

#	Subject	Summary of Change to Common Manual	Type of Update	Effective Date
1002	Applying Funds Received from a School to a Consolidation Loan	<p><u>10.11.E Applying Funds Returned by the School</u></p> <p>Requires the consolidation lender to apply a refund or other funds received from a school to first reduce the principal balance of the underlying loan for which the funds were intended, then to the remaining balance of the Consolidation loan.</p>	Guarantor	Funds returned by the school and applied by the lender to a Consolidation loan on or after July 1, 2008, unless implemented earlier by the guarantor.
1003	Economic Hardship Deferment Eligibility	<p><u>11.4.A Eligibility Criteria - Economic Hardship Deferment</u></p> <p>Clarifies that child support is not taxable income; therefore, it is not treated as income for purposes of determining eligibility for an economic hardship deferment.</p>	Guarantor	Economic hardship deferment determinations made on or after July 1, 2008, unless implemented earlier.
1004	Applying a Partial Discharge Payment to a Consolidation Loan	<p><u>13.8 Discharge</u></p> <p><u>13.8.B Closed School</u></p> <p><u>13.8.C Death</u></p> <p><u>13.8.D False Certification</u></p> <p><u>13.8.E False Certification as a Result of the Crime of Identity Theft</u></p> <p><u>13.8.F Total and Permanent Disability</u></p> <p><u>13.8.G Unpaid Refund</u></p> <p><u>15.5.F Delinquency, Claim Filing, Loan Forgiveness, and Discharge</u></p> <p>Requires that the holder of a Consolidation loan apply the partial discharge payment from the guarantor first to the principal balance and interest of the underlying loan to which the discharge is applicable.</p>	Guarantor	Loan discharge payments made by the guarantor and applied by the lender to Consolidation loans on or after July 1, 2008, unless implemented earlier by the guarantor.
998	Variable Rate Conversion Provisions	<p><u>H.2 History of Excess Interest Rebates and Variable Interest Rate Conversions</u></p> <p><u>Figure H-1</u></p> <p>States in Section H.2 that lenders, based on October 1994 guidance from the Department in DCL 94-L-171, were not permitted to adjust special allowance billings for loans for which</p>	Federal	The guidance for lenders to recalculate special allowance billings on loans, subject to the variable rate conversion provisions, for all or part of the period from July 23, 1992, to December 31,

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
		<p>the applicable interest rate was retroactively revised. However, the Department provided guidance to lenders in DCL 98-L-202 on March 1, 1998, to recalculate special allowance billings on loans subject to the variable rate conversion provisions for all or part of the period from July 23, 1992, to December 31, 1994.</p> <p>Also clarifies in Figure H-1 that the "Quarterly Variable Interest Rates: which have been moved from the third to the second column are to be used prior to conversion to a variable rate.</p> <p>For loans subject to conversion under the Higher Education Amendments of 1992 in Figure H-1, the annual variable interest rate for the period from July 1, 2006, through June 30, 2007, was corrected from 7.949% to 7.94%. For all loans subject to conversion under the Higher Education Amendments of 1986 and 1992, the annual variable interest rates for the period from July 1, 2007, through June 30, 2008, are added.</p>		<p>1994, was effective on March 1, 1998. All revisions, except interest rate changes, to the chart are retroactive to the implementation of the <i>Common Manual</i>.</p>
1005	Exceptional Performer	<p><u>3.9</u>    <u>Exceptional Performer Designation</u></p> <p><u>3.9.A</u>    <u>Applying for the Designation</u></p> <p><u>3.9.B</u>    <u>Department Determination of Request for Designation</u></p> <p><u>13.2</u>    <u>Claim Returns</u></p> <p><u>13.2.A</u>    <u>Refiling the Return Claim</u></p> <p><u>13.3.A</u>    <u>Claim Payment Amount</u></p> <p><u>13.3.B</u>    <u>Amount of Interest Purchased on Eligible Claims</u></p> <p><u>13.3.C</u>    <u>Amount of Interest Purchased on Returned Claims</u></p> <p><u>13.5</u>    <u>Claim Repurchase</u></p> <p><u>14.3.B</u>    <u>Non-Default Claims</u></p> <p><u>14.4.A</u>    <u>Original Filing Deadline</u></p> <p><u>14.4.B</u>    <u>Refile Deadline</u></p>	Federal	<p>Claims filed by a lender on or after October 1, 2007.</p>

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
		<u>Appendix G Glossary</u>  Removes from the manual all language that relates to an exceptional performer designation for a lender or servicer, as well as all exceptional performer claim filing requirements.		
1006	Frequency of Capitalization	<u>10.10.B Capitalization Frequency</u>  Permits the lender to capitalize unsubsidized interest that accrues on a Consolidation loan during periods of in-school deferment only at the end of the deferment period, rather than on a quarterly basis, as previously allowed.	Federal	Unsubsidized interest capitalized on Consolidation loans for periods of in-school deferment on or after July 1, 2008.
1007	Lender Reporting Requirements	<u>3.5.D Reporting Loan Status Changes</u>  Requires that a lender report enrollment and loan status information, or any loan-related information that the Department may require, by the deadline established by the Department.	Federal	July 1, 2008, unless implemented earlier by the guarantor.
1008	Armed Forces and Military Deferments	<u>11.3.A Eligibility Criteria - Armed Forces</u>  <u>11.8.B Deferment Documentation - Military</u>  States that a borrower or a borrower's representative must request the armed forces and the military deferments.	Federal	Armed forces and military deferments granted on or after July 1, 2008, unless implemented by the lender on or after November 1, 2007.
1009	Borrower Choice of Lender	<u>4.4 Providing Information to Students</u>  <u>6.15 School Certification of the Loan</u>  Places greater emphasis on the borrower's right to choose a FFELP lender, and incorporates new regulatory requirements regarding the use of "preferred lender lists".	Federal	Preferred lender lists provided to students and parents on or after July 1, 2008.  Certification based on the borrower's choice of lender and/or guarantor, effective retroactive to the implementation of the <i>Common Manual</i> .  Ensuring that there is no delay in certification and/or

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
				processing of the loan based on the borrower's choice of lender or guarantor, effective for loans certified by the school on or after July 1, 2008.
1010	Transfer of Claim Other Than For Security	<p><u>13.1.D Claim File Documentation</u></p> <p><u>13.8.A Bankruptcy</u></p> <p>Removes reference to the assignment of a proof of claim and replaces it with references to the Transfer of Claim Other Than For Security form that a guarantor must file and the Notice of Transfer of Claim Other Than For Security form that a lender/servicer will receive once the bankruptcy court processes the transfer.</p>	Federal	Original assignment of a proof of claim filed by the lender on or after July 1, 2008, unless implemented earlier by the guarantor.
1011	Disclosing Stafford Loan Eligibility Information to Grad PLUS Applicants	<p><u>6.15.C PLUS Loan Certification</u></p> <p>Requires the school to provide to a Grad PLUS applicant information regarding his or her eligibility for a Stafford loan, comparative information on the two loan programs, and an opportunity to apply for the maximum Stafford eligibility, if he or she has not already done so.</p>	Federal	Grad PLUS loans certified by the school on or after July 1, 2008.
1012	Establishing a Repayment Schedule	<p><u>10.8.A Standard Repayment Schedule</u></p> <p>Aligns Subsection 10.8.A with Section 10.8, which requires a lender to establish a standard repayment schedule for a borrower who does not select a repayment schedule within 45 days of being notified of his or her options.</p>	Correction	Repayment schedules requested or established on or after October 7, 1998.
1013	Consumer Information	<p><u>9.5 Return of Title IV Funds</u></p> <p>Clarifies that refund information must be provided <i>upon request</i>, and places the requirements into a bulleted format for clarity.</p>	Correction	Retroactive to the implementation of the <i>Common Manual</i> .

# COMMON MANUAL - GUARANTOR POLICY PROPOSAL

Date: December 14, 2007

X	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Applying Funds Received from a School to a Consolidation Loan

**AFFECTED SECTIONS:** 10.11.E Applying Funds Returned by the School

**POLICY INFORMATION:** 1002/Batch 147

**EFFECTIVE DATE/TRIGGER EVENT:** Funds returned by the school and applied by the lender to a Consolidation loan on or after July 1, 2008, unless implemented earlier by the guarantor.

**BASIS:**  
None.

**CURRENT POLICY:**  
Current policy does not specify how to apply a refund or other funds received from a school to reduce the balance on a Consolidation loan.

**REVISED POLICY:**  
Revised policy requires the lender to apply a refund or other funds received from a school to first reduce the principal balance of the underlying loan for which the funds were intended.

