

# SLND-GUARANTOR BULLETIN

#4-07

November 16, 2007

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## 1. Common Manual Updates

Batch 142 and 143 *Common Manual* policy changes include the topics of:

Partial Discharge of a Consolidation Loan

Stafford Annual Loan Limits for Students Taking Preparatory Coursework for Enrollment in an Undergraduate Program

Increased unsubsidized Stafford loan Limits for Health Profession Students

Common Forms

Student Eligibility Requirements

Borrower Certification of the Statement of Educational Purpose on the PLUS MPN

Additional Unsubsidized Stafford Loan Eligibility for a Dependent Student

Student Authorization to Release Loan Funds Received via EFT or Master Check

Operations Desert Shield/Desert Storm

Delivery or Return of Loan Funds

Information to Be Provided on the Request for Reimbursement Due to partial Discharge of a FFELP Consolidation Loan Form

Economic Hardship Deferment Eligibility Criteria

Including a Retroactive period in a Loan Period

Prorated Loan Limits

Loss of Eligibility for Special Allowance Payments

## 2. FFELP Special Allowance Rates for the Quarter Ending September 30, 2007

The Treasury Department has published the average of the bond equivalent rates of the ninety-one day Treasury bills auctioned during the quarter ending September 30, 2007, as 4.51 percent. Further, the average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter ending September 30, 2007 is 5.39 percent.

The nation's guarantors provide the following summaries to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. These changes will appear in the manual's next annual update. These changes will also be incorporated into the *Integrated Common Manual*. The *Integrated Common Manual* is available on several guarantor websites, and it is also available on *Common Manual's* website at [www.commonmanual.org](http://www.commonmanual.org). Please carefully note the effective date of each policy change.

**Partial Discharge of a Consolidation Loan**

The *Common Manual* has been revised by adding text describing the use of NCHelp's Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form. The form may be used by a lender to request a partial discharge of the Consolidation loan for a portion that represents any underlying loans that are eligible for discharge due to disability (only for comade Consolidation loans), closed school, death, or false certification discharge. A new figure has been added to the Manual that will help lenders determine what information must be provided on the Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form. Detailed descriptions of these items are located in the Instructions for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form.

<b>Affected Sections:</b>	13.8 Discharge
<b>Effective Date:</b>	Lenders may have begun using the Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form upon the applicable publication date.
<b>Basis:</b>	None.
<b>Policy Information:</b>	963/Batch 142
<b>Guarantor Comments:</b>	None.

**Stafford Annual Loan Limits for Students Taking Preparatory Coursework for Enrollment in an Undergraduate Program**

The *Common Manual* has been updated to clarify that a dependent student who is taking preparatory coursework necessary for enrollment in an undergraduate program is eligible to borrow the base Stafford annual loan limit of \$2,625. An independent student, or a dependent student whose parent is not eligible for a PLUS loan, who is taking preparatory coursework necessary for enrollment in an undergraduate program is eligible to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to \$6,625, of which no more than \$2,625 may consist of subsidized Stafford loan funds.

<b>Affected Sections:</b>	6.11.A Stafford Annual Loan Limits Figure 6-4 Stafford Undergraduate Annual and Aggregate Loan Limits
<b>Effective Date:</b>	Loans first disbursed on or after July 1, 2007.
<b>Basis:</b>	HEA §428(b)(1)(A)(vi)(I), as amended by the Higher Education Reconciliation Act (HERA) of 2005; §682.204(a)(6)(i); DCLs GEN-06-02/FP-06-01 and GEN-06-03/FP-06-02.
<b>Policy Information:</b>	964/Batch 142
<b>Guarantor Comments:</b>	None.

**Increased Unsubsidized Stafford Loan Limits for Health Profession Students**

The *Common Manual* has been revised to state that a health profession student must be enrolled at least half time in an eligible health profession program at an eligible school in order to qualify for the increased unsubsidized Stafford annual loan limits.

<b>Affected Sections:</b>	6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students
<b>Effective Date:</b>	Loan periods beginning on or after May 1, 1999.
<b>Basis:</b>	05-06 FSA Handbook, Volume 3, Chapter 4, p. 3-91.
<b>Policy Information:</b>	965/Batch 142
<b>Guarantor Comments:</b>	None.

### Common Forms

The *Common Manual* has been revised by deleting reference to the Ad Hoc Standardization Committee and to refer to the National Council of Higher Education Loan Programs (NCHELP) task forces as NCHELP workgroups. Revised policy adds that the common default aversion and claim forms are developed and updated by NCHELP. Because these are not forms used by the Department to collect information, the Department does not participate in their development or update, and the forms are not subject to the Office of Management and Budget (OMB) review and approval process. Further, the listings of various common forms in Subsection 2.3.C have been updated.

