY:

Revised policy acknowledges electronic delivery methods. In addition, revised policy suggests that consolidating lenders provide Consolidation loan applicants with a complete explanation of any applicable loss of loan benefits if a borrower is consolidating loans from other loan programs into a Federal Consolidation loan and an explanation of any special consolidation programs the lender may offer.

REASON FOR CHANGE:

This change acknowledges that lenders and guarantors provide consolidation counseling materials in a number of media, including electronic media, which is not addressed in the current policy. The change that suggests that consolidating lenders provide Consolidation loan applicants with a complete explanation of any applicable loss of loan benefits or any special consolidation programs the lender may offer, may ultimately benefit borrowers.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 15.3.A, page 6, column 1, paragraph 1, as follows:

15.3.A

Providing Consolidation Loan Information

The lender is encouraged to provide information to prospective Consolidation loan borrowers to help them make informed decisions about consolidation. Lenders may wish to provide the following types of ~~documentation~~ information:

...

~~Fact Sheet~~ Explanation of Consolidation Benefits and Costs

A Consolidation loan fact sheet can clearly explain:

- Benefits of consolidation to the borrower.
- Special Consolidation loan programs the lender offers and their respective criteria and benefits.
- ...
- ...
- ...

- ...
- ...
- ...
- The borrower's loss of benefits on other loans when consolidated into a Federal Consolidation loan.
- The borrower's cost for consolidation.
- The consolidation process.

Worksheet or Interactive Web Page

A Federal Consolidation loan worksheet or interactive web page can help the borrower:

- List all outstanding education loans.
- ...
- ...
- ...
- Calculate estimated monthly payments under standard, graduated, extended, and or income-sensitive repayment schedules.
- ...
- ...

Instructions

The lender ~~should~~ may include instructions for ~~filling out~~ completing the Consolidation application and promissory note, and, if the note is available electronically, a link to the appropriate Website.

PROPOSED LANGUAGE - COMMON BULLETIN:

Providing Consolidation Loan Information to Borrowers

The *Common Manual* has been revised in Subsection 15.3.A to acknowledge current technologies in the delivery of information to prospective Federal Consolidation loan borrowers. The Manual has also been revised to suggest that consolidating lenders provide Consolidation loan applicants with a complete explanation of any applicable loss of loan benefits if a borrower is consolidating loans from other loan programs into a Federal Consolidation loan and an explanation of any special consolidation programs the lender may offer.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Service:

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 26, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

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

bg-nm/edited-kk

979-I015 144

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: September 14, 2007

X	DRAFT	Comments Due	Oct 5
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Borrowing from FFELP and FDLP

AFFECTED SECTIONS: 4.1.A Establishing Eligibility

POLICY INFORMATION: 980/Batch 144

EFFECTIVE DATE/TRIGGER EVENT: Stafford or PLUS loans certified on or after December 1, 2006, unless implemented earlier by the school.

BASIS:

HEA §454(a)(4); *Federal Register* dated November 1, 2006, pp. 64392 and 64400; 07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-78.

CURRENT POLICY:

Current policy states that the parent of an eligible student may borrow only under the program (FFELP or FDLP) from which the student borrowed, or would have borrowed if the student had received a loan.

REVISED POLICY:

Revised policy clarifies that a school may certify loans of different types (Stafford, PLUS) in separate programs for the same enrollment period and same student.

REASON FOR CHANGE:

This change aligns the manual's text with the Department's interpretation of HEA §454(a)(4), which was codified in final rules published in the November 1, 2006, *Federal Register*.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise subsection 4.1.A, page 3, column 1, paragraph 4, as follows:

**4.1.A
Establishing Eligibility**

...

A school may participate in the Federal Direct Student Loan Program (FDLP) and the FFELP at the same time. However, a school is prohibited from certifying a loan of the same type (Stafford, PLUS) under both programs for the same ~~borrower student~~ for the same loan period. However, a school may certify a PLUS loan for a parent to cover the education expenses of a dependent student, or for a graduate or professional student through either the FFELP or the FDLP, and a Stafford loan through the other loan program for the same dependent undergraduate or graduate or professional student borrower for the same period of enrollment. The parent of an eligible student may borrow only under the program (FFELP or FDLP) from which the student borrowed, or would have borrowed if the student had received a loan. For example, the school may certify a Stafford loan under the FFELP and a parent PLUS loan under the FDLP for the same student in the same period of enrollment.
[HEA 454(a)(4); 07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-78]

PROPOSED LANGUAGE - COMMON BULLETIN:

PLUS Loans for Graduate or Professional Students

The *Common Manual* has been updated to clarify that a school may certify loans of different types (Stafford, PLUS) in separate programs for the same enrollment period and same student at a school that participates in both the FFELP and the Federal Direct Student Loan Program (FDLP). For example, the school may certify a Stafford loan under the FFELP and a parent PLUS loan under the FDLP for the same period of enrollment. A school is prohibited from certifying a loan of the same type under both programs for the same student for the same loan period.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:*Borrower:*

A borrower or a student may benefit with additional loan program options at schools that participate in both FFELP and FDLP.