**REASON FOR CHANGE:**  
A refund payment that is applied to reduce the entire Consolidation loan balance, and thus proportionately reduce the loan's underlying loan balances, may create a misstatement of the borrower's Stafford aggregate loan amounts; may result in an overbilling of federal subsidized interest or incorrect unsubsidized interest accruing to the borrower (depending on the loan type to which the funds should be applied); and may create an overbilling of special allowance payments.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 10.11.E, page 21, column 2, paragraph 3, as follows:

### 10.11.E Applying Funds Returned by the School

Funds that the lender receives from a school must be applied to the unpaid principal balance of the loan but must not affect the borrower's next payment due date. If the loan for which the returned funds are intended has been consolidated, the funds that the consolidating lender receives from the school must be applied first to the unpaid principal and interest of the underlying Stafford or PLUS loan for which the funds are intended. If the principal and interest for the loan to which the refund is applicable is paid in full by the refund, the lender may apply the remainder of the payment to the remaining balance of the Consolidation loan. The refund may not be initially applied across the entire principal balance of the Consolidation loan. How a lender processes the borrower's loan fees depends on which party originally paid the fees, as follows:

- If the lender deducted the federal default fee (or guarantee fee), and/or the origination fee from the borrower's loan proceeds, . . .

## PROPOSED LANGUAGE - COMMON BULLETIN:

### Applying Funds Received from a School to a Consolidation Loan

The *Common Manual* has been revised to state that if the school returns loan funds to a lender, and the loan for which the returned funds are intended has been consolidated, then the lender must apply the returned funds

first to the principal and interest of the underlying loan for which the funds are intended. If the principal and interest for the loan to which the refund is applicable is paid in full by the refund, the lender may then apply remaining funds to the remaining balance of the Consolidation loan. Funds received from the school may not initially be applied across the entire balance of the Consolidation loan to proportionately reduce each underlying loan.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower will receive more equitable treatment in the way that loan funds received from the school are applied to his or her Consolidation loan. Stafford aggregate loan limits will be more accurate. Interest accruals on unsubsidized loan balances will be more accurate.

*School:*

The school will have access to more accurate aggregate loan limit information if a borrower has consolidated loans and refunds or other monies have been returned by the school to apply to the Consolidation loan.

*Lender/Service:*

The lender may need to adjust systems and procedures to ensure that loan funds returned by the school to be applied to a Consolidation loan are applied first to the principal and interest of the underlying loan for which the loan funds are intended.

*Guarantor:*

The guarantor may be required to update program review procedures.

*U.S. Department of Education:*

The Department will pay interest subsidy and special allowance billings that are more accurate.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

August 1, 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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J002

# COMMON MANUAL - GUARANTOR POLICY PROPOSAL

Date: December 14, 2007

X	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Economic Hardship Deferment Eligibility

**AFFECTED SECTIONS:** 11.4.A Eligibility Criteria - Economic Hardship Deferment

**POLICY INFORMATION:** 1003/Batch 147

**EFFECTIVE DATE/TRIGGER EVENT:** Economic hardship deferment determinations made on or after July 1, 2008, unless implemented earlier.

**BASIS:**  
§682.210(s)(6)(x).

## CURRENT POLICY:

Current policy states a borrower's monthly income is the gross amount the borrower received from employment, if applicable, and from other sources, or one-twelfth of the borrower's adjusted gross income, as recorded in the borrower's most recently filed federal income tax return.

## REVISED POLICY:

Revised policy clarifies that child support is not taxable income; therefore, it is not treated as income for purposes of determining eligibility for an economic hardship deferment.

## REASON FOR CHANGE:

The *Common Manual* has been revised to provide clarification that child support is not taxable income; therefore, it is not treated as income for purposes of determining economic hardship deferment eligibility.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 11.4.A., page 9, Note 1, as follows:

### Eligibility Criteria - Economic Hardship

...

#### Note 1:

A borrower is considered to be working full time if he or she is expected to be employed for at least three consecutive months at 30 or more hours per week. For a period of deferment granted under items 3 through 5 above, the lender must require the borrower to submit evidence showing the amount of the borrower's monthly income. A borrower's monthly income is the gross amount the borrower received from employment, if applicable, and from other sources, or one-twelfth of the borrower's adjusted gross income, as recorded on the borrower's most recently filed income tax return. Child support is not taxable income; therefore, it is not treated as income for purposes of determining eligibility for an economic hardship deferment. A borrower who is unemployed, incarcerated, disabled, or on a temporary unpaid leave of absence from work may qualify for an economic hardship deferment if he or she provides the lender with documentation of his or her income. Any borrower who does not have income when applying for an economic hardship deferment must provide a self-certifying statement, either on the deferment form or in a separate statement, indicating that he or she has no income. If the borrower resides in a foreign country and submits proof of income in foreign currency, the amounts must be converted to U.S. dollars before the lender determines deferment eligibility. Deferment eligibility for borrowers with foreign income will be based on poverty guidelines for the last state in which the borrower resided.

## PROPOSED LANGUAGE - COMMON BULLETIN: Economic Hardship Deferment Eligibility

The *Common Manual* has been revised to clarify that for purposes of determining eligibility for an economic hardship deferment, child support is not treated as income.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower request for economic hardship deferment will not be adversely affected by the receipt of child support payments.

*School:*

None.

*Lender/Service:*

A lender will not need to request documentation of child support payments in determining a borrower's economic hardship eligibility.

*Guarantor:*

A guarantor may need to modify default aversion activities as well as program review activities.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

Great Lakes

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

July 3, 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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# COMMON MANUAL - GUARANTOR POLICY PROPOSAL

Date: December 14, 2007

X	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Applying a Partial Discharge Payment to a Consolidation Loan

**AFFECTED SECTIONS:**

13.8	Discharge
13.8.B	Closed School
13.8.C	Death
13.8.D	False Certification
13.8.E	False Certification as a Result of the Crime of Identify Theft
13.8.F	Total and Permanent Disability
13.8.G	Unpaid Refund
15.5.F	Delinquency, Claim Filing, Loan Forgiveness, and Discharge

**POLICY INFORMATION:** 1004/Batch 147

**EFFECTIVE DATE/TRIGGER EVENT:** Loan discharge payments made by the guarantor and applied by the lender to Consolidation loans on or after July 1, 2008, unless implemented earlier by the guarantor.

**BASIS:**  
None.

## CURRENT POLICY:

Current policy among guarantors does not consistently require that the holder of a Consolidation loan apply a partial loan discharge payment for a Consolidation loan first to the principal balance and interest of the underlying loan to which the discharge is applicable.

## REVISED POLICY:

Revised policy requires that the loan holder of a Consolidation loan apply the partial discharge payment from the guarantor first to the principal balance and interest of the underlying loan of the Consolidation loan to which the discharge is applicable.

## REASON FOR CHANGE:

A loan discharge payment that is applied to reduce the entire Consolidation loan balance, and thus proportionately reduce all of the loan's underlying loan balances, may create a misstatement of the borrower's Stafford aggregate loan amounts; may result in an overbilling of federal subsidized interest or incorrect unsubsidized interest accruing to the borrower (depending on the loan type to which the funds should be applied); and may create an overbilling of special allowance payments. Further, the loan to which the discharge is meant to apply may continue to reflect an outstanding principal balance, inconsistent with the intent of the loan discharge concept.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 13.8, page 17, column 1, by inserting a new paragraph after paragraph 2, as follows:

### Partial Discharge of a Consolidation Loan

The lender of a Consolidation loan must submit to the guarantor of the Consolidation loan a request for partial discharge of the portion of the Consolidation loan that represents any underlying loans that are eligible for discharge due to disability (only for comade Consolidation loans), closed school, death, false certification, unpaid refund, or another 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 lender.

The Consolidation loan holder must apply the payment to the principal and interest applicable to the underlying loan for which the partial discharge request was initially filed. If the principal and interest for the loan to which the discharge is applicable is paid in full by the discharge payment, the lender may apply the remainder of the payment to the remaining balance of the Consolidation loan. If applying the partial discharge payment results in the Consolidation loan being paid in full, any excess funds must be refunded to the borrower.

Revise Subsection 13.8.B, page 27, column 1, paragraph 1, as follows:

The Consolidation loan holder must apply any claim payment to the principal and interest applicable to the underlying loan for which the partial discharge request was initially filed. If the principal and interest for the loan to which the discharge is applicable is paid in full by the discharge payment, the lender may apply the remainder of the payment to the remaining balance of the Consolidation loan ~~amount received from the guarantor to the remaining balance of the Consolidation loan.~~ If applying the claim payment results in the Consolidation loan being paid in full, any excess funds must be refunded to the borrower.

Revise Subsection 13.8.C, page 27, column 1, insert a new paragraph after paragraph 5, as follows:

The Consolidation loan holder must apply any claim payment to the principal and interest applicable to the underlying loan for which the partial discharge request was initially filed. If the principal and interest for the loan to which the discharge is applicable is paid in full by the discharge payment, the lender may apply the remainder of the payment to the remaining balance of the Consolidation loan. If applying the claim payment results in the Consolidation loan being paid in full, any excess funds must be refunded to the borrower or surviving comaker.

