

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
1014	Converting Stafford Loans to Repayment	<p><u>10.4.A</u> Stafford Loan Repayment Start Date</p> <p>Clarifies that, for purposes of converting Stafford loans to repayment, the lender must use the day-specific method.</p>	Federal	Effective for Stafford loans converted to repayment on or after March 1, 1997, unless implemented earlier by the lender or guarantor.
1015	Using Current-Year Title IV Funds to Pay Minor Prior-Year Charges	<p><u>8.3</u> Required Authorizations <u>8.7.H</u> Delivery Methods <u>Figure 8-1</u></p> <p>States that a school may credit a student's account with Title IV funds from the current year to satisfy prior-year charges of up to \$200. The school is not required to obtain the borrower's authorization for credits to prior-year charges for tuition, fees, room, and board, but <i>is</i> required to obtain the borrower's authorization for credit to prior-year charges for other educationally-related expenses.</p>	Federal	Educationally related charges paid by a school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.
1016	Eligible Lender Trustee Relationships	<p><u>3.2</u> Schools Acting as Lenders and Eligible Lender Trustee Relationships</p> <p>Aligns the Manual guidance for a school or school-affiliated organization that makes or originates loans through an eligible lender trustee with the final regulations published November 1, 2007.</p>	Federal	Loans first disbursed under an ELT relationship on or after January 1, 2007.
1017	Refusing to Certify a Loan or Reducing Borrower Eligibility	<p><u>6.15.E</u> Refusing to Certify a Loan or Reducing Borrower Eligibility</p> <p>Clarifies that a school may not establish any one of the following general policies:</p> <ul style="list-style-type: none"> Limiting the number of times a student who is making satisfactory academic progress may have a full Stafford annual loan limit at any one grade level. Prorating the Stafford annual loan limit based on a student's enrollment status, such as when the student is enrolled less than full-time, or is enrolled for less than a full academic year that is not a final 	Federal	<p>Publication date of the 07-08 FSA Handbook for the prohibition against a general policy that limits the number of times a student may have a full annual loan limit at any grade level.</p> <p>Publication date of the 05-06 FSA Handbook for the prohibition against a general policy of prorating the annual loan limit based on a student's enrollment</p>

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
		<p>period of study.</p> <ul style="list-style-type: none"> • Certifying a Stafford loan only for the amount needed to cover school charges. • Limiting unsubsidized Stafford borrowing by independent students. 		<p>status.</p> <p>Publication date of the 03-04 FSA Handbook for the prohibition against a general policy that:</p> <ul style="list-style-type: none"> • Limits borrowing to the amount needed to cover school charges. • Limits unsubsidized Stafford borrowing by independent students.
1018	Stafford Annual Loan Limits for Transfer Students	<p><u>6.1</u> <u>Defining an Academic Year</u> <u>6.11.A</u> <u>Stafford Annual Loan Limits</u></p> <p>Includes new guidance from the 07-08 FSA Handbook stating that when a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher, (graduate/professional) annual loan limit.</p>	Federal	Publication date of the 07-08 FSA Handbook.
1019	Maximum Stafford and PLUS Loan Periods	<p><u>6.2</u> <u>Determining the Loan Period</u></p> <p>Specifies that the maximum loan period length that a school may certify is an academic year. The 12 month maximum no longer applies.</p>	Federal	Loan periods beginning on or after July 1, 2008.
1020	Rehabilitation of a Defaulted Loan	<p><u>13.7</u> <u>Rehabilitation of Defaulted FFELP Loans</u></p> <p>Clarifies that there are no federal restrictions that prohibit a loan from</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
		being rehabilitated more than once.		
1021	PLUS MPN with Endorser	<p><u>6.16 Applying for Federal Stafford and PLUS Loans</u></p> <p>Clarifies that when an endorser is used, the PLUS MPN becomes a “single-loan” promissory note because the endorser is liable only for the specific loan that he or she agreed to endorse. The lender must obtain a new MPN and new endorser addendum if the PLUS borrower (parent or student) requests an increase in the loan amount or a subsequent new PLUS loan.</p>	Correction	Effective for PLUS MPNs used for loan periods beginning on or after July 1, 2003.
1022	Obtaining a Subsequent Consolidation Loan	<p><u>15.2 Borrower Eligibility and Underlying Loan Holder Requirements</u></p> <p>Clarifies one of the conditions that permits a Consolidation loan borrower to obtain a subsequent Consolidation loan. A borrower with either a Federal or Direct Consolidation loan is eligible for a subsequent, separate Federal or Direct Consolidation loan if the borrower is consolidating at least one other eligible loan (except a Consolidation loan) made before or after the date that the existing Consolidation loan was made.</p>	Correction	Consolidation loans made on or after July 1, 2000.