**Affected Sections:** 2.3.C Common Forms  
**Effective Date:** Upon approval by the Governing Board on September 20, 2007.  
**Basis:** None.  
**Policy Information:** 967/Batch 142  
**Guarantor Comments:** None.

### Student Eligibility Requirements

The *Common Manual* has been updated to clarify that a student must be enrolled or accepted for enrollment on at least a half-time basis to be eligible for a Stafford or PLUS loan. In addition, cross-references to Section 5.11, Student Enrollment Requirements, were added to Subsections 5.1.B, 6.15.B, and 6.15.C.

**Affected Sections:** 5.1.B Student Eligibility Requirements  
6.15.B Stafford Loan Certification  
6.15.C PLUS Loan Certification  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** §668.32(a)(1)(i) and (iii).  
**Policy Information:** 968/Batch 142  
**Guarantor Comments:** None.

### Borrower Certification of the Statement of Educational Purpose on the PLUS MPN

The *Common Manual* is being revised to clarify that the requirement that a PLUS borrower certify a statement of educational purpose is fulfilled when the borrower signs the Federal PLUS Application and Master Promissory Note (PLUS MPN), and to remove any reference in Subsection 5.1.C to the party with whom the borrower files that PLUS MPN. In addition, the regulatory citations for this requirement have been corrected.

**Affected Sections:** 5.1.C Graduate or Professional Student and Parent PLUS Loan Borrower Eligibility Requirements  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** §668.24(c); §668.32(h); §682.201(b)(1); §682.201(c)(1)(v); §682.610(b).  
**Policy Information:** 969/Batch 142  
**Guarantor Comments:** None.

### Additional Unsubsidized Stafford Loan Eligibility for a Dependent Student

The *Common Manual* is being revised to clarify that a dependent student who is attending a school that participates in the Federal PLUS Loan Program and whose parent is unable to obtain a PLUS loan is *entitled* to borrow additional unsubsidized Stafford loan funds. The school in this situation does not have the option of refusing to certify the additional funds for an otherwise eligible student, unless the school's refusal to certify is based on a documented reason, as outlined in Subsection 6.15.E.

**Affected Sections:** 6.15.D Additional Unsubsidized Stafford Loan Certification  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** §682.201(a)(3); §682.603(e).  
**Policy Information:** 970/Batch 142  
**Guarantor Comments:** None.

**Student Authorization to Release Loan Funds Received via EFT or Master Check**

Figure 8-6, "Delivery or Return of Loan Funds," in the *Common Manual* has been updated by adding a footnote to clarify that the required authorization for the school to deliver loan funds received by electronic funds transfer (EFT) or master check is included on the Master Promissory Note (MPN). However, if the MPN is signed by a third party with power of attorney for the borrower, the school must obtain a separate EFT authorization from the borrower. This requirement does not apply to students enrolled in a study-abroad program, as detailed in Subsection 7.7.E.

**Affected Sections:** Figure 8-6 Delivery or Return of Loan Funds  
**Effective Date:** Retroactive to the implementation of the Federal Stafford Loan Master Promissory Note (Stafford MPN).  
**Basis:** None.  
**Policy Information:** 971/Batch 142  
**Guarantor Comments:** None.

**Operations Desert Shield/Desert Storm**

The *Common Manual* has been updated by removing text from Subsections 11.3.A and 11.3.C that addresses an Armed Forces deferment for a borrower serving in Operations Desert Shield/Desert Storm. The text from Subsection 11.3.A will be relocated, for historical purposes, to Section H.4, History of Statutory and Regulatory Waivers. The text from Subsection 11.3.C will be relocated, for historical purposes, to Section H.1. In addition, a reference to existing text in Section H.1 under April 9, 1991, regarding a post-deferment grace period applicable to Operations Desert Shield/Desert Storm has been added to Appendix G under the definition of "Post-Deferment Grace Period."

**Affected Sections:** 11.3.A Eligibility Criteria  
Armed Forces  
11.3.C Length of Deferment  
Armed Forces  
Appendix G  
Appendix H  
**Effective Date:** Upon approval by the Governing Board on September 20, 2007.  
**Basis:** None.  
**Policy Information:** 974/Batch 142  
**Guarantor Comments:** None.

