



"Putting Georgia Students First"

Student Loan Guarantor

IMPORTANT UPDATE

TO: Financial Aid Officers
Student Loan Officers

FROM: Ruth T. Vincent, Chief Administrator
Guaranteed Loan Division

DATE: May 13, 2003

SUBJECT: COMMON MANUAL, *Unified Student Loan Policy Bulletin 64*

Each policy statement included in this package represents clarification, revision, or correction to an existing policy. The retroactive effective date associated with each provision is noted at the end of each section.

Enclosed you will find the following, according to the order in which the policies were passed:

Reference #662 – Reduced-Payment Forbearance Agreements
Reference #663 – Establishing Payment Due Dates Following Claim Activities
Reference #664 – Multi-year Feature of the Stafford Master Promissory Note
Reference #665 – Incentive Compensation
Reference #666 – 12-Hour Rule and Week of Instruction
Reference #667 – Return of Unearned Title IV Funds and Cash Reserve Requirements
Reference #668 – Requirements for Recording Attendance
Reference #669 – Timely Return of Unearned FFELP Funds
Reference #670 – Entrance Counseling
Reference #671 – Exit Counseling
Reference #672 – Overpayment Tolerance
Reference #673 – Ability-to-Benefit (ATB) Tests
Reference #674 – Requesting a Reduced Academic Year
Reference #675 – Applying Stafford Annual Loan Limits
Reference #676 – Students Returning to a Non-Term Credit-Hour or Clock-Hour Program after a Withdrawal
Reference #677 – Elimination of Confirmation Requirement for Electronic Notice
Reference #678 – Claim Purchase and Claim Returns
Reference #679 – Claim Filing Documentation Requirements
Reference #680 – Rehabilitation of Defaulted Loans
Reference #681 – Recordkeeping Requirements
Reference #682 – Reinstatement of Borrower Eligibility after a Default Claim is Purchased

Reference #683 – Expansion of the Multi-Year Feature of the Stafford MPN and
Origination of PLUS Loans Using the PLUS Application and Master
Promissory Note (PLUS MPN)

Reference #684 – PLUS Application and Master Promissory Note

Reference #685 – Payment Period

Reference #687 – Lender MPN Loan Origination

Reference #691 – Definition of a Master Promissory Note

If you have any questions about the enclosed common bulletin, please contact Sarah Ergle by
phone at 770-724-9139 or email at sarahe@gsfc.org.

Bulletin 64 begins on the next page.

COMMON BULLETIN 64

May 13, 2003

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 in 2003. These changes will also be incorporated into the April 2003 *Integrated Common Manual*. The *Integrated Common Manual* is available on NCHELP's website at www.NCHELP.org in the e-library, and it is also available on several guarantor websites. However, some of these changes are effective before the next update is scheduled to be delivered.

Reduced-Payment Forbearance Agreements

New federal regulations remove the requirement that the forbearance agreement between a borrower or endorser and a lender for a discretionary forbearance be in writing. Although reduced-payment forbearance is based on guarantor policy, the policy has been amended to permit a lender to negotiate a reduced-payment forbearance with a borrower via a verbal agreement, consistent with regulatory changes applicable to other discretionary forbearances. If the forbearance agreement is verbal, the lender must document the borrower's request for forbearance, the reason for the forbearance, and the terms of the forbearance agreement.

To further ensure consistency, if the forbearance agreement is verbal, the lender is required to send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the agreement. In addition to the information required for other verbal discretionary forbearances, if the lender negotiates a reduced-payment forbearance with a borrower, the lender's notice to the borrower must include all of the following information:

1. The required payment amount during the reduced-payment forbearance.
2. The address to which payments must be sent.
3. The consequences, if any, of delinquency on the payments required during the forbearance period.

Affected Sections: 7.11.A

Effective Date: Borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

Basis: §682.211(b) and (c).

Policy Information: 662/Batch 103

Guarantor Comments: None.

Establishing Payment Due Dates Following Claim Activities

Recent regulatory changes extend the first payment due date and next payment due date parameters to permit a lender to establish first due dates no later than 60 days after a Stafford borrower's grace period end date, and no later than 60 days after the end date of a forbearance, deferment, and post-deferment grace period. Based on these changes, guarantors have reassessed current common policy related to establishing due dates following a lender's reconversion of loans when certain claim-type activity is involved. Please note the following changes:

- When notified that a bankruptcy action has concluded on a loan that was not eligible for bankruptcy claim payment, a lender must establish a next payment due date that is no later than 60 days after

the date the lender receives that notification.