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 11, 2008

X	DRAFT	Comments Due	Feb 1
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Converting Stafford Loans to Repayment

AFFECTED SECTIONS: 10.4.A Stafford Loan Repayment Start Date

POLICY INFORMATION: 1014/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Effective for Stafford loans converted to repayment on or after March 1, 1997, unless implemented earlier by the lender or guarantor.

BASIS:

§682.209(a)(3); DCL 96-L-186/96-G-287.

CURRENT POLICY:

Current policy states that the lender may use either a month-specific or day-specific method of converting a Stafford loan to repayment. The month-specific method allows the lender to convert the loan based on the number of months that has elapsed since the borrower was last enrolled, while the day-specific method requires the lender to convert a loan to repayment based on the exact date of the borrower's last day of at-least-half-time enrollment, plus the applicable grace period.

REVISED POLICY:

Common Manual text has been revised to clarify that lenders must use the day-specific method for converting loans to repayment.

REASON FOR CHANGE:

To more closely align *Common Manual* policy with current regulation.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 10.4.A. page 6. column 1, paragraph 4, as follows:

Stafford Loan Repayment Start Date

...

~~There are two~~ Lenders must calculate the date on which a Stafford loan borrower's grace period ends and the repayment period begins using ~~the day-specific method~~. A lender calculates the grace end date as the day that is exactly 6, 9, 10, 11, or 12 months following the date on which the student was last enrolled at least half-time. The repayment period begins on the day following the grace end date.

- ~~The month-specific method~~
A lender converts the loan to repayment based on the number of months elapsed since the borrower was last enrolled. Repayment began on the first day of the 7th, 10th, 11th, 12th, or 13th month following the month in which the student graduated, withdrew, or ceased at least half-time enrollment.
- ~~The day-specific method~~
A lender calculates the grace end date as the day that is exactly 6, 9, 10, 11, or 12 months following the date on which the student was last enrolled at least half time. The repayment period begins on the day following the grace end date.

~~At the time this manual was published, the Department had not yet begun enforcing the day-specific requirement. However, lenders and schools must make a good faith effort to comply with this requirement. When the Department begins enforcing these requirements, lenders must use the day-specific method for converting loans to repayment. A loan is to be converted to repayment based on the exact date of the borrower's last day of at least half-time enrollment, plus the applicable grace period. [§682.200; §682.209(a)(3); DCL 96-G-287/96-L-186, Q&A #18]~~

PROPOSED LANGUAGE - COMMON BULLETIN:

Stafford Loan Repayment Start Date

The *Common Manual* has been revised to clarify that for purposes of converting Stafford loans to repayment, the lender must use the day-specific method.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower may benefit from all of his or her loans being converted to repayment similarly.

School:

A school may need to adjust its reporting processes to ensure that a student's last day of attendance is reported to the lender in a month/day/year format.

Lender/Service:

A lender may need to adjust its processes to ensure the day-specific method of conversion to repayment is used when converting Stafford loans to repayment.

Guarantor:

A guarantor may need to adjust its program review processes.

U.S. Department of Education:

The Department may need to adjust its program review processes.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

USA Funds

DATE SUBMITTED TO CM POLICY COMMITTEE:

March 12, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others

djo/edited-aes

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 11, 2008

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SUBJECT: Using Current-Year Title IV Funds to Pay Minor Prior-Year Charges

AFFECTED SECTIONS: 8.3 Required Authorizations
8.7.H Delivery Methods
Figure 8-1

POLICY INFORMATION: 1015/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Educationally related charges paid by a school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

BASIS:
§668.164(d)(2); §668.165(b)(1)(i).

CURRENT POLICY:
Current policy requires a school to obtain a student's or parent borrower's authorization to use FFELP loan proceeds from the current year to pay minor, prior-year charges of less than \$100. With the proper authorization, a school may also use current-year funds to pay prior-year charges of \$100 or more, provided the school determined that the payment of prior-year charges does not, or will not, prevent the student from paying current-year educational costs.

REVISED POLICY:
Revised policy states that a school is not required to obtain a student's or parent borrower's authorization to use current-year Title IV funds to pay minor, prior-year charges for tuition, fees, room, and board. A school must obtain a student's or parent borrower's authorization to pay other minor, prior-year charges incurred for educationally related activities. The sum of all minor, prior-year charges for tuition, fees, room, board, and with the student's or parent's authorization, educationally related activities that are paid with Title IV funds from the current year must not exceed \$200.

REASON FOR CHANGE:
This change is required to comply with final rule changes published in the November 1, 2007, *Federal Register*, Vol. 72, No. 211.