Delivery or Return of Loan Funds Figure 8-6

For more detailed information about the delivery of loan proceeds, see subsections 8.7 and 8.9

Situation	Condition Under Which Proceeds May Be Delivered to Student	Latest Delivery Date <sup>1</sup>	Time Frame for Returning Undelivered Proceeds to Lender <sup>2,3</sup>
Enrolled student fails to respond to request for endorsement of loan check or fails to authorize EFT or master check <sup>4</sup>	After endorsement or authorization <sup>4</sup> , subject to FFELP loan delivery requirements	Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)]	Promptly, but no later than 10 business days after the latest delivery date [§668.167(c)(1)]
Student is on an approved leave of absence [§682.604(c)(4)]	Student returns from the leave of absence	Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)]	Promptly, but no later than 10 business days after the latest delivery date [§668.167(c)(1)]
Student fails to undergo initial loan counseling [§682.604(f)]	After counseling, subject to FFELP loan delivery requirements	Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)]	Promptly, but no later than 10 business days after the latest delivery date [§668.167(c)(1)]
Student selected for verification [§668, Subpart E]	When verification is completed, subject to FFELP loan delivery requirements	Within 45 days of receipt of proceeds [§668.58(c); §668.60(b)(3)]	Promptly, but no later than 10 business days after the latest delivery date if verification is not completed [§668.167(c)(1)]
Missing financial aid information for student (see subsection 5.14.A) [§668.19]	When all required financial aid information is received, subject to FFELP loan delivery requirements (see section 8.7)	Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)]	Promptly, but no later than 10 business days after the latest delivery date if all required financial aid information is not received [§668.167(c)(1)]
Student fails to register [§682.604(d)(3)]	N/A	<i>Only to determine time frame for returning proceeds</i>  Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)]	Promptly, but no later than 10 business days after the latest delivery date [§668.167(c)(1)]

Registered student withdraws or is expelled before first day of classes, or fails to attend [§682.604(d)(3)]	N/A	<i>Only to determine time frame for returning proceeds</i>  Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)]	Promptly, but no later than 10 business days after the latest delivery date  [§668.167(c)(1)]
Student fails to maintain at least half-time enrollment or loses loan eligibility [§682.604(b)(2)(i)]	N/A	<i>Only to determine time frame for returning proceeds</i>  Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)]	Promptly, but no later than 10 business days after the latest delivery date  [§668.167(c)(1)]
Student is overawarded [§682.604(h)]	Student is eligible for portion of proceeds	Check: Within 30 days after receipt of proceeds  EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)]	Promptly, but no later than 10 business days after the latest delivery date if entire loan disbursement  [§668.167(c)(1)]  Within 60 days of determining an overaward exists if portion of proceeds

- 1 Schools may delay delivery of loan proceeds for a conditional period of 10 business days after the last day of the initial period if, within this conditional period, the school expects the student to complete the required number of clock or credit hours in a preceding payment period or the school expects the student to meet all FFELP eligibility requirements. The school is encouraged to document the reason for holding loan proceeds for delivery within this conditional period. This provision does not apply to students for whom verification has not been completed.  
[§668.167(c)]
- 2 In the case of an overaward, schools *must* indicate in writing the reason for returning loan proceeds and, if applicable, provide the student's withdrawal date. In all other cases, schools are encouraged to provide the reason for returning loan proceeds and, if applicable, provide the student's withdrawal date. If, during the return period, the school determines that the student has become eligible to receive the loan proceeds, the school may deliver the proceeds rather than return them to the lender, provided the delivery is made on or before the last day of the return period.  
[§668.167(b)(3); §682.604(h)]
- 3 For purposes of returning undelivered proceeds to the lender, the term "promptly" means that a school may not delay initiating and completing its normal return process. "Returning the proceeds promptly, but no later than 10 business days" means that the school must either mail a check or initiate an electronic funds transfer to the lender by the close of business of the last day of the return period.  
[§668.167(b)(2)]
- 4 The required authorization is included on the Master Promissory Note (MPN). However, if the MPN is signed by a third party with power of attorney for the borrower, the school must obtain a separate authorization from the borrower. This requirement does not apply to students enrolled in a study-abroad program (see Subsection 7.7.E).

**Figure Policy 963**

**Information to Be Provided on the Request for Reimbursement Due to Partial Discharge of a FFELP Consolidation Loan Form**

<u>Item Description</u>	<u>Required<sup>1</sup></u>
<u>Reason type.</u>	.
<u>Date condition occurred (DCO).</u>	.
<u>Borrower name.</u>	.
<u>Borrower Social Security number (SSN).</u>	.
<u>Comaker name.</u>	.
<u>Comaker Social Security number (SSN).</u>	.
<u>Dependent student name.</u>	.
<u>Dependent student Social Security number (SSN).</u>	.
<u>Loan ID.</u>	.
<u>1<sup>st</sup> disbursement date for Consolidation loan.</u>	.
<u>Principal amount outstanding for the Consolidation loan based on date of death or disability, or for closed school or false certification based on date of disbursement of the Consolidation loan. Also, include the sum of the outstanding principal amounts provided.</u>	.
<u>Interest rate and interest rate type for Consolidation loan.</u>	.
<u>Proration rate.</u>	.
<u>Loan type for each underlying loan to be discharged.</u>	.
<u>First disbursement date for each underlying loan to be discharged.</u>	.
<u>Amount requested.</u>	.
<u>Interest-paid-through date.</u>	.
<u>Interest claimed as of (date and amount).</u>	.
<u>Total amount requested.</u>	.
<u>Eligible payments.</u>	.
<u>Reimbursement amount requested.</u>	.
<u>Lender's six-digit lender ID assigned by the Department and, as applicable, four-digit non-Department suffix.</u>	.
<u>Servicer's six-digit servicer ID assigned by the Department.</u>	.
<u>Lender/servicer name/address.</u>	.
<u>Preparer's name and telephone number.</u>	.