- When the lender receives a full payment or a signed repayment agreement on a loan that has lost its guarantee, the lender must establish a next payment due date that is no later than 60 days after the date that payment or signed repayment agreement is received.

Affected Sections: 8.2.D, 8.8.F, 8.8.J, ^{CCI}8.2.D, ^{CCI}8.8.F, ^{CCI}8.8.J

Effective Date: Next payment due dates established by the lender on or after November 1, 2002.

Basis: None.

Policy Information: 663/Batch 103

Guarantor Comments: None.

Multi-year Feature of the Stafford Master Promissory Note (Stafford MPN)

The *Common Manual* has been revised to indicate that all schools located in the United States, unless notified otherwise by the Department, are authorized to offer the multi-year feature of the Stafford Master Promissory Note (Stafford MPN). This extension has a retroactive feature. Schools that are not four-year colleges or graduate or professional schools may certify loans on or after March 1, 2003, regardless of the loan period covered by the loan. Borrowers attending these schools may receive loans for subsequent academic years based on a previously signed Stafford MPN even if the borrower signed that MPN before March 1, 2003. The manual has also been revised to clarify in what instances a new MPN may be required. In addition to the noted policy changes, and based on comments received from the community, the text of chapters 2 and 5 has been reorganized to place the details regarding the MPN origination process in chapter 5 and to refer to that relocated text via cross-reference in chapter 2.

The implementation dates of the initial Stafford MPN are being removed from subsection 2.2.A and will be added to appendix H.

Affected Sections: 2.2.A, 5.1.A

Effective Date: Stafford loans certified by the school on or after March 1, 2003, regardless of the loan period.

Basis: Dear Colleague Letter (DCL) GEN-02-10

Policy Information: 664/Batch 103

Guarantor Comments: None.

Incentive Compensation

The *Common Manual* has been updated to include the prohibition of a school to provide any commission, bonus, or other incentive payment to any person or entity engaged in student recruiting or admission activities or in making decisions regarding the awarding of Title IV aid, based directly or indirectly on the success of securing enrollments or financial aid. This prohibition does not apply to the recruitment of foreign students residing in foreign countries. In addition, the Department's list of permissible incentives has been added to provide schools with examples of payments a school can make. The list is not intended to be comprehensive, but rather to provide examples of compensation arrangements a school can offer and remain in compliance with federal regulations.

Affected Sections: 4.1.A

Effective Date: Incentive compensation offered by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Basis: §668.14(b)(22)(i) and (ii); *Federal Register*, dated August 8, 2002, pages 51722-51725.

Policy Information: 665/Batch 103

Guarantor Comments: None

12-Hour Rule and Week of Instruction

The *Common Manual* has been revised to include a standard definition of “week of instruction” for all schools, based on the regulatory changes issued in November 2002. A “week of instruction” is defined as any period of 7 consecutive days in which the school provides for at least one day of regularly scheduled instruction, examination, or, after the last day of classes, at least one day of study in preparation for final examination.

Affected Sections:	4.1.C, 5.7.B
Effective Date:	Program eligibility determinations made by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis:	§668.8(b).
Policy Information:	666/Batch 103
Guarantor Comments:	None.

Return of Unearned Title IV Funds and Cash Reserve Requirements

The *Common Manual* is revised to incorporate federal regulations that establish clear requirements for returning unearned Title IV program funds and the conditions under which a school must submit a letter of credit if it does not return those funds in a timely manner. Revised policy also provides that if a school can demonstrate exceptional circumstances beyond the school’s control, the Department will not hold the school responsible for untimely return of Title IV funds and will not require the school to submit a letter of credit. Specifically, a school is considered to have sufficient cash reserves to make required returns of unearned Title IV funds if the school meets at least one of the following:

- The school satisfies the financial responsibility standards for public schools.
- The school is located in, and is licensed to operate in, a state that has a Department-approved tuition recovery fund to which the school contributes.
- The school demonstrates that it returns in a timely manner unearned Title IV funds for students that withdraw from the school.