PROPOSED LANGUAGE - COMMON MANUAL:
Revise Section 8.3, p. 4, column 1, paragraph 1, bullet 6, as follows:

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

- ...
- ...
- ...
- ...
- ...
- Use ~~Stafford or PLUS loan proceeds~~ Title IV funds for the current year to pay for minor prior-year charges incurred for educationally related activities. A school is not required

to obtain a student's or parent borrower's authorization to use Title IV funds from the current year to pay minor, prior-year charges for tuition, fees, room, and board. The sum of all minor, prior-year charges for tuition, fees, room, board, and educationally related activities that are paid with Title IV funds from the current year must not exceed \$200. (See Subsection 8.7.H.);
~~[\$668.164(d)(2)(ii); \$668.165(b)(1)(i)]~~

Revise Figure 8-1, p. 5, as follows:

FFELP Written Notification/Authorization Requirements

Figure 8-1

...		
	Additional	
Activity	Notification Required	Authorization Required
...		
...		
...		
...		
...		
<u>Pay minor prior-year charges for tuition, fees, room, and board</u> [\$668.164(d)(2)(i)]	<u>No</u>	<u>No</u>
<u>Pay minor prior-year charges for educationally related activities</u> [\$668.164(d)(2)(ii)]	No	Yes
...		

Revise Subsection 8.7.H, page 15, column 2, paragraph 2, as follows:

A school may credit a student's account with ~~FFELP loan proceeds~~ Title IV funds to satisfy the following ~~current-year~~ charges without obtaining the student's or parent borrower's authorization:

- Current-year or minor, prior-year charges for tTuition and fees.
- Current-year or minor, prior-year charges for rRoom and/or board, if the student contracts with the school for room and/or board.
~~[\$668.164(d)(1)(ii), and (iii); \$668.164(d)(2)(i)]~~

See below for more information about a limit on the amount of minor, prior-year charges that may be paid with Title IV funds from the current year.

After obtaining the student's authorization, or the ~~parent's~~ parent borrower's authorization in the case of a parent PLUS loan, a school may credit a student's account with ~~FFELP loan proceeds~~ Title IV funds to pay the following charges:

- Additional current-year charges incurred for educationally related activities.
~~[\$668.164(d)(2)(i)(1)(iv)]~~

- ~~Minor prior-year charges of less than \$100.~~
[§668.164(d)(2)(ii)]
- ~~Minor, p~~Prior-year charges of \$100 or more, provided the school has determined that the payment of the prior-year charges does not, or will not, prevent the student from paying his or her current-year education costs incurred for educationally related activities. See below for more information about a limit on the amount of minor, prior-year charges that may be paid with Title IV funds from the current year.
[§668.164(d)(2)(ii)]

Limitation on Payment of Minor, Prior-Year Charges With Current-Year Title IV Funds

The sum of all minor, prior-year charges for tuition, fees, room, board, and, with the student's or parent borrower's authorization, educationally related activities that are paid with Title IV funds from the current year must not exceed \$200.
[§668.164(d)(2)]

For more information on required authorizations, see section 8.3.

PROPOSED LANGUAGE - COMMON BULLETIN:

Using Title IV Funds for the Current Year to Pay for Minor Prior-Year Charges

The *Common Manual* has been revised to state that a school may credit a student's account with Title IV funds from the current year to satisfy minor, prior-year charges for tuition, fees, room, and board without obtaining the student's or parent borrower's authorization. After obtaining the student's authorization, or the parent borrower's authorization in the case of a parent PLUS loan, a school may credit a student's account with Title IV funds from the current year to pay minor, prior-year charges incurred for educationally related activities.

However, the sum of all minor, prior-year charges for tuition, fees, room, board, and, with the student's or parent borrower's authorization, educationally related activities that are paid with Title IV funds from the current year must not exceed \$200.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower will be limited in the amount of allowable, prior-year charges that may be paid with Title IV funds from the current year, even though payment of those prior-year charges may not prevent the student from paying his or her current-year educational costs. While a student or parent borrower will not be required to authorize the school to use current-year funds to pay minor, prior-year charges for tuition, fees, room, and board, a student or parent borrower must still execute an authorization allowing the school to use Title IV funds from the current year to pay minor, prior-year charges incurred for educationally related activities.

School:

A school may be required to modify forms, procedures, and student consumer information regarding cases when an authorization must be collected to pay minor, prior-year charges with Title IV funds from the current year, and to adhere to the \$200 limit on the total amount of minor, prior-year charges that may be paid with current-year funds.

Lender/Service:

None.

Guarantor:

A guarantor may be required to modify program review procedures.

U.S. Department of Education:

The Department may be required to modify program review procedures.