<sup>1</sup>Refers to information the lender must provide on the Request for Reimbursement Due to Partial Discharge of a FFELP Consolidation Loan form.

### **Economic Hardship Deferment Eligibility Criteria**

The *Common Manual* has been updated to align economic hardship deferment eligibility criteria with Department guidance published in the Preamble language in the *Federal Register* dated June 29, 1994, page 33587. A borrower is eligible for an economic hardship deferment if he or she is receiving payment or benefit under a federal or state public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance.

<b>Affected Sections:</b>	11.4.A Eligibility Criteria	Economic Hardship
<b>Effective Date:</b>	Economic hardship deferments granted by the lender on or after January 1, 2008, unless implemented earlier by the lender.	
<b>Basis:</b>	Preamble language in the <i>Federal Register</i> , dated June 29, 1994, page 33587; §682.210(s)(6)(ii).	
<b>Policy Information:</b>	944/Batch 143	
<b>Guarantor Comments:</b>	None.	

### **Including a Retroactive Period in a Loan Period**

The *Common Manual* has been updated to address certifying a loan that includes a retroactive period. A school may certify a borrower's eligibility for a Stafford or PLUS loan retroactive to the beginning of the current period of enrollment for a student or parent borrower, as applicable, who, for example, requests a loan during the second or subsequent payment period in the period of enrollment. A school may also certify a borrower's eligibility for a Stafford or PLUS loan retroactive to the beginning of the current period of enrollment in situations where a student or parent borrower, as applicable, regains eligibility after an earlier loss of eligibility due to failure to maintain satisfactory academic progress, failure to meet citizenship requirements, a default or overpayment in a Title IV program, inadvertent borrowing in excess of the Stafford annual or aggregate loan limit, or a drug-related conviction. However, a school may include a retroactive portion of the current enrollment period in a Stafford or PLUS loan period only if the student attended and completed that retroactive period on at least a half-time basis. For example, a school may certify a loan in the spring term for a fall/spring period of enrollment and include the costs for the fall term in the student's cost of attendance for the loan period, provided that the student completed the fall term on at least a half-time basis. The school must ensure that a loan period including a retroactive period does not exceed the maximum allowable loan period, and meets applicable criteria for determining the frequency of Stafford annual loan limits. If a student attended during a retroactive period on a less-than-half-time basis, a school must not include the retroactive period in the loan period or that retroactive period's costs in the cost of attendance for the loan period.

<b>Affected Sections:</b>	6.2 Determining the Loan Period
<b>Effective Date:</b>	Publication date of the 03-04 FSA Handbook.
<b>Basis:</b>	03-04 FSA Handbook, Volume 8, Chapter 6, p. 8-63.
<b>Policy Information:</b>	976/Batch 143
<b>Guarantor Comments:</b>	None.

### **Prorated Loan Limits**

The *Common Manual* has been revised to clarify that loan proration is required, when applicable, for an undergraduate student who is seeking a professional credential or certification necessary for employment in a *non-teaching* profession. Loan proration is not required for a student completing coursework necessary for a professional credential or certification from a state if that credential or certification is required for employment as a teacher in an elementary or secondary school.

<b>Affected Sections:</b>	6.11.F Prorated Loan Limits
<b>Effective Date:</b>	Retroactive to the implementation of the <i>Common Manual</i>
<b>Basis:</b>	§682.204(a)(6) and (7); 07-08 FSA Handbook, Volume 3, Chapter 4, p. 3-92.
<b>Policy Information:</b>	977/Batch 143
<b>Guarantor Comments:</b>	None.

### **Loss of Eligibility for Special Allowance Payments**

The *Common Manual* has been revised to clarify that any failure on the part of a lender to fulfill due diligence on a Consolidation loan may result in a loss of eligibility for any interest benefits and special

allowance payments that might otherwise apply to that Consolidation loan. This change aligns Subsection 15.1.A with current language in Section 12.4.

<b>Affected Sections:</b>	15.1.A Agreement to Guarantee Federal Consolidation Loans
<b>Effective Date:</b>	Retroactive to the implementation of the <i>Common Manual</i> .
<b>Basis:</b>	§682.302(d)(1)(iv).
<b>Policy Information:</b>	978/Batch 143
<b>Guarantor Comments:</b>	None