School:

A school may certify a PLUS loan to a parent or to a graduate or professional student through either the FFELP or the FDLP, and a Stafford loan for that same loan period under the other program, regardless of the program under which the student may have received a Stafford loan.

Lender/Servicer:

None.

Guarantor:

A guarantor may need to modify its school program review procedures.

U.S. Department of Education:

The Department may need to modify its school program review procedures.

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

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

November 22, 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-bb

980-I084 144

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: September 14, 2007

X	DRAFT	Comments Due	Oct 5
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Federal Data Matches

AFFECTED SECTIONS: 5.2 Federal Data Matches
5.2.A Citizenship Data Match
5.2.D Prior Overpayment
5.2.E Prior Default
Appendix F FFELP Community Initiatives

POLICY INFORMATION: 981/Batch 144

EFFECTIVE DATE/TRIGGER EVENT: Implementation of any federal data match is determined by the Department.

BASIS:
None.

CURRENT POLICY:

Current policy includes information about NSLDS in Appendix F, FFELP Community Initiatives. Current policy does not include information on the National Student Loan Data System (NSLDS) data match, Department of Justice (DOJ) data match, Department of Homeland Security (DHS) data match, or the Department of Veteran's Affairs (VA) data match within the section on federal data matches.

REVISED POLICY:

Revised policy removes from Appendix F, FFELP Community Initiatives, the information on the NSLDS data match and adds it to Section 5.2 Federal Data Matches. Information has also been added within this Section on the DOJ data match, the DHS data match, and the VA data match. Current references in 5.2.A to the Immigration and Naturalization Service (INS) have been replaced with references to the DHS, which now performs the citizenship data match. References to the 06-07 FSA Handbook have been updated to reflect the 07-08 FSA Handbook.

REASON FOR CHANGE:

The *Common Manual* is being revised to provide information on additional federal data matches required in determining student and borrower eligibility. NSLDS information has been removed from Appendix F, FFELP Community Initiatives, as NSLDS is no longer an initiative but a fully operating system which is owned and maintained by the Department. Current references in 5.2.A to the INS have been replaced with references to the Department of Homeland Security (DHS) which now performs the citizenship data match.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 5.2, page 3, column 2, paragraph 3, as follows:

5.2 Federal Data Matches

When a student submits a completed Free Application for Federal Student Aid (FAFSA), the Department of Education assists the school in determining the student's eligibility as a Stafford loan borrower, a Grad PLUS loan borrower, or as the dependent student of a parent PLUS loan borrower. The Department conducts federal data matches concerning the citizenship, Social Security number, Selective Service registration, ~~and student financial aid overpayment or default information, and veteran status~~ that the student reports or certifies on the FAFSA. In addition, the Department conducts data matches on individuals convicted of federal or state offenses subject to denial of benefits under court orders. The results of the data matches with the ~~Immigration and Naturalization Service~~ Department of Homeland Security (DHS), Social Security Administration (SSA), Selective Service System (SSS), ~~and~~

National Student Loan Data system (NSLDS), Department of Justice (DOJ), and Department of Veterans Affairs (VA) are reported to the school and the student. For more information about confirming a student's citizenship status, Social Security number, Selective Service registration, Title IV overpayment or Title IV loan default status, denial of Title IV benefits due to court orders, or veteran status, see Subsections 5.2.A, 5.2.B, 5.2.C, 5.2.D, ~~and 5.2.E, and 5.2.F.~~ Schools may also obtain more information about the Department's data matches from the ~~2006-2007 Federal Student Aid~~ 07-08 FSA Handbook, Application and Verification Guide, Chapter 2, p. AVG-27, Volume 1, Chapter 1, p. 12 and Volume 1, Chapters 2 to 5, pp. 1-217 to 1-49 61.