POLICY CHANGE PROPOSED BY:

CM Policy Committee

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Interested Industry Groups and Others

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COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 11, 2008

X	DRAFT	Comments Due	Feb 1
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Eligible Lender Trustee Relationships

AFFECTED SECTIONS: 3.2 Schools Acting as Lenders and Eligible Lender Trustee Relationships

POLICY INFORMATION: 1016/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Loans first disbursed under an ELT relationship on or after January 1, 2007.

BASIS:
§682.602.

CURRENT POLICY:

Current policy lists the requirements for a school or school-affiliated organization that makes or originates loans through an eligible lender trustee, as those requirements were outlined in DCL GEN-06-21.

REVISED POLICY:

Revised policy amends the requirements for a school or school-affiliated organization that makes or originates loans through an eligible lender trustee to align with the final regulations published November 1, 2007.

REASON FOR CHANGE:

The *Common Manual* is being updated to align the requirements for a school or school-affiliated organization that makes or originates loans through an eligible lender trustee with the final regulations published November 1, 2007.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 3.2, pp. 3, as follows:

Eligible Lender Trustee (ELT) Relationships

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

Effective January 1, 2007, and for all loans first disbursed on or after that date under an ELT relationship, the all-parties involved in the an-ELT relationship must meet the following eligibility requirements:

- A school directly involved in, or affiliated with an organization directly involved in an ELT relationship:
 - Must employ at least one person whose full-time responsibilities are limited to the administration of the school's financial aid programs for students attending that school.

- Must not be a home study school.
- Must have a cohort default rate of 10% or less.
- May lend only to its own students.
- May make only Stafford loans to graduate and professional students.
- Must offer an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate.
- Must use the proceeds from interest payments from borrowers, interest subsidy and special allowance payments on the loans made and held in trust, and proceeds from the sale or other disposition of the loans, (exclusive of return of principal, any financing costs incurred by the school to acquire funds to make the loan, and the cost of charging an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate), for need-based grants if the school receives these proceeds directly or indirectly.
- ~~— Must ensure that ELT loans are included in the school's annual compliance audit.~~

[\$682.602(b)(1)]

- An “~~organization affiliated with the school~~ **affiliated organization**” is defined as any organization that is directly or indirectly connected to the school, including, but not limited to, an alumni association, athletics organization, or social, academic, or professional organizations. An organization affiliated with the school and involved in an ELT relationship:

- ~~— May lend only to students attending the school with which it is affiliated.~~
- ~~— May make only Stafford loans to graduate and professional students.~~
- Must offer an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate.
- Must use the proceeds from interest payments from borrowers, interest subsidy and special allowance payments on the loans made and held in trust, and proceeds from the sale or other disposition of the loans, (exclusive of return of principal, any financing costs incurred by the school to acquire funds to make the loan, and the cost of charging an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate), for need-based grants if the school receives these proceeds directly or indirectly.
- ~~— Must ensure that ELT loans are included in the annual lender compliance audit.~~

[\$682.602(b)(2)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Eligible Lender Trustee Relationships

The *Common Manual* has been updated to align the requirements for a school or school-affiliated organization that makes or originates loans through an eligible lender trustee with the final regulations published November 1, 2007. Specifically, the requirement for a school-affiliated organization to limit lending to Stafford loans for graduate and professional students, and only at one school, have been deleted. The requirement to include ELT loans in an annual compliance audit has been deleted for both the school and the school-affiliated organization involved in an ELT relationship.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

A school involved in an ELT relationship must meet the specific requirements outlined in the regulations.

Lender/Service:

None.

Guarantor:

The guarantor may need to update program review requirements.

U.S. Department of Education:

The Department may need to update program review requirements.

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:

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Interested Industry Groups and Others

om/edited-bb

COMMON MANUAL - FEDERAL PROPOSAL POLICY PROPOSAL

Date: January 11, 2008

X	DRAFT	Comments Due	Feb 1
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Refusing to Certify a Loan or Reducing Borrower Eligibility

AFFECTED SECTIONS: 6.15.E Refusing to Certify a Loan or Reducing Borrower Eligibility

POLICY INFORMATION: 1017/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Publication date of the 07-08 FSA Handbook for the prohibition against a general policy that limits the number of times a student may have a full annual loan limit at any grade level.

Publication date of the 05-06 FSA Handbook for the prohibition against a general policy of prorating the annual loan limit based on a student's enrollment status.

Publication date of the 03-04 FSA Handbook for the prohibition against a general policy that:

- Limits borrowing to the amount needed to cover school charges.
- Limits unsubsidized Stafford borrowing by independent students.

BASIS:

03-04 FSA Handbook, Volume 8, chapter 2, p. 8-15; 05-06 FSA Handbook, Volume 3, Chapter 4, p. 3-80; 07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-85 and 3-92.