Revise Subsection 13.8.D, page 35, column 2, paragraph 4, as follows:

If a loan that is paid in full by consolidation is determined to be eligible for discharge, the claim amount paid to the Consolidation loan holder will include the amount paid by the consolidation lender to the prior holder plus interest and the sum of all payments made by or on behalf of the borrower before consolidation, less any payments received from a third-party source. ~~Any payment exceeding the remaining balance of the Consolidation loan must be forwarded to the borrower.~~

The Consolidation loan holder must apply any claim payment to the principal and interest applicable to the underlying loan for which the partial discharge request was initially filed. If the principal and interest for the loan to which the discharge is applicable is paid in full by the discharge payment, the lender may apply the remainder of the payment to the remaining balance of the Consolidation loan. If applying the claim payment results in the Consolidation loan being paid in full, any excess funds must be refunded to the borrower.

Revise Subsection 13.8.F, page 43, column 1, adding a new paragraph prior to the first subheading, as follows:

. . . documentation to the Department for determination of the final discharge eligibility. The guarantor will not remit a claim payment to the lender.

The loan holder of a comade Consolidation loan must apply any claim payment to the principal and interest applicable to the underlying loan for which the partial discharge request was initially filed. If the principal and interest for the loan to which the discharge is applicable is paid in full by the discharge payment, the lender may apply the remainder of the payment to the remaining balance of the Consolidation loan. If applying the claim payment results in the Consolidation loan being paid in full, any excess funds must be refunded to the borrowers.

Revise Subsection 13.8.G, page 45, column 1, by inserting a new paragraph after paragraph 4, as follows:

. . . such that any adverse credit history associated with the amount discharged is removed.  
[§682.402(l)(3)(ii)]

The Consolidation loan holder must apply any payment from the guarantor to the principal and interest applicable to the underlying loan for which the partial discharge request was initially filed. If the principal and interest for the loan to which the discharge is applicable is paid in full by the discharge payment, the lender may apply the remainder of the payment to the remaining balance of the Consolidation loan. If applying the claim payment results in the Consolidation loan being paid in full, any excess funds must be refunded to the borrower.

Revise Subsection 15.5.F, page 12, column 2, add a new paragraph after paragraph 1 and the bullets, as follows:

Payment application requirements for loan discharges and loan forgiveness may require that the lender apply the payments to the underlying loans for which the discharge or forgiveness is applicable. Please review applicable subsections of the *Common Manual* text to ascertain the payment application requirements for each type of payment.

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Applying a Partial Discharge Payment to a Consolidation Loan**

The *Common Manual* has been revised to require the loan holder of a Consolidation loan to apply the partial discharge or forgiveness payment from the guarantor first to the principal balance and interest applicable to the underlying loan of the Consolidation loan to which the discharge is applicable.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower will receive more equitable treatment in the way that loan discharge payments based on a partial discharge request are applied to his or her Consolidation loan. Stafford aggregate loan limits will be more accurate. Interest accruals on unsubsidized loan balances will be more accurate. The loan balance on the underlying loan that is wholly or partially discharged will be more accurate.

*School:*

The school will have access to more accurate aggregate loan limit information if a borrower has consolidated loans and partial loan discharge payments are applied to the Consolidation loan.

*Lender/Service:*

A lender may need to adjust systems and procedures to ensure that partial loan discharge payments are applied first to the principal balance of the underlying loan for which the payment is intended.

*Guarantor:*

The guarantor may be required to update program review procedures.

*U.S. Department of Education:*

The Department will pay interest subsidy and special allowance billings that are more accurate.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

July 18, 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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I089

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: December 14, 2007

X	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Variable Rate Conversion Provisions

**AFFECTED SECTIONS:** H.2 History of Excess Interest Rebates and Variable Interest Rate Conversions  
Figure H-1

**POLICY INFORMATION:** 998/Batch 147

**EFFECTIVE DATE/TRIGGER EVENT:** The guidance for lenders to recalculate special allowance billings on loans, subject to the variable rate conversion provisions, for all or part of the period from July 23, 1992 to December 31, 1994 was effective on March 1, 1998. All revisions, except interest rate changes, to the chart are retroactive to the implementation of the *Common Manual*.

**BASIS:**  
DCLs 94-L-171; 98-L-202; 98-L-207.

## CURRENT POLICY:

Current policy states in Section H.2 that lenders are not permitted to adjust special allowance billings for loans for which the applicable interest rate is retroactively revised. Figure H-1 does not clarify that the rates in the column entitled "Quarterly Variable Interest Rates" are to be used prior to conversion and that the rates in the column entitled "Annual Variable Interest Rates" are to be used after conversion to a variable rate.

## REVISED POLICY:

Revised policy states in Section H.2 that lenders, based on October 1994 guidance from the Department in DCL 94-L-171, were not permitted to adjust special allowance billings for loans for which the applicable interest rate was retroactively revised. However, the Department provided guidance to lenders in DCL 98-L-202 on March 1, 1998 to recalculate special allowance billings on loans subject to the variable rate conversion provisions for all or part of the period from July 23, 1992 to December 31, 1994.

Revised policy clarifies in Figure H-1 that the "Quarterly Variable Interest Rates" which have been moved from the third to the second column are to be used prior to conversion to a variable rate. Revised policy also clarifies in Figure H-1 that the "Annual Variable Interest Rates", which have been moved from the second to the third column, are to be used after conversion to a variable rate. In addition, a footnote has been added to the chart to explain that quarterly variable interest rates were determined by adding 3.25% for the "1986 loans" or 3.10% for the "1992 loans" to the average of the bond equivalent rate of the 91-day Treasury bill rate as auctioned for the preceding 3-month period.

For loans subject to conversion under the Higher Education Amendments of 1992 in Figure H-1, the annual variable interest rate for the period from July 1, 2006 through June 30, 2007 was corrected from 7.949% to 7.94%. For all loans subject to conversion under the Higher Education Amendments of 1986 and 1992, the annual variable interest rates for the period from July 1, 2007 through June 30, 2008 were added.

## REASON FOR CHANGE:

The text in Section H.2 and Figure H-1 is being revised to provide clarity, additional historical information, updated and corrected rates.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section H.2, page 96, column 2, paragraph 1, bullet 8, as follows:

## Notes and Cautions

Several provisions are applicable to the rebate/variable interest rate conversion process:

- ...
- ...
- ...
- ...
- ...
- ...
- ...
- Based on guidance from the Department in October 1994, lenders ~~are~~ were not permitted to adjust special allowance billings for loans for which the applicable interest rate ~~is~~ was retroactively revised. Based on guidance from the Department in March 1, 1998, lenders were permitted to recalculate special allowance billings on loans, for which the applicable interest rate was retroactively revised, for all or part of the period from July 23, 1992 to December 31, 1994. [DCLs 94-L-171 and 98-L-202]

Revise Figure H-1, Appendix H, page 98 as follows:

See attached chart.

### PROPOSED LANGUAGE - COMMON BULLETIN:

#### Variable Rate Conversion Provisions

The *Common Manual* has been revised in Section H.2 to state that lenders were not permitted, based on October 1994 guidance from the Department in DCL 94-L-171, to adjust special allowance billings on loans - subject to the variable-rate conversion provisions of the Higher Education Amendments of 1986 and of 1992 - for which the applicable interest rate was retroactively revised. However, lenders were permitted, as a result of guidance from the Department on March 1, 1998 in DCL 98-L-202, to recalculate special allowance billings on the subject loans for all or part of the period from July 23, 1992 to December 31, 1994.

In addition, Figure H-1 was revised by reversing the second and third columns, expanding the column title, and adding a new footnote to explain that the quarterly variable interest rates were determined by adding 3.25% for the "1986 loans" or 3.10% for the "1992 loans" to the average of the bond equivalent rate of the 91-day Treasury bill rate as auctioned for the preceding 3-month period.

For loans subject to conversion under the Higher Education Amendments of 1992 in Figure H-1, the annual variable interest rate for the period from July 1, 2006 through June 30, 2007 was corrected from 7.949% to 7.94%. For all loans subject to conversion under the Higher Education Amendments of 1986 and 1992, the annual variable interest rates for the period from July 1, 2007 through June 30, 2008 were added.

#### GUARANTOR COMMENTS:

None.

#### IMPLICATIONS:

*Borrower:*

None.

*School:*

None.

*Lender/Service:*

None.

*Guarantor:*

None.