Revise, Subsection 5.2.A, page 4, column 2, paragraph 1, as follows:

5.2.A Citizenship Data Match

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U.S. Citizens and Nationals

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If the status of a student or parent borrower as a U.S. citizen or a U.S. national must be documented, the following are permissible forms of certification:

- A copy of the birth certificate showing that the student or parent borrower was born in the United States.
- A Certificate of Citizenship (N600) from the U.S. ~~Immigration and Naturalization Service (INS)~~ Department of Homeland Security (DHS), which must include at least the student or parent borrower's name and application number, the certificate number (found in the upper right-hand corner), and the date the certificate was issued.
- A Certificate of Naturalization from the ~~INS~~ DHS, which must contain at least the student or parent borrower's name and petition number, the certificate number (found in the upper right-hand corner), the ~~INS~~ DHS A-Number, the name of the court that granted the naturalization, and the date of naturalization.
- A Report of Birth Abroad of a Citizen of the United States (FS-240), Certificate of Birth-Foreign Service (FS-545), Certificate of Birth (DS-1350), or Freedom of Information Act Form (~~INS~~ DHS Form G-639). The first three forms are generated by the State Department and include an embossed seal with the words "United States of America" and "State Department."
- . . .

If the student or parent borrower submits a citizenship or naturalization certificate as documentation of his or her citizenship status, the school must place a copy of the form in the student's file, demonstrating that proof of citizenship was obtained (see the ~~2006-2007 Federal Student Aid~~ 07-08 FSA Handbook, Volume 1, Chapter 2, p. 1-198).

Eligible Noncitizens

A noncitizen is considered eligible for Stafford or PLUS loans if he or she meets all other applicable eligibility criteria and is:

- . . .

- A refugee with a Departure Record (1-94) from the ~~INS~~ DHS showing one of the following designations (indicating that the refugee is in the United States for other than a temporary purpose):
 - Refugee.
 - Asylum granted.
 - Alien paroled into the U.S. for at least one year.
 - Alien granted a stay of deportation [pursuant to 8 U.S.C. section 1253(h)] due to fear of persecution on account of race, religion, or political opinion.
 - Conditional Entrant (valid if 1-94 was issued before April 1, 1980).

To establish the eligibility of a noncitizen, a school must perform a data match with another agency, such as the ~~INS~~ DHS. If the student reports on the FAFSA that he or she is an eligible noncitizen (and, therefore could be eligible for federal student aid) and reports an Alien Registration number, that information is checked against the database maintained by the DHS. This process is also known as primary confirmation. If a student or parent borrower's eligible noncitizen status is not verified by this procedure, the school must transmit copies of the student's or parent borrower's documentation of immigration status to the ~~INS~~ DHS. This process constitutes secondary confirmation. For purposes of secondary confirmation, a school may not require a student or parent borrower to produce evidence from the ~~INS~~ DHS that he or she is a permanent resident of the U.S. or is in the U.S. for other than a temporary purpose with the intention of becoming a citizen or permanent resident if both of the following conditions are applicable.

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A school may not deny eligibility to an applicant based on immigration status while awaiting primary confirmation from the ~~INS~~ DHS . . .

A school may deliver funds to an otherwise eligible student pending INS DHS response to the secondary confirmation if at least 15 business days have elapsed since the school submitted the documentation to the ~~INS~~ DHS . . .

Revise Subsection 5.2.D, page 6, column 1, paragraph 4 as follows:

5.2.D

Prior Overpayment NSLDS Data Match

Another data match that is conducted when a student submits a Free Application for Federal Student Aid (FAFSA) is with the National Student Loan Data System (NSLDS). The Central Processing System (CPS) matches the student's information against the NSLDS to see if the student is in default on a Title IV loan, owes a Title IV overpayment, or has exceeded applicable Stafford loan limits. The CPS matches the student's FAFSA information with his or her financial aid history in the NSLDS database. The school must resolve any conflict between the NSLDS and other information prior to delivering Title IV aid. For more information on the NSLDS, see 07-08 FSA Handbook, Volume 1, Chapter 3 and NSLDS Reference provided on the IFAP website.

Prior Overpayment

A borrower is ineligible for a FFELP loan if he or she is liable for an overpayment to any Title IV program. By certifying a Stafford or PLUS loan, a school certifies that the student borrower-or the parent and dependent student, in the case of a parent PLUS loan-does not, to

its knowledge, owe a grant overpayment with an original balance of more than \$50 to a grant program resulting from a return of Title IV funds calculation, . . .

Revise Subsection 5.2.D, by moving the existing language in 5.2.E to a subtitle following the Prior Overpayment subtitle as follows:

Prior Default

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

In determining whether the student or parent borrower has ever defaulted on any Title IV loan, a school may rely on the information provided by the student or parent borrower during the loan process and on ~~National Student Loan Data System (NSLDS)~~ financial aid history information unless the school receives conflicting information.