CURRENT POLICY:

Current policy states that a school may not refuse to certify a loan if it is based on policies that result in a pattern or practice of discrimination, or solely because the borrower has filed a bankruptcy petition.

REVISED POLICY:

Revised policy adds that a school may not establish any one of the following general policies:

- Limiting the number of times a student who is making satisfactory academic progress may have a full Stafford annual loan limit at any one grade level.
- Prorating the annual loan limit based on a student's enrollment status.
- Certifying a Stafford loan only for the amount needed to cover school charges.
- Limiting unsubsidized Stafford borrowing by independent students.

REASON FOR CHANGE:

The *Common Manual* is being revised to include guidance provided in the FSA Handbook.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 6.15.E, page 31, column 1, by inserting a new paragraph 3, as follows:

A school may not refuse to certify a loan if that refusal is based on policies that result in a pattern or practice of denying access to FFELP loans because of borrower race, sex, religion, national origin, age, income, or selection of a particular lender or guarantor. Practices at the school also may not discriminate against student borrowers who are physically, emotionally, or intellectually challenged—provided the student exhibits an appropriate ability to benefit. The school also may not refuse to certify a loan solely because it is aware that the student or borrower has filed a bankruptcy petition.
[§682.603(e); DCL GEN-95-40, Q&A #1]

A school may not establish any one of the following general policies:

- Limiting the number of times a student who is making satisfactory academic progress may have a full Stafford annual loan limit at any one grade level.
[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-85]
- Prorating the Stafford annual loan limit based on a student's enrollment status, such as when the student is enrolled less than full-time, or is enrolled for less than a full academic year that is not a final period of study.
[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-92]
- Certifying a Stafford loan only for the amount needed to cover school charges.
[07-08 FSA Handbook, Volume 4, Chapter 1, p. 4-15]
- Limiting unsubsidized Stafford borrowing by independent students.
[07-08 FSA Handbook, Volume 4, Chapter 1, p. 4-15]

PROPOSED LANGUAGE - COMMON BULLETIN:

Refusing to Certify a Loan or Reducing Borrower Eligibility

The *Common Manual* has been updated to clarify that a school may not establish any one of the following general policies:

- Limiting the number of times a student who is making satisfactory academic progress may have a full Stafford annual loan limit at any one grade level.
- Prorating the Stafford annual loan limit based on a student's enrollment status, such as when the student is enrolled less than full-time, or is enrolled for less than a full academic year that is not a final period of study.
- Certifying a Stafford loan only for the amount needed to cover school charges.
- Limiting unsubsidized Stafford borrowing by independent students.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower is assured access to the loan amounts for which he or she is eligible, unless the school documents its reason for denying or reducing that eligibility on a case-by-case basis.

School:

A school may not apply general policies that have the effect of denying or reducing loan eligibility in an effort to reduce default rates or for other administrative reasons.

Lender/Service:

None.

Guarantor:

A guarantor may be required to update program review procedures.

U.S. Department of Education:

The Department may be required to update program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

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COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 11, 2008

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	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Stafford Annual Loan Limits for Transfer Students

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

POLICY INFORMATION: 1018/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Publication date of the 07-08 FSA Handbook.

BASIS:

07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88.

CURRENT POLICY:

Current policy does not specifically address the effect on the annual loan limit when a student transfers from a graduate program to an undergraduate program in the middle of an academic year.

REVISED POLICY:

Revised policy states that, when a student transfers from a graduate program to an undergraduate program in the middle of an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit.

REASON FOR CHANGE:

The *Common Manual* has been revised to include new guidance from the 07-08 FSA Handbook regarding the effect on the annual loan limit when a student transfers from a graduate program to an undergraduate program in the middle of an academic year.

PROPOSED LANGUAGE - COMMON MANUAL:

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

Transfer Students

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

- . . .
- . . .

If the final academic year of the prior school does not overlap

If the final academic year of the prior school does overlap with the initial academic year of the new school, the new school must not certify a Stafford loan for more than the student's current annual loan limit *minus* the loan amount the student received at the prior school for the prior school's final academic year. If the student's grade level decreases as a result of the transfer, the new school must not certify a Stafford loan for more than the annual loan limit applicable to

the student's current (i.e., decreased) grade level *minus* the outstanding loan amount the student received at the prior school during the prior school's final academic year. The exception to this rule is a transfer from a graduate program to an undergraduate program within an academic year. In this case, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/ professional) annual loan limit. [07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

Revise Subsection 6.11.A, page 19, column 2, bullet 3, as follows:

- A student who transfers from one program of study to another at the same school or a different school within an academic year is eligible for Stafford loan funds not to exceed the annual loan limits applicable to the student's grade level in the student's new program of study (even if that student is at a lower grade level in the new program or has previously obtained an undergraduate degree in a different program), as determined by the school, minus any outstanding loan funds received in the prior program for the ~~prior current~~ academic year. ~~For a student who transfers to a standard term-based credit hour program, the student's Stafford loan eligibility for a subsequent term(s) that begins within the initial academic year of the new program, but after the end of the final academic year in the prior program, is the annual loan limit applicable to the student's current grade level minus the outstanding loan amount the student has already received in that academic year in the new program. See section 6.1 for detailed information about defining an academic year and calculating Stafford annual loan amounts for a student who transfers. See section 6.10 for information about determining a student's grade level. The exception to this rule is a transfer from a graduate program to an undergraduate program within an academic year. In this case, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/ professional) annual loan limit. See Section 6.1 detailed information about defining an academic year and calculating Stafford annual loan limits for a student who transfers.~~ ~~[2006-2007 Federal Student Aid Handbook 07-08 FSA Handbook, Volume 3, Chapter 45, p. 3-88 pp. 3-75 to 3-77]~~
- For a student who transfers to a standard term-based credit-hour program within an academic year, the student's Stafford loan eligibility for a subsequent term(s) that begins within the initial academic year of the new program, but after the end of the final academic year in the prior program, is the annual loan limit applicable to the student's current grade level minus the outstanding loan amount the student has already received in that academic year in the new program. See section 6.1 for detailed information about defining an academic year and calculating Stafford annual loan amounts for a student who transfers. See section 6.10 for information about determining a student's grade level. [07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]
- ...

PROPOSED LANGUAGE - COMMON BULLETIN:

Stafford Annual Loan Limits for Transfer Students

The *Common Manual* has been revised to include new guidance from the 07-08 FSA Handbook stating that when a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher, (graduate/professional) annual loan limit.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:*Borrower:*

A borrower who transfers from a graduate program to an undergraduate program within an academic year is eligible for the full undergraduate annual loan limit, as long as the total amount borrowed during the academic year does not exceed the graduate/professional annual loan limit.

School:

A school may award the full undergraduate annual loan limit to a student who transfers from a graduate program to an undergraduate program within an academic year, as long as the total amount borrowed during the academic year does not exceed the graduate/professional annual loan limit.

Lender/Service:

None.

Guarantor:

A guarantor that edits for annual loan limits may need to address guarantee system edits. A guarantor may also be required to modify program review procedures.

U.S. Department of Education:

The Department may need to revise program review procedures.

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

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 4, 2007

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

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

ke-jcs/edited-aes

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 11, 2008

X	DRAFT	Comments Due	Feb 1
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Maximum Stafford and PLUS Loan Periods

AFFECTED SECTIONS: 6.2 Determining the Loan Period

POLICY INFORMATION: 1019/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Loan periods beginning on or after July 1, 2008.

BASIS:

§682.603(g)(2)(i).

CURRENT POLICY:

Current policy states that the maximum period for which a school may certify a Stafford or PLUS loan is a period longer than an academic year, not to exceed 12 months.

REVISED POLICY:

Revised policy states that the maximum period for which a school may certify a Stafford or PLUS loan is an academic year, and eliminates the 12-month maximum.

REASON FOR CHANGE:

This change is required to comply with final rule changes published in the November 1, 2007, *Federal Register*, Vol. 72, No. 211.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 6.2, page 5, column 1, as follows:

6.2

Determining the Loan Period

The loan period is the period of enrollment for which a Stafford or PLUS loan is intended. The loan period must coincide with a bona fide academic term established by the school for which school charges are generally assessed (i.e., semester, trimester, quarter, length of the student's program, or the school's academic year). The maximum loan period that a school may certify is an academic year. The minimum loan period that a school may certify is:
~~§682.200(b)}~~

~~The minimum loan period that a school may certify is:~~

- ...
- ...

§682.200(b); §682.603(g)(1)(i); §682.603(g)(2)(i)]

~~The maximum loan period that a school may certify is:~~

- ~~An academic year.~~
~~§682.603(f)(2)(ii)}~~
- ~~A period longer than an academic year not to exceed 12 months that corresponds to~~

~~the period to which annual loan limits are applied.~~
~~§682.603(f)(2)(i)~~

PROPOSED LANGUAGE - COMMON BULLETIN:

Maximum Stafford and PLUS Loan Periods

The *Common Manual* has been revised to delete the 12-month maximum period for which a school may certify a Stafford or PLUS loan. The maximum loan period that a school may certify is an academic year.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower attending a non-term program or certain non-standard term programs may receive a loan for the calendar period required for the student to complete his or her academic year in instructional weeks and credit or clock hours, regardless of whether that calendar period exceeds 12 months.