*U.S. Department of Education:*  
None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

April 30, 2007

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

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## Summary of Variable-Rate Conversion Provisions

Figure H-1

Loans Subject to Conversion	Quarterly Variable Interest Rates prior to Conversion to an Annual Variable Interest Rate <sup>1</sup>		Annual Variable Interest Rates after Conversion to an Annual Variable Interest Rate	
<i>Higher Education Amendments of 1986:</i>	Quarter ending 9/30/92:	7.03%	7/1/93 through 6/30/94:	6.37%
8%/10% Stafford loans first disbursed before July 23, 1992, when such loans are accruing at the 10% interest rate.	Quarter ending 12/31/92:	6.39%	7/1/94 through 6/30/95:	7.58%
	Quarter ending 3/31/93:	6.42%	7/1/95 through 6/30/96::	9.07%
	Quarter ending 6/30/93:	6.30%	7/1/96 through 6/30/97:	8.41%
8%/10% Stafford loans first disbursed on or after July 23, 1992, but before October 1, 1992, when such loans are accruing at the 10% interest rate, to borrowers who had no outstanding FFELP loans on the date the promissory note was signed.	Quarter ending 9/30/93:	6.30%	7/1/97 through 6/30/98:	8.41%
	Quarter ending 12/31/93:	6.33%	7/1/98 through 6/30/99:	8.41%
	Quarter ending 3/31/94:	6.39%	7/1/99 through 6/30/00:	7.87%
	Quarter ending 6/30/94:	6.59%	7/1/00 through 6/30/01:	9.14%
	Quarter ending 9/30/94:	7.40%	7/1/01 through 6/30/02:	6.94%
	Quarter ending 12/30/94:	7.88%	7/1/02 through 6/30/03:	5.01%
	Quarter ending 3/31/95:	8.71%	7/1/03 through 6/30/04:	4.37%
			7/1/04 through 6/30/05:	4.32%
			7/1/05 through 6/30/06:	6.25%
			7/1/06 through 6/30/07:	8.09%
			7/1/07 through 6/30/08:	8.17%
<i>Higher Education Amendments of 1992:</i>	Quarter ending 9/30/92:	6.88%	7/1/93 through 6/30/94:	6.22%
Stafford loans first disbursed at a fixed rate (7%, 8%, 9%, and 8%/10% loans when accruing at 8% and 10%) on or after July 23, 1992, to borrowers who had outstanding FFELP loans on the date the promissory note was signed.	Quarter ending 12/31/92:	6.24%	7/1/94 through 6/30/95:	7.43% <sup>2</sup>
	Quarter ending 3/31/93:	6.27%	7/1/95 through 6/30/96:	8.92% <sup>3</sup>
	Quarter ending 6/30/93:	6.15%	7/1/96 through 6/30/97:	8.26% <sup>3</sup>
	Quarter ending 9/30/93:	6.15%	7/1/97 through 6/30/98:	8.26% <sup>3</sup>
	Quarter ending 12/31/93:	6.18%	7/1/98 through 6/30/99:	8.26% <sup>3</sup>
	Quarter ending 3/31/94:	6.24%	7/1/99 through 6/30/00:	7.72% <sup>2</sup>
	Quarter ending 6/30/94:	6.44%	7/1/00 through 6/30/01:	8.99% <sup>3</sup>
	Quarter ending 9/30/94:	7.25% <sup>2</sup>	7/1/01 through 6/30/02:	6.79%
	Quarter ending 12/30/94:	7.73% <sup>2</sup>	7/1/02 through 6/30/03:	4.86%
	Quarter ending 3/31/95:	8.56% <sup>3</sup>	7/1/03 through 6/30/04:	4.22%
			7/1/04 through 6/30/05:	4.17%
			7/1/05 through 6/30/06:	6.10%
			7/1/06 through 6/30/07:	7.94% <sup>3</sup>
			7/1/07 through 6/30/08:	8.02% <sup>3</sup>

<sup>1</sup> Quarterly interest rates are determined by adding 3.25% for the "1986 loans" or 3.10% for the "1992 loans" to the average of the bond equivalent rate of the 91-day Treasury bill rate as auctioned for the preceding 3-month period.

<sup>2</sup> Because the variable rate for Stafford loans in this category may not exceed the original interest rate, this variable interest rate does not apply to Stafford loans first disbursed at a fixed 7% interest rate, which are capped at 7%.

<sup>3</sup> Because the variable rate for Stafford loans in this category may not exceed the original interest rate, this variable interest rate does not apply to Stafford loans first disbursed at a fixed 7% or 8% interest rate, which are capped at 7% and 8%, respectively.



# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: December 14, 2007

X	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Exceptional Performer

<b>AFFECTED SECTIONS:</b>	<b>3.9</b>	<b>Exceptional Performer Designation</b>
	<b>3.9.A</b>	<b>Applying for the Designation</b>
	<b>3.9.B</b>	<b>Department Determination of Request for Designation</b>
	<b>13.2</b>	<b>Claim Returns</b>
	<b>13.2.A</b>	<b>Refiling the Return Claim</b>
	<b>13.3.A</b>	<b>Claim Payment Amount</b>
	<b>13.3.B</b>	<b>Amount of Interest Purchased on Eligible Claims</b>
	<b>13.3.C</b>	<b>Amount of Interest Purchased on Returned Claims</b>
	<b>13.5</b>	<b>Claim Repurchase</b>
	<b>14.3.B</b>	<b>Non-Default Claims</b>
	<b>14.4.A</b>	<b>Original Filing Deadline</b>
	<b>14.4.B</b>	<b>Refile Deadline</b>
	<b>Appendix G</b>	<b>Glossary</b>

**POLICY INFORMATION:** 1005/Batch 147

**EFFECTIVE DATE/TRIGGER EVENT:** Claims filed by a lender on or after October 1, 2007.

## **BASIS:**

HEA §428(c)(1), §428I, and §438(b)(5), as amended by the College Cost Reduction and Access Act (P.L. 110-84).

## **CURRENT POLICY:**

Current policy contains language that outlines the exceptional performer designation, how the lender applies for the designation, and how the Department determines the designation. Current policy also contains language regarding claim filing requirements for a lender or servicer that has earned the exceptional performer designation.

## **REVISED POLICY:**

Revised policy removes all language from the manual that relates to an exceptional performer designation for a lender or servicer, as well as all claim filing requirements for a lender or servicer that has earned this designation. Information regarding exceptional performer designation will be moved to the History Appendix.

## **REASON FOR CHANGE:**

This change is being made to comply with statutory changes derived from the College Cost Reduction and Access Act.

## **PROPOSED LANGUAGE - COMMON MANUAL:**

Delete Section 3.9, page 21, column 1:

### **~~3.9 Exceptional Performer~~**

~~A lender or lender servicer may seek an exceptional performer designation from the Department. In general, an exceptional performer will receive payment of 99% of outstanding principal and eligible interest on a default claim filed during the 12-month period following its receipt of a notice of designation. The receipt date for the exceptional performer notice of~~

designation is assumed to be no later than 3 days after the date the notice is mailed—unless the lender or servicer is able to prove otherwise.

[HEA 428I(b)(1); §682.415(a)(1)]

An exceptional performer designation for a lender or servicer with two or more site locations covers all of its site locations. Exceptional performer designations for individual site locations of such a lender or servicer are not permitted.

An exceptional performer designation is based only on the loans that the exceptional performer services directly. If a lender contracts with a servicer to fulfill a portion of its responsibilities under the FFELP, the lender may not obtain a designation based on functions performed by its servicer. A designation applies to all loans serviced by the exceptional performer—with the exception of defaulted loans that have not been serviced by the exceptional performer for the last 270 days before default.

[§682.415(a)(1) and (b)(5)(i); DCL FP 04-04]

Delete Subsection 3.9.A, page 21, column 2:

### **3.9.A Applying for the Designation**

To apply for an exceptional performer designation, a lender or servicer must submit the following information to the Department and to each appropriate guarantor:

- A written request with the applicant's name and address; the name of a contact person; the lender identification number (LID), if applicable; and the name and address of each applicable guarantor.  
[§682.415(a)(2)(i)(A) through (D); DCL FP 04-04]
- A copy of an annual financial audit conducted in accordance with the Audit Guide developed by the Department. A lender may submit a copy of an annual audit required under 34 CFR 682.305(c) if the audit period ends no more than 90 days before the date the lender submits its request for designation. A servicer may submit a copy of the annual financial audit, as defined in 34 CFR 682.416(e), if the audit period ends no more than 90 days before the date the servicer submits its request for designation.  
[HEA 428I(e)(1); §682.415(a)(2)(i)(E)(1) through (2); DCL FP 04-04]
- A compliance audit of its loan portfolio, conducted by an independent organization, that yields a compliance performance rating of 97% or higher with respect to all due diligence requirements (such as skip tracing, conversion to repayment, timely claim filing). The period covered by this audit may end no more 90 days before the date the lender or servicer submits its request for designation. A servicer may satisfy this requirement by submitting its annual compliance audit as outlined in 34 CFR 682.416(e), if the servicer includes in its report a measure of its compliance performance rating required under 34 CFR 682.415(a)(2)(iii)(A), and the audit is performed in accordance with an audit guide developed by the Department.  
[HEA 428I(e)(1); §682.415(a)(2)(iii); DCL FP 04-04]
- If the applicant is a servicer, it must include with the preceding information a statement from its owner or chief executive officer certifying that the servicer meets the definition of a servicer for the purposes of exceptional performer designations.  
[§682.415(a)(2)(ii)]