Affected Sections:	4.3.C
Effective Date:	None. These provisions will be implemented and enforced by the Department.
Basis:	§668.173.
Policy Information:	667/Batch 103
Guarantor Comments:	None.

Requirements for Recording Attendance

The *Common Manual* has been revised to clarify, based on the regulatory change to 34 CFR 668.22(b), that a school is required to record attendance if an outside entity requires this activity even for a limited period of time. An exception is made to this requirement, however, if the outside entity requires a school to record attendance for a single event (e.g., a one-day census activity).

Affected Sections:	4.6
Effective Date:	For all withdrawal determinations made by the school on or after July 1, 2003, or on or after the date of implementation if implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis:	§668.22(b).
Policy Information:	668/Batch 103
Guarantor Comments:	None.

Timely Return of Unearned FFELP Funds

The *Common Manual* is revised to provide that unearned FFELP funds are considered returned timely if, no later than 30 days after the date the school determines that the student withdrew, the school does one of the following:

- Deposits or transfers the amount of funds to be returned into an account the school maintains for federal funds (see subsection 6.3.D).
- Initiates an electronic funds transfer (EFT) for the amount of returned funds.
- Initiates an electronic transaction that informs the lender to adjust the borrower's loan account for the amount of returned funds.
- Issues a check for the returned funds. In this case, the school's records must show that the lender's bank endorsed that check no more than 45 days after the date the school determined that the student withdrew.

Policy guidance related to compliance audit findings with respect to the return of Title IV funds and cash reserve requirements is consolidated in subsection 4.3.C.

Affected Sections:	4.7.B
Effective Date:	Unearned FFELP funds returned by the school to the lender on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis:	§668.173(b).
Policy Information:	669/Batch 103
Guarantor Comments:	None.

Entrance Counseling

The *Common Manual* has been revised to state that a school must ensure that entrance counseling is conducted with each student who is obtaining his or her first Stafford loan for attendance at that school—unless the student previously received a Stafford, SLS, or Federal Direct Stafford loan for attendance at another school. When counseling is conducted by another party or by interactive electronic means, the school remains responsible for ensuring that each student borrower receives the counseling material and participates in and completes entrance counseling. The following entrance counseling requirements have been revised in subsection 4.9.B:

- The likely consequences of default, including adverse credit reports, federal offset, and litigation.
- The obligation to repay the full amount of the Stafford loan, even if the student borrower does not complete the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the student purchased from the school (the school or the school designee must provide this information to all of the school's student borrowers except those who receive a loan made or originated by the school). The student borrower must be provided with sample monthly repayment amounts based on a range of student levels of indebtedness or on the average indebtedness of Stafford loan borrowers at the same school or in the same program of study at the same school.

Affected Sections:	4.9.B
Effective Date:	Entrance counseling conducted by or on behalf of the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis:	§682.604(f).
Policy Information:	670/Batch 103
Guarantor Comments:	None.

Exit Counseling

The *Common Manual* has been revised to state that a school must ensure that exit counseling is conducted with each Stafford loan borrower shortly before the student borrower ceases enrollment on at least a half-time basis, recognizing that a school may rely on an outside entity to conduct counseling. When exit counseling is conducted by interactive electronic means or by another party, the school remains responsible for ensuring that each student borrower receives the counseling materials and participates in and completes the counseling.

The following exit counseling requirements have been revised or added to those listed in subsection 4.9.C:

- Sample monthly repayment amounts based on a range of levels of student indebtedness or on the average indebtedness of Stafford loan borrowers at the same school or in the same program of study at the same school.
- Available repayment options including standard, graduated, extended, and income-sensitive repayment plans and loan consolidation.
- Debt-management strategies that would facilitate repayment.
- The conditions under which the student may defer or forbear repayment or obtain a full or partial discharge of the loan.
- The seriousness and importance of the repayment obligation that the student has assumed.
- The likely consequences of default, including adverse credit reports, Federal offset, and litigation.
- The availability of the Student Loan Ombudsman's Office.
- The use of the Stafford Master Promissory Note (Stafford MPN).
- The availability of Title IV loan information in the National Student Loan Data System (NSLDS).

Affected Sections: 4.9.C
Effective Date: Exit counseling conducted by or on behalf of the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis: §682.604(g).
Policy Information: 671/Batch 103
Guarantor Comments: None.