School:

A school may certify a loan for the calendar period the student requires to complete the number of instructional weeks and credit or clock hours in a non-term program, or certain non-standard term programs.

Lender/Service:

A lender may be required to modify systems and loan approval procedures.

Guarantor:

A guarantor may be required to modify systems, loan guarantee and program review procedures.

U.S. Department of Education:

The Department may be required to modify program review procedures.

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

jcs/edited-aes

COMMON MANUAL CORRECTION POLICY PROPOSAL

Date: January 11, 2008

X	DRAFT	Comments Due	Feb 1
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Rehabilitation of a Defaulted Loan

AFFECTED SECTIONS: 13.7 Rehabilitation of Defaulted FFELP Loans

POLICY INFORMATION: 1020/Batch 148

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

BASIS:

HEA §428F(a); §682.405; DGAD letter dated July 30, 1993.

CURRENT POLICY:

Current policy does not indicate whether there is a limit on the number of times a loan may be rehabilitated.

REVISED POLICY:

Revised policy clarifies that there are no federal restrictions that prohibit a loan from being rehabilitated more than once.

REASON FOR CHANGE:

The *Common Manual* is being revised to clarify that there are no federal restrictions that prohibit a loan from being rehabilitated more than once. Initially, the rehabilitation program was a voluntary demonstration program and the Department's Agreement to Participate in the Loan Rehabilitation Program prohibited a loan from being rehabilitated more than once. A Dear Guaranty Agency Director letter dated July 30, 1993, amended the agreement by removing the restriction.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 13.7, page 15, column 2, paragraph 1, as follows:

13.7

Rehabilitation of Defaulted FFELP Loans

To be eligible to rehabilitate a defaulted FFELP loan a borrower must enter into a rehabilitation agreement with the guarantor or a collection agency acting on its behalf. A borrower who receives loan funds for which he or she is ineligible due solely to his or her error may not rehabilitate the ineligible funds or otherwise have his or her Title IV eligibility reinstated until the ineligible funds are repaid in full. A borrower may not include in a rehabilitation agreement a loan on which a judgement has been obtained or a loan on which the borrower has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving fraud in obtaining Title IV funds. There are no federal restrictions that prohibit a loan from being rehabilitated more than once.

[§682.405(a)(1); DGAD letter dated July 30, 1993]

▲ Contact the guarantor for information about its rehabilitation program.

PROPOSED LANGUAGE - COMMON BULLETIN:

Rehabilitation of a Defaulted Loan

The *Common Manual* has been revised to clarify that there are no federal restrictions that prohibit a loan from being rehabilitated more than once.

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:

EAC

DATE SUBMITTED TO CM POLICY COMMITTEE:

October 2, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

ma/edited-chh

J023

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: January 11, 2008

X	DRAFT	Comments Due	Feb 1
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: PLUS MPN with Endorser**AFFECTED SECTIONS:** 6.16 Applying for Federal Stafford and PLUS Loans**POLICY INFORMATION:** 1021/Batch 148**EFFECTIVE DATE/TRIGGER EVENT:** Effective for PLUS MPNs used for loan periods beginning on or after July 1, 2003.**BASIS:**

DCL GEN-03-03.

CURRENT POLICY:

Current policy states that in any case in which an endorser is required, a new PLUS MPN is required for each loan regardless of whether an endorser is required for the subsequent loan.

REVISED POLICY:

Revised policy states that when an endorser is used, the PLUS MPN becomes a "single-loan" promissory note because the endorser is liable only for the specific loan that he or she agreed to endorse.

REASON FOR CHANGE:

The purpose for the change is to provide clarity with regard to the "single-loan" promissory note status of a PLUS MPN with an Endorser Addendum.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 6.16, page 32, column 1, paragraph 3, as follows:

Information Applicable to all PLUS Loan Borrowers

Before each PLUS loan is disbursed, the borrower must indicate the amount he or she wishes to borrow (the requested loan amount). This amount may be obtained by the school, the lender, or the guarantor, depending on the process agreed to by the parties. If the lender determines that the borrower has an adverse credit history and an endorser is used, a separate Endorser Addendum is required for each PLUS loan. ~~In any case in which an endorser is required, a new PLUS MPN is required for each loan regardless of whether an endorser is required for the subsequent loan.~~ When an endorser is used, the PLUS MPN becomes a "single-loan" promissory note because the endorser is liable only for the specific loan that he or she agreed to endorse. Any increase in the requested loan amount by the borrower must be approved by the endorser and requires a new PLUS MPN and Endorser Addendum.