A student or parent borrower . . .

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Reinstatement of Title IV Eligibility after Default

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Documentation Required to Prove Default Resolution

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Revise Subsection 5.2.E, page 6, column 2, paragraph 2, as follows:

5.2.E

Prior Default Department of Justice Data Match

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

In determining whether the student or parent borrower has ever defaulted on any Title IV loan, a school may rely on the information provided by the student or parent borrower during the loan process and on National Student Loan Data System (NSLDS) financial aid history information unless the school receives conflicting information.

A student or parent borrower ...

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

...

Reinstatement of Title IV Eligibility after Default

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Documentation Required to Prove Default Resolution

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* ...

A separate data match is provided by the Department of Justice (DOJ). This data matching program provides information regarding individuals convicted of federal or state offenses involving drug trafficking or possession of a controlled substance who have been denied Title IV program benefits by federal or state courts. This ensures that student financial assistance is not awarded to individuals subject to denial of these benefits under court orders. For more information on the DOJ data match, see the 07-08 FSA Handbook, Volume 1, Chapter 1, p. 1-12.

Revise Section 5.2, page 8, column 1, by inserting a new Subsection as follows:

5.2.F **Department of Veterans Affairs Data Match**

If a student has indicated on the FAFSA that they are an eligible veteran of the U.S. Armed Forces, the student is considered to be independent and does not have to provide parental income and asset information to apply for Title IV aid. The CPS matches data with the Department of Veterans Affairs (VA) to confirm that an applicant who states that he or she is a veteran on the Free Application for Federal Student Aid (FAFSA) has engaged in active duty in the U.S. Armed Forces for purposes other than training, or was a cadet or midshipman at a service academy; and was released under a condition other than dishonorable. For more information on the VA data match, see the 07-08 FSA Handbook, Application and Verification Guide, Chapter 2, p. AVG-27.

Revise Appendix F, Community Initiatives, page 5, column 2 by removing all the text as follows:

~~National Student Loan Data System (NSLDS)~~

~~The National Student Loan Data System (NSLDS) is a comprehensive national database containing information about the federal financial aid history of student who receive assistance under Title IV of the Higher Education Act of 1965 as amended. The system has three main purposes:~~

- ~~• ...~~
- ~~• ...~~
- ~~• ...~~
- ~~...~~
- ~~...~~
- ~~...~~
- ~~...~~

~~For more information on NSLDS Technical Updates and Newsletters, go to <http://ifap.ed.gov/IFAPWebApp/currentNSLDSPage.jsp>.~~

PROPOSED LANGUAGE - COMMON BULLETIN:

Federal Data Matches

The *Common Manual* has been updated to include information on the National Student Loan Data System (NSLDS), the Department of Justice (DOJ), and the Department of Veterans Affairs (VA) federal data matches required in determining student and borrower eligibility. NSLDS information has been removed from Appendix F, FFELP Community Initiatives, as NSLDS is no longer an initiative, but a fully operating system which is owned and maintained by the Department. Current references in 5.2.A to the Immigration and Naturalization Service (INS) have been replaced with references to the Department of Homeland Security (DHS), which now performs the citizenship data match.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Service:

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:
May 15, 2007

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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981-I083 144

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: September 14, 2007

X	DRAFT	Comments Due	Oct 5
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Required Authorizations

AFFECTED SECTIONS: 8.3 Required Authorizations

POLICY INFORMATION: 982/Batch 144

EFFECTIVE DATE/TRIGGER EVENT: Publication date of the 97-98 FSA Handbook.

BASIS:

97-98 FSA Handbook, Chapter 10, p. 34.

CURRENT POLICY:

Current policy does not address the authorization required in order for the school to deliver a credit balance of parent PLUS loan funds to the student.

REVISED POLICY:

Revised policy clarifies that parent PLUS loan proceeds not credited to authorized school charges must be delivered to the parent borrower, unless the parent borrower authorizes the school to deliver those funds to the student.