Overpayment Tolerance

The *Common Manual* has been revised to incorporate the regulatory change that allows a student to maintain Title IV eligibility despite an overpayment in the Federal Perkins Loan Program or any Title IV grant program of less than \$25. The overpayment amount cannot be the balance of an original overpayment of \$25 or more that is reduced to less than \$25 based on payments received. In this case, even though the remaining balance of the original overpayment is less than \$25, the borrower is still responsible for repaying the overpayment in full or making satisfactory arrangements to repay it before the borrower can regain Title IV eligibility.

Affected Sections: 5.2.E
Effective Date: Loans certified by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis: §668.35(e).
Policy Information: 672/Batch 103
Guarantor Comments: None.

Ability-to-Benefit (ATB) Tests

The *Common Manual* has been revised to incorporate the regulatory change that eliminates the requirement for a student to take and pass an approved, properly administered ATB test during the 12-month period prior to receiving Title IV aid. A passing score received by the student at any time prior to the student's receipt of Title IV aid is acceptable, provided that the school obtains the test results from the test publisher or assessment center.

Affected Sections:	5.2.H
Effective Date:	Official notification of a student's ability to benefit accepted by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis:	§668.32(e)(2);§668.151(a)(2).
Policy Information:	673/Batch 103
Guarantor Comments:	None.

Requesting a Reduced Academic Year

The *Common Manual* has been revised to reflect changes in regulation regarding a school's request for a reduced academic year. In addition to existing requirements that the reduced academic year be not less than 26 weeks and that students completing the program obtain a two-year associate or four-year bachelor's degree, new regulations require that the school meet the additional criteria:

- The school must demonstrate good cause for requesting the reduction.
- The school's accrediting agency and state licensing agency must approve the request.

The reduced academic year approval terminates when the school's Program Participation Agreement expires. The school may request an extension of the approval as part of the re-certification process. The provisions of this policy are based solely on interactions between the Department and the school.

Affected Sections:	5.7.A
Effective Date:	None. This provision is implemented and enforced by the Department.
Basis:	§668.3(c)..
Policy Information:	674/Batch 103
Guarantor Comments:	None.

Applying Stafford Annual Loan Limits

The *Common Manual* has been revised to reflect clarifications made in the November 2002 final regulations regarding applicable loan limits for undergraduate students. Specifically, the revised policy provides that, generally, the length of the program of study or academic year in which the student is currently enrolled determines the annual loan limit, regardless of the length of time it takes the student to complete the program or academic year of the program, as applicable. In addition, the revised policy language clarifies that the provisions apply to all undergraduate students, including transfer students and students who have completed programs of study at other schools. Finally, the revised policy adds language to specifically state that a school may not link separate, stand-alone programs of study to allow a student to qualify for higher annual loan limits than the student would otherwise be eligible to receive based on the length of the program.

Affected Sections:	5.7.H
Effective Date:	Stafford loan amounts certified by the school on or after July 1, 2003, unless implemented earlier by the school.
Basis:	§682.204(a)–(d)..
Policy Information:	675/Batch 103
Guarantor Comments:	None.

Students Returning to a Non-Term Credit-Hour or Clock-Hour Program after a Withdrawal

The *Common Manual* has been revised to reflect changes in regulation regarding action required of a non-term, credit-hour or clock-hour school for students who withdraw from a program but re-enter the same program (within 180 days or after 180 days) or enter a new program or school. If a student withdraws from a program but re-enters the same program within 180 days, the school is required to place the student in the same payment period in which he or she was enrolled when the withdrawal occurred. If, however, a student returns to the same program *after* 180 days or, at any time, either transfers into a different program at the same school or enrolls in another school, the applicable school must calculate a new payment period for the remainder of the student's program based on how program progress is measured. For purposes of calculating payment periods only, the length of the program is the number of credit hours and the number of weeks, or the number of clock hours, that the student has remaining in the program he or she entered or re-entered. If the remaining hours (and weeks, if applicable) constitute one half of an academic year or less, the remaining hours constitute one payment period.

Affected Sections:	5.8.D
Effective Date:	Eligibility determinations made by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis:	§668.4(e) and (f)..
Policy Information:	676/Batch 103
Guarantor Comments:	None.