Delete Subsection 3.9.B, page 22, column 1:

### **3.9.B Department Determination of Request for Designation**

In determining whether to grant an exceptional performer designation, the Department considers the following:

~~{§682.415(b)}~~

- ~~• Information provided by the applicant  
{HEA 428I(c)(5); §682.415(b)(1)(i)}~~
- ~~• Information provided by a guarantor.  
{HEA 428I(c)(2) and (3); §682.415(b)(1)(ii)}~~
- ~~• Any other information in the Department's possession—including information submitted by any other agency or office of the federal government.  
{HEA 428I(c)(3); §682.415(b)(1)(iii)}~~

~~The Department will notify the lender or servicer and each appropriate guarantor of the approval or denial. If the request is denied, the reasons for denial will be provided.  
{HEA 428I(c)(3); §682.415(b)(2) and (4)}~~

~~To maintain its exceptional performer designation, a lender or servicer must undergo a quarterly compliance audit. A designation will be revoked if the audit indicates that a lender or servicer failed to maintain at least 97% compliance for two consecutive months or 90% for one month. If a lender or servicer is designated an exceptional performer for at least 15 months, it may petition the Department to have future quarterly compliance audits, as required under 34 CFR 682.415(b)(6)(i), conducted by the lender's or servicer's internal auditor.  
{HEA 428I(b)(2) and (5); §682.415(b)(1)(i) and (ii)}~~

Revise Section 13.2, page 6, column 2, paragraph 2, as follows:

### **13.2 Claim Returns**

...

~~A guarantor may not return a claim due to errors in repayment conversion, due diligence, or timely filing to a lender or lender servicer designated as an exceptional performer. However, if the lender is unable to provide a complete claim or if the loan is otherwise ineligible for claim payment (such as due to a previous, unresolved loss of loan guarantee) the guarantor must return the claim file despite the lender's or servicer's exceptional performer designation.  
{§682.415(b)(5)(i); DCL FP 04 04}~~

Revise Subsection 13.2.A, page 7, column 1, paragraph 3, as follows:

#### **13.2.A Refiling the Returned Claim**

...

~~For information on penalties for failure to resubmit returned claims timely, see section 14.4. In the case of a loan filed by a lender or servicer that has been designated an exceptional performer by the Department, no interest limitations are incurred due to untimely refiling of  
{§682.415(b)(7)(i)}~~

Revise Subsection 13.3.A, page 9, column 1, bullet 3, as follows:

#### **13.3.A Claim Payment Amount**

...

- ~~• The guarantor will pay 99% of outstanding principal and eligible interest on a default claim filed on or after July 1, 2006, by a lender or servicer that has been designated as an exceptional performer—except on a loan that the lender is required to exclude from this designation. Claims filed on qualifying loans made by an exceptional performer are not~~

~~subject to interest penalties or claim rejection. For more information on being designated as an exceptional performer and on maintaining that designation, see subsections 3.9.A and 3.9.B, respectively.~~  
~~[HEA 428(l)(b)(1)]~~

...

Revise Subsection 13.3.B, page 9, column 2, paragraph 1, as follows:

#### **13.3.B Amount of Interest Purchased on Eligible Claims**

Generally, if a lender has complied with all applicable due diligence and loan servicing requirements, a guarantor will pay the applicable percentage of the outstanding eligible interest owed from the interest-paid-through date through the date the guarantor pays the claim. The percentage of the outstanding eligible interest owed that the guarantor will pay is based on ~~whether the lender or servicer is designated as an exceptional performer~~ the requirements set forth in Subsection 13.3.A.

Revise Subsection 13.3.C, page 10, column 1, paragraph 2, as follows:

#### **13.3.C Amount of Interest Purchased on Returned Claims**

...

After calculating the amount of interest for which the lender is eligible, the guarantor will pay 98% of that interest for loans disbursed on or after October 1, 1993, and before July 1, 2006, or consolidated during that time. For loans first disbursed on or after July 1, 2006, the guarantor will pay 97% of eligible interest. Regardless of the loan's first disbursement date, if the loan was made under Lender of Last Resort provisions, the guarantor will pay 100% of eligible interest. ~~For default claims filed on or after July 1, 2006, by a lender or servicer designated as an exceptional performer, the guarantor will pay 99% of eligible interest.~~  
~~[\$682.404(a)(1); HEA §428(b)(1)(G)(ii); HEA 428(l)(b)(1)]~~

Revise Section 13.5, page 13, column 1, paragraph 2, as follows:

#### **13.5 Claim Repurchase**

...

~~Any lender, including a lender designated as an exceptional performer,~~ is required to repurchase a loan that was paid as a bankruptcy claim if the bankruptcy is subsequently dismissed by the court or, as a result of the hearing, the loan is considered nondischargeable and the borrower is responsible for repayment of the loan.  
[\$682.402(f)(4)]

Revise Subsection 14.3.B, page 5, column 2, by deleting paragraph 3 and the preceding subheading, as follows:

#### **14.3.B Non-Default Claims**

##### **Claims Filed by Exceptional Performers**

~~In the case of a loan filed by a lender or servicer that has been designated an exceptional performer by the Department, no penalties will be assessed for due diligence violations.~~  
~~[\$682.415(b)(7)(i)]~~

Revise Subsection 14.4.A, page 7, column 1, by deleting paragraph 2 and the preceding subheading, as follows:

#### 14.4.A Original Filing Deadline

##### **Claims Filed by Exceptional Performers**

~~No penalties will be assessed for timely filing violations in the case of a claim filed by a lender or servicer that has been designated an exceptional performer by the Department.~~  
~~§682.415(b)(7)(i)}~~

Revise Subsection 14.4.B, page 8, column 1, by deleting paragraph 2 and the preceding subheading, as follows:

#### 14.4.B Refile Deadlines

##### **Claims Filed by Exceptional Performers**

~~No penalties will be assessed for timely filing violations in the case of a claim filed by a lender or servicer that has been designated an exceptional performer by the Department.~~  
~~§682.415(b)(7)(i)}~~

Revise Appendix G, page 7, column 2, by deleting the definition of exceptional performer, as follows:

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

#### **PROPOSED LANGUAGE - COMMON BULLETIN:**

##### **Exceptional Performer Eliminated**

The *Common Manual* has been revised to comply with the statutory changes derived from the College Cost Reduction and Access Act (P.L. 110-84). The Exceptional Performer program was eliminated on October 1, 2007; therefore, eligible default claims filed by a lender on or after that date will be paid at the insurance rate applicable to each loan.

##### **GUARANTOR COMMENTS:**

None.

##### **IMPLICATIONS:**

*Borrower:*

None.

*School:*

None.

*Lender/Servicer:*

A lender that was previously designated as an exceptional performer will be paid a lesser amount on claims filed on or after October 1, 2007, and may need to provide additional documentation at claim time. Loans will be subject to additional claim review by the guarantor.

*Guarantor:*

A guarantor may need to update claim review requirements, claim payment systems and coding, and program review requirements.

*U.S. Department of Education:*

The Department may need to update program review requirements.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 12, 2007

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J046

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: December 14, 2007

X	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Frequency of Capitalization

**AFFECTED SECTIONS:** 10.10.B Capitalization Frequency

**POLICY INFORMATION:** 1006/Batch 147

**EFFECTIVE DATE/TRIGGER EVENT:** Unsubsidized interest capitalized on Consolidation loans for periods of in-school deferment on or after July 1, 2008.

**BASIS:**  
§682.202(b)(5).

**CURRENT POLICY:**  
Current policy permits a Consolidation loan holder to capitalize interest that accrues during an in-school deferment no more frequently than quarterly, and again when repayment is scheduled to begin or resume.

**REVISED POLICY:**  
Revised policy permits the lender to capitalize unsubsidized interest that accrues during periods of in-school deferment on a Consolidation loan only at the end of the deferment period, rather than on a quarterly basis as previously allowed.

**REASON FOR CHANGE:**  
This change is made to comply with regulatory changes published in the *Federal Register* Vol. 72, No. 211 dated November 1, 2007, page 62000.