Example: Based on adverse credit, a PLUS applicant is denied a loan for the academic year. The applicant obtains an endorser and the PLUS application is approved based on the endorser's creditworthiness. The PLUS borrower then requests an increase in the loan amount for the same academic year. Since a PLUS MPN with an Endorser Addendum is a "single-loan" promissory note, the PLUS borrower must sign a new MPN and obtain a creditworthy endorser for the additional funds and for any subsequent PLUS loan requested during a period in which the PLUS borrower has adverse credit.

[DCL GEN-03-03; DPL FP-06-05]

PROPOSED LANGUAGE - COMMON BULLETIN:

PLUS MPN with Endorser

The *Common Manual* has been revised to clarify that when an endorser is used, the PLUS MPN becomes a "single-loan" promissory note because the endorser is liable only for the specific loan that he or she agreed to endorse. The lender must obtain a new MPN and new endorser addendum if the PLUS borrower (parent or student) requests an increase in the loan amount or a subsequent new PLUS loan.

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:

November 2, 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 - CORRECTION POLICY PROPOSAL

Date: January 11, 2008

X	DRAFT	Comments Due	Feb 1
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Obtaining a Subsequent Consolidation Loan

AFFECTED SECTIONS: 15.2 Borrower Eligibility and Underlying Loan Holder Requirements

POLICY INFORMATION: 1022/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Consolidation loans made on or after July 1, 2000.

BASIS:

§682.201(e)(2), Interim Final Rules published in the *Federal Register* dated August 9, 2006, page 45699, *Federal Register* dated November 1, 1999, and preambles to the *Federal Registers* dated November 1, 1999 and August 10, 1999, page 43430.

CURRENT POLICY:

Current policy states that a borrower may obtain a subsequent Consolidation loan as a result of obtaining a new eligible loan after the date the existing Consolidation loan was made. Current policy also states that an eligible borrower may consolidate any or all outstanding eligible loans, including existing Consolidation loans and loans made before or after any existing Consolidation loan.

REVISED POLICY:

Revised policy states that a borrower may obtain a subsequent, separate Consolidation loan as a result of having at least one other eligible loan made before or after the date the existing Consolidation loan was made. Revised policy also retains the existing text which states that an eligible borrower may consolidate any or all outstanding eligible loans, including existing Consolidation loans and loans made before or after any existing Consolidation loan.

REASON FOR CHANGE:

This text is being revised, based on a comment made to proposal 934 in Batch 139, to conform with federal regulations and to provide consistency within the manual.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 15.2, page 4, column 1, paragraph 4, as follows:

Obtaining a Subsequent Consolidation Loan

A borrower who currently has either a Federal or a Direct Consolidation loan is not eligible for a subsequent Federal or Direct Consolidation loan unless the borrower meets one of the following conditions:

- The borrower ~~has obtained a new~~ is consolidating an eligible loan(s) obtained before or after the date the existing Consolidation loan was made to form a separate Consolidation loan.
- The borrower is consolidating an existing Consolidation loan with at least one other eligible loan, including another eligible Consolidation loan, regardless of whether that eligible loan was made before or after the date the existing Consolidation loan was made.
[HEA 428C(a)(3) and (a)(4); §682.201(e)(2) and (3); DCL GEN-06-20/FP-06-16]

A borrower who currently has a Federal Consolidation loan and does not meet one of the above conditions is not eligible for a subsequent Federal Consolidation loan, but may be eligible for a subsequent Direct Consolidation loan if the borrower meets one of the following conditions:

- The borrower's consolidation loan holder has requested default aversion assistance from the guarantor, and the borrower is seeking an income-contingent repayment schedule.
 - The borrower has filed an adversary complaint in a bankruptcy proceeding and is seeking an income-contingent repayment schedule.
- [HEA 428C(a)(3)(B)(I); DCL GEN-06-20/FP-06-16]

If the borrower meets all eligibility requirements, any or all outstanding eligible loans may be consolidated, including existing Consolidation loans and loans made before or after any existing Consolidation loan.

[§682.201~~(d)~~(e)(2) and (3)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Obtaining a Subsequent Consolidation Loan

The *Common Manual* has been revised to clarify one of the conditions that permits a Consolidation loan borrower to obtain a subsequent Consolidation loan. A borrower with either a Federal or Direct Consolidation loan is eligible for a subsequent, separate Federal or Direct Consolidation loan if the borrower is consolidating at least one other eligible loan (except a Consolidation loan) made before or after the date that the existing Consolidation loan was made. This change provides consistency with existing *Common Manual* text which states that an eligible borrower may consolidate any or all outstanding eligible loans, including existing Consolidation loans and loans made before or after any existing Consolidation loan.

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:

SLSA

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February 1, 2007

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Interested Industry Groups and Others

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