Elimination of Confirmation Requirement for Electronic Notice

Current common policy states that the school must notify the student or parent borrower if the school credits a student's school account with Stafford or PLUS loan proceeds. This notice must be issued no earlier than 30 days before and no later than 30 days after the school credits the student's account and must include:

- The date and amount of the disbursement.
- For proceeds disbursed by EFT or master check, a statement explaining the student or parent borrower's right to cancel all or a portion of the loan or loan disbursement and have the proceeds returned to the lender.
- The method and date by which the student or parent borrower must notify the school that he or she wishes to cancel all or a portion of the loan or loan disbursement.

To incorporate regulatory changes, the *Common Manual* is revised to eliminate the requirement that a school confirm and document the student or parent borrower's receipt of this notice if the school issued the notice via an electronic transmission.

Affected Sections:	6.3.C
Effective Date:	Notices issued by the school on or after July 1, 2003, to inform a student or parent borrower in the event that the school credits a student's school account with Stafford or PLUS loan proceeds, unless implemented earlier by the school. Schools may implement this provision no earlier than November 1, 2002.
Basis:	§668.165(a)(3).
Policy Information:	677/Batch 103
Guarantor Comments:	None.

Claim Purchase and Claim Returns

The *Common Manual* has been revised to reflect changes in the regulations regarding the portion of a joint Consolidation loan that is attributable to a disabled borrower. If a Consolidation loan is made jointly to a married couple as comakers, and one of the borrowers becomes totally and permanently disabled,

the portion of the Consolidation loan attributable to the disabled borrower may be discharged. However, both borrowers remain jointly and severally liable for any remaining balance after the discharge.

Affected Sections: 8.2.C, ^{CCI}8.2.C
Effective Date: Total and permanent disability discharge claims filed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.
Basis: §682.402(a).
Policy Information: 678/Batch 103
Guarantor Comments: None.

Claim Filing Documentation Requirements

The *Common Manual* has been revised to reflect changes in the regulations regarding claim filing documentation requirements. Previously, if a copy of the promissory note was provided in the claim file, the lender was required to certify that the copy was “true and exact.” Revised policy no longer requires lenders to provide the “true and exact” certification.

Affected Sections: 8.2.G, ^{CCI}8.2.G, 8.2.H, ^{CCI}8.2.H, 8.3.B, ^{CCI}8.3.B
Effective Date: Claims filed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.
Basis: §682.402(g)(1)(i).
Policy Information: 679/Batch 103
Guarantor Comments: None.

Rehabilitation of Defaulted Loans

The *Common Manual* has been revised to reflect changes in the regulations regarding the rehabilitation of a defaulted loan for which a judgment has been obtained. A borrower who has a defaulted loan for which a judgment has been obtained is no longer permitted to include that loan in a guarantor’s rehabilitation program.

Affected Sections: 8.10, ^{CCI}8.10
Effective Date: Requests for loan rehabilitation received by the guarantor on or after July 1, 2003, unless implemented earlier by the guarantor. Guarantors may not implement these provisions earlier than November 1, 2002.
Basis: §682.405(a)(1).
Policy Information: 680/Batch 103
Guarantor Comments: None.

Recordkeeping Requirements

The *Common Manual* has been revised to clarify that a promissory note that has been signed electronically must be stored and retained electronically by the lender in a retrievable, coherent format.

Affected Sections: 3.4.A
Effective Date: Retroactive to the lender's implementation of electronically signed promissory notes.
Basis: §682.414(a)(5)(ii).
Policy Information: 681/Batch 103
Guarantor Comments: None.

Reinstatement of Borrower Eligibility after a Default Claim Is Purchased

The *Common Manual* has been revised to reflect the regulatory emphasis regarding borrowers who have previously defaulted and who reestablish eligibility for Title IV aid. Borrowers who have defaulted loans, or defaulted loans for which a judgment has been obtained, may reestablish Title IV eligibility under these

provisions only once.

Affected Sections: 8.9, ^{CCl}8.9
Effective Date: Borrower requests for reinstatement on or after July 1, 2003.
Basis: §668.35(a)–(c).
Policy Information: 682/Batch 103
Guarantor Comments: None.

PLUS Application and Master Promissory Note

The following changes were made to the Common Manual as a result of Dear Colleague Letter GEN-03-03:

Recordkeeping requirements for loans made using the PLUS Application and Master Promissory Note (PLUS MPN) have been updated for schools and lenders.