## **PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 10.10.B, page 19, column 2, first subheading and paragraph 1, as follows:

### **Subsidized Stafford Loans First Disbursed Prior to July 1, 2000, Unsubsidized Stafford Loans First Disbursed Prior to October 7, 1998, and All PLUS and Consolidation Loans (Except Consolidation Loans with In-school Deferments)**

A lender may capitalize the interest that accrues during in-school, grace, deferment, and forbearance periods no more frequently than quarterly, and again when repayment is scheduled to begin or resume. A lender may capitalize interest that accrues during the following periods only on the date repayment of principal is scheduled to begin:

- During the period from the date the first disbursement was made to the beginning date of the in-school period.
- During the period from the date the first installment payment was due to the date it is made.
- During a period when the borrower's loan was in repayment, but the borrower made no payments because:
  - The lender received late notification that the borrower withdrew or ceased to be enrolled on at least a half-time basis, as applicable, from the school before the lender's projected deferment end date, out-of-school date, or date on which the loan is fully disbursed.

- The lender learned after the fact that the borrower or a dependent student (based on whose status a PLUS loan borrower obtained the deferment) did not maintain in-school deferment eligibility.  
[§682.202(b)]

### **Consolidation Loans with In-school Deferments**

A lender may capitalize unsubsidized interest that accrues during periods of in-school deferment on a Consolidation loan with an in-school deferment period that ends on or after July 1, 2008, only at the end of the deferment.

#### **PROPOSED LANGUAGE - COMMON BULLETIN:**

##### **Frequency of Capitalization for Consolidation Loans.**

The *Common Manual* has been revised to specify that a lender may capitalize unsubsidized interest that accrues during periods of in-school deferment on a Consolidation loan only at the end of the deferment.

#### **GUARANTOR COMMENTS:**

None.

#### **IMPLICATIONS:**

##### *Borrower:*

A Consolidation loan borrower will pay less in overall loan costs if his or her lender has been capitalizing the interest during periods of in-school deferment at more frequent intervals.

##### *School:*

None.

##### *Lender/Service:*

A lender and its servicer must ensure that systems and procedures are adjusted to permit capitalization on a Consolidation loan with an in-school deferment only at the end of the deferment.

##### *Guarantor:*

A guarantor must ensure that its program review procedures are updated with the new requirements.

##### *U.S. Department of Education:*

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

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### **To be completed by the Policy Committee**

#### **POLICY CHANGE PROPOSED BY:**

CM Policy Committee

#### **DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 19, 2007

#### **DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

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CM Guarantor Designees  
Interested Industry Groups and Others



# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: December 14, 2007

X	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Lender Reporting Requirements

**AFFECTED SECTIONS:** 3.5.D Reporting Loan Status Changes

**POLICY INFORMATION:** 1007/Batch 147

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

**BASIS:**

§682.208(i).

**CURRENT POLICY:**

Current policy specifies that a lender must report loan status changes to the guarantor.

**REVISED POLICY:**

Revised policy adds the requirement that a lender must report enrollment and loan status information, or any loan-related information that the Department may require. This information must be reported to the guarantor or to the Department, by the deadline established by the Department.

Subsection 3.5.D has been renamed to more accurately reflect its content.

**REASON FOR CHANGE:**

This change is made to comply with regulatory changes published in the *Federal Register* Vol. 72, No. 211, dated November 1, 2007, page 62000.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 3.5.D, page 13, column 1, paragraph 4 as follows:

**Reporting Loan ~~Status Changes~~ Information**

A lender must report loan status changes to the guarantor. A guarantor will accept a status change in any form or medium—as long as it includes the borrower's name and Social Security number, status change and effective date, loan account number or ID number, and any other pertinent information.

Additionally, a lender must report enrollment and loan status information, or any FFELP loan-related data to the guarantor or to the Department, as applicable, by the deadline established by the Department.

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Lender Reporting Requirements**

The *Common Manual* has been revised to add the requirement that the lender must report enrollment and loan status information or any FFELP loan-related data that the Department requires. The information must be reported to the guarantor or to the Department, as applicable, by the deadline established by the Department.

**GUARANTOR COMMENTS:**

None.

**Implications:**

*Borrower:*

None.

*School:*

None.

*Lender/Servicer:*

A lender/servicer may need to report additional FFELP loan information that the Department requires to the guarantor or directly to the Department and within the deadline established by the Department.

*Guarantor:*

A guarantor may need to obtain additional FFELP loan information from the lender as required by the Department.

*U.S. Department of Education:*

The Department will need to convey to lenders and guarantors what loan-related information it requires and the deadline for that information to be submitted to the Department.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

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Interested Industry Groups and Others

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J031

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: December 14, 2007

x	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
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**SUBJECT:** Armed Forces and Military Deferments

**AFFECTED SECTIONS:** 11.3.A Eligibility Criteria—Armed Forces  
11.8.B Deferment Documentation—Military

**POLICY INFORMATION:** 1008/Batch 147

**EFFECTIVE DATE/TRIGGER EVENT:** Armed forces and military deferments granted on or after July 1, 2008, unless implemented by the lender on or after November 1, 2007.

**BASIS:**  
§682.210(i)(5); §682.210(t)(7).

**CURRENT POLICY:**  
Current policy states that a borrower must request the armed forces and military deferments.

**REVISED POLICY:**  
*Common Manual* text has been revised to state that a borrower or a borrower's representative must request the armed forces and the military deferments.

**REASON FOR CHANGE:**  
The purpose for the change is to incorporate the Final Rules in the *Federal Register* of November 1, 2007, volume 72, page 62001.

**PROPOSED LANGUAGE - COMMON MANUAL:**  
Revise Subsection 11.3.A, page 7, column 2, paragraph 3, as follows:

## 11.3.A Eligibility Criteria—Armed Forces

...

A borrower or a borrower's representative must request the deferment and provide the lender with documentation establishing that he or she is serving a period of full-time active duty status in the U.S. Armed Forces. Documentation may include:

- A written statement from the borrower's commanding officer or personnel officer certifying the date on which the borrower's service began and the date on which it is expected to end.
- A copy of the borrower's official military orders and a copy of the borrower's active duty military identification card.

If a lender grants an armed forces deferment based on a request from the borrower's representative, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to cancel the deferment and continue to make payments on the loan. The lender may also notify the borrower's representative of the outcome of the deferment request.  
[§682.210(i)(5)]

Revise Subsection 11.8.B, page 15, column 2, paragraph 3, as follows:

## 11.8.B Deferment Documentation—Military

A borrower or a borrower's representative must request the deferment and provide the lender with documentation of his or her duty status. The documentation must include a copy of the borrower's military orders, or a written statement from the borrower's commanding or personnel officer that the borrower is serving on active duty during a war or other military operation, or a national emergency, or that the borrower is performing qualifying National Guard duty during a war or other military operation, or a national emergency, as those terms are defined in ~~§~~Subsection 11.8.A..  
[HEA §428(b)(1)(M); DCL GEN-06-02]

If a lender grants a military deferment based on a request from the borrower's representative, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to cancel the deferment and continue to make payments on the loan. The lender may also notify the borrower's representative of the outcome of the deferment request.  
[§682.210(t)(7)]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Armed Forces and Military Deferments**

The *Common Manual* has been revised to allow a borrower's representative to request an armed forces or a military deferment on behalf of the borrower. If a lender grants an armed forces or a military deferment based on a request from the borrower's representative, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to cancel the deferment and continue to make payments on the loan. The lender may also notify the borrower's representative of the outcome of the deferment request.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

By allowing a borrower's representative to request an armed forces or a military deferment, a qualified borrower is able to apply for these deferments even when he or she is not in a position to do so in-person.

*School:*

A school may need to revise counseling materials, as appropriate, to indicate that a borrower's representative may request an armed forces or military deferment.

*Lender/Service:*

A lender may need to adjust its procedures and perhaps its systems to accommodate requests from a borrower's representative for an armed forces or military deferment.

*Guarantor:*

A guarantor may need to adjust its program review processes.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 1, 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: December 14, 2007

X	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Borrower Choice of Lender

**AFFECTED SECTIONS:** 4.4 Providing Information to Students  
6.15 School Certification of the Loan

**POLICY INFORMATION:** 1009/Batch 147

**EFFECTIVE DATE/TRIGGER EVENT:** Preferred lender lists provided to students and parents on or after July 1, 2008.

Certifications based on the borrower's choice of lender and/or guarantor, effective retroactive to the implementation of the *Common Manual*.

Ensuring that there is no delay in certification and/or processing of the loan based on the borrower's choice of lender or guarantor, effective for loans certified by the school on or after July 1, 2008.

## **BASIS:**

Preamble language to the *Federal Register*, dated November 1, 2007, pp. 61986-61990; §682.212 (h); §682.603(f).

## **CURRENT POLICY:**

Current policy in Section 6.15 references the borrower's right to choose a FFELP lender. Current policy does not address when a school may not refuse to certify or delay certification of a Stafford or PLUS loan or that a school may not assign a first-time borrower's loan to a particular lender through the award packaging process or other method.

## **REVISED POLICY:**

Revised policy places greater emphasis on the borrower's right to choose a FFELP lender, and incorporates the new regulatory provisions for a school that provides to its students and their parents a list of recommended FFELP lenders. Revised policy also clarifies how schools that choose *not* to recommend lenders, may still provide information to assist the borrowers with their choice of lender. Additional language was added to clarify that a school may not refuse to certify or delay certification of a Stafford or PLUS loan or assign a first-time borrower's loan to a particular lender through the award packaging process.