REASON FOR CHANGE:

This change is necessary to clarify that a parent borrower's authorization must be obtained in order for a school to deliver a credit balance of a parent PLUS loan to the student.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 8.3, page 4, column 1, paragraph 1, as follows:

**8.3
Required Authorizations**

A school must have written authorization from a student or parent borrower, as applicable, to perform the following activities:

- Deliver Stafford or PLUS loan proceeds received by EFT or master check to the student or parent borrower. This authorization is obtained when the borrower signs the Stafford or PLUS MPN.
[§682.604(c)(3)]
- Use the Stafford or PLUS loan proceeds to pay for current-year charges other than tuition, fees, and contracted room and/or board (see Subsection 8.7.H).
[§668.164(d)(2)(i); §668.165(b)(1)(i)]
- Deliver Stafford or PLUS loan proceeds to the borrower's personal bank account.
[§668.165(b)(1)(i)]
- Deliver Stafford or PLUS loan proceeds via a stored-value card.
[DCL GEN-05-16]
- Hold a credit balance on behalf of the student or parent borrower, unless prohibited by the Department.
[§668.165(b)(1)(iii)]

- Use Stafford or PLUS loan proceeds for the current year to pay for minor prior-year charges (see Subsection 8.7.H).
[§668.164(d)(2)(ii)]

A school must obtain a parent PLUS borrower's written authorization to deliver parent PLUS funds directly to the student, in addition to any other authorization it must obtain from the student (e.g. an authorization to deliver funds to the student's bank account or to the student's stored-value card).

PROPOSED LANGUAGE - COMMON BULLETIN:

Required Authorization for Delivering Parent PLUS Funds to the Student

The *Common Manual* has been revised to clarify that a school must obtain a parent PLUS borrower's written authorization to deliver parent PLUS funds directly to the student, in addition to any other authorization it must obtain from the student (e.g. an authorization to deliver funds to the student's bank account or to the student's stored-value card).

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Service:

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:

August 6, 2007

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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982-J008 144

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: September 14, 2007

X	DRAFT	Comments Due	Oct 5
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Release of Endorser

AFFECTED SECTIONS: 12.4.E Endorser Due Diligence

POLICY INFORMATION: 983/Batch 144

EFFECTIVE DATE/TRIGGER EVENT: Retroactive to the implementation of the *Common Manual*.

BASIS:

§682.402(c)-(f) and (l) and the Endorser Addendum to Federal PLUS Loan Application and Master Promissory Note.

CURRENT POLICY:

The Manual's history Appendix, but not the current policy text, specifies that an endorser is released from his or her repayment obligation if (1) the borrower dies, or (2) on or after July 23, 1992, the student for whom a parent received a PLUS loan dies, or (3) the loan is discharged for any other reason.

REVISED POLICY:

Revised policy aligns the Manual's text with the history Appendix to specify that when a loan is discharged due to the borrower's total and permanent disability, bankruptcy, closed school, false certification, or unpaid refund, the endorser is released from his or her obligation to repay the loan.

REASON FOR CHANGE:

This policy clarifies that an endorser is also released from his or her obligation to repay the loan in certain cases when a borrower's loan is discharged. This policy proposal was developed as a result of comment responses the Policy Committee received to proposal 956 in batch 141.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 12.4.E, page 14, column 2, paragraph 4, by adding new bullets, as follows:

Releasing the Endorser

A lender may release an endorser from his or her repayment obligation on a loan or a portion of a loan, in any of the following cases:

- A release is provided in writing before the loan becomes delinquent, and the endorser was not obtained due to a PLUS loan borrower's adverse credit.
- The borrower dies or the student for whom a parent obtained a PLUS loan dies.
[§682.402(b)(1) and (4)]
- The borrower receives a final determination of total and permanent disability loan discharge.
[§682.402(c)]
- The loan is discharged on the basis of undue hardship as a result of an adversary proceeding before a bankruptcy court.
[§682.402(f)]
- The borrower receives a loan discharge based on the dependent student's inability to complete a course of study because the school closes, or due to the false certification of the loan by the school.
[§682.402(d) and (e)]

- The borrower receives a partial loan discharge due to unpaid refund. The endorser remains obligated for any portion of the loan that is not discharged.
[§682.402(l)]
- The loan is completely discharged due to an unpaid refund.
[§682.402(l)]
- The endorser dies, and the lender receives evidence of the endorser's death, such as a copy of the death certificate or other proof of the endorser's death that is acceptable under applicable state law.
- At the discretion of the guarantor.

PROPOSED LANGUAGE - COMMON BULLETIN:

The *Common Manual* has been revised to align the Manual's policy text with the history Appendix, by including additional instances in which an endorser may be released from his or her obligation to repay a loan or some portion of a loan. A lender may release an endorser from his or her repayment obligation on a loan if the borrower's obligation to repay a loan is discharged through total and permanent disability, bankruptcy proceedings, false certification discharge, closed school discharge, or unpaid refund discharge. If only a portion of the borrower's loan is discharged, the endorser remains obligated on any remaining portion of the loan.

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:

April 16, 2007

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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