## **REASON FOR CHANGE:**

This change is based on regulatory changes made in the November 1, 2007, *Federal Register*, volume 72, No. 211, pages 62002 and 62008.

## **PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Section 4.4, page 18, column 1, by inserting a new subsection, and renumbering the existing subsections, as follows:

### **4.4.A**

#### **Consumer Information Preferred Lender Lists**

A school may provide to students or their parents a list of recommended FFELP lenders. If a school chooses to provide such a list, the list must:

- Not be used to deny or otherwise impede a borrower's choice of lender:

- Contain at least three unaffiliated lenders that will make loans to borrowers or students attending the school. For the purposes of this subsection, a lender is affiliated with another lender if:
  - The lenders are under the ownership or control of the same entity or individuals:
  - The lenders are wholly or partly owned subsidiaries of the same parent company:
  - The directors, trustees, or general partners (or individuals exercising similar functions) of one of the lenders constitute a majority of the persons holding similar positions with the other lender.
- Not include lenders that have offered, or have offered in response to a solicitation by the school, financial or other benefits to the school in exchange for inclusion on the list or any promise that a certain number of loan applications will be sent to the lender by the school or its students.

A school that provides a preferred lender list must:

- Disclose, as part of the list, the method and criteria used by the school in selecting any lender that it recommends;
- Provide comparative information to prospective borrowers about interest rates and other benefits offered by the lenders;
- Include a prominent statement in any information related to its list of lenders, advising prospective borrowers that they are not required to use one of the school's recommended lenders;
- For first-time borrowers, not assign, through award packaging or other methods, a borrower's loan to a particular lender;
- Not cause unnecessary certification delays for borrowers who use a lender that has not been recommended by the school;
- Update any list of recommended lenders and any information accompanying such a list no less often than annually.

[\$682.212(h)]

A school that chooses not to recommend lenders, or that has not been able to identify more than one lender to make loans to its student or parent borrowers, may still provide information to assist the borrowers with their choice of lender. At the student's or parent's request, the school may provide the names of lenders that have made loans in the past to students and parents at the school, as long as the lender did not provide any prohibited inducement to the school to secure loan applications. When providing this information to the FFELP student or parent borrowers, the school must make clear that it is not endorsing any lender and that the FFELP borrower may choose any FFELP lender that will make loans for attendance at that school.

#### **4.4.B**

#### **Entrance Counseling Consumer Information**

...

#### **4.4.C**

#### **Exit Counseling Entrance Counseling**

...

**4.4.D**  
**Exit Counseling**

...

Revise Section 6.15, page 28, column 1, paragraph 3, as follows:

**6.15**  
**School Certification of the Loan**

In certifying a Stafford or PLUS loan, a school is required . . . .

A school must certify the borrower's loan eligibility . . . .

A school may not refuse to certify, and may not delay certification of, a Stafford or PLUS loan based on the borrower's selection of a particular lender or guarantor. Also, a school may not assign a first-time borrower's loan to a particular lender through the award packaging process or other method. See subsection 6.15.E for information regarding when the school is permitted to refuse to certify a FFELP loan or to reduce the loan amount.  
[\$682.603(f)(1) and (2)]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Borrower Choice of Lender**

The *Common Manual* has been updated to incorporate the new regulatory provisions for a school that provides to its students and their parents a list of recommended FFELP lenders; how schools that choose not to recommend lenders, may provide information to assist the borrowers with their choice of lender; and to place emphasis on the borrower's right to choose a FFELP lender.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower whose school provides a list of recommended lenders will receive additional information regarding the benefits offered by the recommended lenders and the school's criteria for selecting recommended lenders.

*School:*

A school that provides to its students and their parents a list of recommended lenders must provide additional information regarding the selection of those lenders and the benefits offered by the recommended lenders. The school must ensure that the list of recommended lenders is not used in any manner that serves to impede the borrower's choice of a FFELP lender, and must establish procedures to ensure that its list is updated with new information regarding the comparative benefits offered by those lenders included on the list. A school that chooses not to recommend lenders must ensure that information provided to assist the borrowers with their choice of lender does not include any lender that provided prohibited inducements to the school to secure loan applications. When providing this information, the school must make clear that it is not endorsing any lender.

*Lender/Service:*

A lender may not be included on a school's list of preferred lenders if it offers, or offers in response to a solicitation by the school, financial or other benefits to the school for inclusion on the list or any promise that a certain number of loan applications will be sent to the lender by the school or its students.

*Guarantor:*

A guarantor may be required to revise program review procedures.



*U.S. Department of Education:*

The Department may be required to revise program review procedures.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

August 16, 2007

**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

J009

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: December 14, 2007

X	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Transfer of Claim Other Than For Security

**AFFECTED SECTIONS:** 13.1.D Claim File Documentation  
13.8.A Bankruptcy

**POLICY INFORMATION:** 1010/Batch 147

**EFFECTIVE DATE/TRIGGER EVENT:** Original assignment of a proof of claim filed by the lender on or after July 1, 2008, unless implemented earlier by the guarantor.

**BASIS:**

Bankruptcy Code 11 U.S.C. §502(a); Bankruptcy Code 11 U.S.C. §1111(a); Bankruptcy Rule 3001 (e)(f).

**CURRENT POLICY:**

Current policy states that a lender must file an original assignment of the proof of claim with a bankruptcy claim.

**REVISED POLICY:**

Revised policy removes reference to the assignment of a proof of claim. The Manual now makes reference to the Transfer of Claim Other Than For Security form that a guarantor must file and the Notice of Transfer of Claim Other Than For Security form that a lender/servicer will receive once the bankruptcy court processes the transfer.

**REASON FOR CHANGE:**

Recent changes to the bankruptcy code eliminated the requirement that a lender file an original assignment of the proof of claim. New requirements require the guarantor (transferee) to file the Transfer of Claim Other Than For Security form with the bankruptcy court. Once the bankruptcy court processes the transfer the lender/servicer (transferor) will be sent the Notice of Transfer of Claim Other Than For Security form.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 13.1.D, page 5, column 2, paragraph 3, as follows:

**Additional Documentation Requirements**

*Bankruptcy Claims*

For a bankruptcy claim, the lender must submit—in addition to the preceding items 1 through 5—notification of the bankruptcy filing, such as the Notice of the First Meeting of Creditors (the Notice) or other proof of filing directly received from the borrower's attorney, the bankruptcy court, or from another source; a copy of the proof of claim filed by the lender, if required; ~~an original assignment of the Proof of Claim, if required;~~ and all other pertinent documents sent to or received from the bankruptcy court.

[§682.402(g)(1)(v)(A)]

Revise Subsection 13.8.A, page 18, column 2, paragraph 3, as follows:

**Filing a Proof of Claim**

A lender must file a proof of claim with the bankruptcy court no later than 30 days after it receives the Notice—unless the Notice specifically states that a proof of claim is not required.

If required, the proof of claim must be filed, even if a default claim has already been filed on the loan and the lender has not yet received payment from the guarantor. If a proof of claim is required, the lender must immediately forward a copy of the bankruptcy notification, proof of claim, and ~~an original assignment of the proof of claim~~ all other pertinent documents sent to or received from the bankruptcy court to the guarantor. Upon claim payment, the guarantor will file a Transfer of Claim Other Than For Security form with the court to complete the transfer of the proof of claim. Once the court processes the transfer, the Notice of Transfer of Claim Other Than For Security form will be sent to the lender/servicer acknowledging the transfer of the proof of claim.

- ▲ Lenders may contact individual guarantors for information on filing a proof of claim on behalf of the guarantor. Also, s~~Some~~ guarantors may file a proof of claim on the lender's behalf. Lenders may contact individual guarantors for more information. See s~~Section~~ 1.5 for contact information.

Revise Subsection 13.8.A, page 19, column 1, paragraph 4, as follows:

#### **Loans Eligible for Bankruptcy Claim Payment**

...

When preparing a claim, the lender must file a proof of claim with the bankruptcy court for all "asset" cases (as instructed on the Notice) and include a copy of the proof of claim and ~~an original assignment of the proof of claim~~ all other pertinent documents sent to or received from the bankruptcy court in the claim file. Upon claim payment, the guarantor must file a Transfer of Claim Other Than For Security form with the court to complete the transfer of the proof of claim. Once the court processes the transfer, the Notice of Transfer of Claim Other Than For Security form will be sent to the lender/servicer acknowledging the transfer of the proof of claim.

#### **PROPOSED LANGUAGE - COMMON BULLETIN:**

##### **Transfer of Claim Other Than For Security**

Pursuant to new bankruptcy code, the *Common Manual* has been updated to remove any reference to the assignment of a proof of claim. The Manual now makes reference to the Transfer of Claim Other Than For Security form that a guarantor must file and the Notice of Transfer of Claim Other Than For Security form that a lender/servicer will receive once the bankruptcy court processes the transfer.

##### **GUARANTOR COMMENTS:**

None.

##### **IMPLICATIONS:**

*Borrower:*

None.

*School:*

None.

*Lender/Servicer:*

A lender no longer needs to file an original assignment of the proof of claim. A lender will now receive the Notice of Transfer of Claim Other Than For Security Form from the bankruptcy court.

*Guarantor:*

A guarantor will need to file a Transfer of Claim Other Than For Security form with the bankruptcy court when it has received a proof of claim.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

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March 20, 2007

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**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

SM/edited-chh

I069

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: December 14, 2007

X	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Disclosing Stafford Loan Eligibility Information to Grad PLUS Applicants

**AFFECTED SECTIONS:** 6.15.C PLUS Loan Certification

**POLICY INFORMATION:** 1011/Batch 147

**EFFECTIVE DATE/TRIGGER EVENT:** Grad PLUS loans certified by the school on or after July 1, 2008.

**BASIS:**  
§682.603(d).

## CURRENT POLICY:

Current policy requires the school to determine the student borrower's Stafford loan eligibility before certifying a Grad PLUS loan, but does not require the school to make specific disclosures to the student regarding the comparative costs and benefits of Stafford and PLUS loans.

## REVISED POLICY:

Revised policy requires the school to determine the borrower's Stafford loan eligibility prior to determining his or her eligibility for a Grad PLUS loan. If the student has not requested the maximum Stafford loan amount for which he or she is eligible, the school must notify the borrower of the maximum Stafford loan funds for which he or she is eligible, and provide a comparison of the two programs, specifying the comparative maximum interest rates, periods during which interest accrues for each loan program, and the point at which both Stafford and PLUS loans enter repayment. The school must then provide the student with an opportunity to request the maximum Stafford loan funds for which he or she is eligible.

## REASON FOR CHANGE:

This change is made to comply with regulatory changes published in the *Federal Register* Vol. 72, No. 211 dated November 1, 2007, page 62008.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 6.15.C, page 30, column 1, paragraph 1, as follows:

Before applying for a Grad PLUS loan, a student is required to submit a completed Free Application for Federal Student Aid (FAFSA), and Before certifying a Grad PLUS loan the school is required to must determine the student's maximum eligibility for subsidized and unsubsidized Stafford loan funds in the program (FFELP or Direct) in which the school is participating for Stafford loan purposes. If the student has not requested the maximum Stafford loan amount for which he or she is eligible, the school must notify the borrower of his or her maximum Stafford loan eligibility, and provide the student with a comparison of the two programs, specifying each of the following:

- The comparative maximum interest rates.
- The periods during which interest that accrues must be paid by the borrower for each loan type.
- The point at which both Stafford and PLUS Loans enter repayment.

The school must then provide the student with an opportunity to request the maximum Stafford loan funds for which he or she is eligible. However, the student may decline the Stafford loan funds and the school may not require the student to accept Stafford loan funds as a condition of applying for a Grad

PLUS loan.  
[§682.201(b)(3); §682.603(d); DCL GEN-06-02/FP-06-01; DCL FP-06-05]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Disclosing Stafford Loan Eligibility Information to Grad PLUS Applicants**

The *Common Manual* has been revised to include the requirement that, if the school determines that a Grad PLUS applicant has not applied for the maximum Stafford loan for which he or she is eligible, the school must notify the borrower of the maximum Stafford loan funds for which he or she is eligible. The school's notice must provide the student with a comparison of the two programs, specifying each of the following:

- The comparative maximum interest rates.
- The periods during which interest that accrues must be paid by the borrower for each loan type.
- The point at which both Stafford and PLUS Loans enter repayment.

The school must then provide the student with an opportunity to request the maximum Stafford loan funds for which he or she is eligible.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower may benefit by receiving information regarding lower cost federal loan options. A borrower may experience some delay in the receipt of Grad PLUS Loan funds if he or she has not applied for his or her maximum Stafford loan eligibility.

*School:*

A school must establish processes to make the necessary notifications to students regarding their Stafford loan eligibility, develop documentation and communication regarding the comparative provisions of Stafford loans and Grad PLUS loans. A school may use an existing process, such as the award letter, to facilitate this notification and communication. A school must also develop a process to ensure that the borrower has the option to apply for his or her maximum Stafford loan eligibility.

*Lender/Service:*

None.

*Guarantor:*

A guarantor may need to amend program review procedures.

*U.S. Department of Education:*

The Department may need to amend program review procedures.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

November 14, 2007

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**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees  
Interested Industry Groups and Others

bg-dt/edited-tmh

J042

# COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: December 14, 2007

X	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Establishing a Repayment Schedule

**AFFECTED SECTIONS:** 10.8.A Standard Repayment Schedule

**POLICY INFORMATION:** 1012/Batch 147

**EFFECTIVE DATE/TRIGGER EVENT:** Repayment schedules requested or established on or after October 7, 1998.

**BASIS:**  
None.

## CURRENT POLICY:

Current policy in Subsection 10.8.A does not require a lender to establish a standard repayment schedule for a borrower if the borrower does not select an extended (if applicable) repayment schedule within 45 days after being notified by his or her lender to select a repayment schedule.

## REVISED POLICY:

Revised policy aligns Subsection 10.8.A. with Section 10.8, which requires a lender to establish a standard repayment schedule for a borrower if the borrower does not select an income-sensitive, graduated, or extended (if applicable) repayment schedule within 45 days after being notified by his or her lender to select a repayment schedule.

## REASON FOR CHANGE:

This change is necessary to align different sections of Manual text and to incorporate a reference in Subsection 10.8.A to the extended repayment schedule that is available to certain borrowers.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 10.8.A, page 16, column 1, paragraph 1, bullet 1, as follows:

The lender must require the borrower to repay the loan under a standard repayment schedule if the borrower meets either of the following criteria:

- The borrower does not select an income-sensitive, ~~or a graduated, or extended (if applicable)~~ repayment schedule within 45 days after being notified by the lender to choose a repayment schedule.
- . . .  
[§682.209(a)(6)(v) and (vi)]

## PROPOSED LANGUAGE - COMMON BULLETIN:

### Establishing a Repayment Schedule

The *Common Manual* has been corrected to state in Subsection 10.8.A that a lender must require a borrower to repay his or her loans under a standard repayment schedule if the borrower fails to select an income-sensitive, graduated, or extended (if applicable) repayment schedule within 45 days after being notified by the lender to choose a repayment schedule. This change aligns the text in this subsection with current policy in Section 10.8 of the Manual.

**GUARANTOR COMMENTS:**  
None.



**IMPLICATIONS:**

*Borrower:*

None.

*School:*

None.

*Lender/Servicer:*

None.

*Guarantor:*

None.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 17, 2007

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CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

nm/edited-kk

J063

# COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: December 14, 2007

X	DRAFT	Comments Due	Jan 4
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Consumer Information

**AFFECTED SECTIONS:** 9.5 Return of Title IV Funds

**POLICY INFORMATION:** 1013/Batch 147

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

**BASIS:**

§668.43(a)(2) through (4).

**CURRENT POLICY:**

Current policy in Section 9.5 provides general information regarding consumer information required of a school regarding its refund policies.

**REVISED POLICY:**

Revised policy clarifies that refund information must be provided *upon request*. Revised policy also places the requirements into a bulleted format for clarity.

**REASON FOR CHANGE:**

The *Common Manual* has been updated to more closely align manual text with the federal regulations.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Section 9.5, page 10, column 2, paragraph 2, as follows:

**9.5**

**Return of Title IV Funds**

For each Title IV aid recipient who withdraws, the school must calculate the amount of Title IV assistance the student has earned. . . .

Upon request, the school must provide to enrolled and prospective students a copy of any refund policy with which the school is required to comply ~~and that~~ addresses the return of unearned tuition and fees or other refundable costs paid by the student. The written policy must include: ~~The requirements and procedures a student should follow to officially withdraw from the school. The school must also provide a summary of the federal requirements for the return of Title IV funds as detailed in 34CFR 668.22.~~

- The requirements and procedures a student should follow to officially withdraw from the school.
- A summary of the federal requirements for the return of Title IV funds, as detailed in §668.22.

[§668.43(a)(2) through (4)]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Consumer Information**

The *Common Manual* has been updated to clarify that consumer information regarding refunds must be provided by the school *upon request* to enrolled and prospective students. Revised policy also places the requirements into a bulleted format for clarity.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

None.

*School:*

None.

*Lender/Service:*

None.

*Guarantor:*

None.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

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CM Policy Committee

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CM Guarantor Designees

Interested Industry Groups and Others

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J017