Records that a *lender* must maintain include:

- Documentation of the process under which either the school or lender obtains the parent borrower's requested loan amount for loans made under the PLUS MPN.
- A record of the parent borrower's requested loan amount for loans made under the PLUS MPN, if the lender is the party responsible for obtaining this information.
- A record of any adjustments that the lender receives to the parent borrower's requested loan amount.

Records that a *school* must maintain include:

- Documentation of the process under which either the school or lender obtains the parent borrower's requested loan amount for loans made under the PLUS MPN.
- A record of the parent borrower's requested loan amount for loans made under a PLUS MPN, if the school is the party responsible for obtaining this information.
- A record of any adjustments that the school receives to the parent borrower's requested loan amount.

A parent borrower must complete a new PLUS MPN if any of the following occur:

- The dependent student transfers to a school that is not eligible to, or chooses not to, participate in the multi-year feature of the PLUS MPN.
- The parent borrowed with an endorser.
- The new school or lender requires the borrower to complete a new PLUS MPN.
- The borrower chooses a new lender.
- The PLUS MPN is no longer valid.

Lenders must ensure that a process is in place to obtain the parent borrower's requested loan amount before each loan is disbursed under a PLUS MPN. Procedures for obtaining the requested loan amount from the parent borrower when using a PLUS MPN has been added to the list of key items that may be included in guarantor on-site school and lender reviews.

Affected Sections: 3.4.A, 4.10, 6.1.A, 6.5, 11.3.B
Effective Date: The PLUS Application and Master Promissory Note (PLUS MPN) may be used for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003. The PLUS MPN must be used for loan periods beginning on or after July 1, 2004, or for any loan certified on or after July 1, 2004, regardless of the loan period.
Basis: Dear Colleague Letter GEN-03-03
Policy Information: 684/Batch 104, 686/ Batch 104, 689/Batch 104, 690/Batch 104
Guarantor Comments: None.

Expansion of the Multi-Year Feature of the Stafford MPN and Origination of PLUS Loans Using the PLUS Application and Master Promissory Note (PLUS MPN)

The *Common Manual* has been updated to incorporate information regarding the eligibility of all schools located in the United States, unless notified otherwise by the Department, to use the multi-year feature of the Stafford Master Promissory Note (Stafford MPN) and the PLUS Application and Master Promissory Note (PLUS MPN). The PLUS MPN may be used to obtain one or more PLUS loans for a dependent student. A parent borrower must complete a separate PLUS MPN for each dependent student for whom he or she wishes to borrow. Before a PLUS loan may be disbursed, the parent borrower must indicate to either the school or the lender the PLUS loan amount that he or she wishes to borrow (the requested loan amount). The student is not required to complete or sign the PLUS MPN.

If the lender determines that the parent has an adverse credit history and an endorser is used, a separate Endorser Addendum is required for each PLUS loan. In any case where an endorser is required, a new PLUS MPN is required for each loan. Any increase in the requested loan amount by the parent borrower must be approved by the endorser and requires a new PLUS MPN and Endorser Addendum.

Affected Sections:	2.2.A, 5.1, 5.1.B, 6.1.C
Effective Date:	For loans made using a Stafford Master Promissory Note (Stafford MPN), loans certified by the school on or after March 1, 2003, regardless of loan period.
	The PLUS Application and Master Promissory Note (PLUS MPN) may be used for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003. The PLUS MPN must be used for loan periods beginning on or after July 1, 2004, or for any loan certified on or after July 1, 2004, regardless of the loan period.
Basis:	Dear Colleague Letters GEN-02-10 and GEN-03-03
Policy Information:	683/Batch 104, 688/Batch 104
Guarantor Comments:	None.

Payment Period

The *Common Manual* has been revised to reflect changes in regulation regarding payment periods for credit-hour programs. The payment period for an eligible credit-hour program that offers academic terms (standard or nonstandard) is simply the academic term. The definition of payment period for a credit-hour program that does not have academic terms is amended by stating that the first payment period is the period of time when the student completes half the number of credit hours *and* half the number of weeks in the program. The definition of payment period for clock-hour programs is moved to a new section as it no longer mirrors the non-term-based credit-hour program definition. Also, the paragraph that explains determining the number of payment periods is moved so it is clear it applies to both non-term-based credit-hour programs and clock-hour programs.

Affected Sections:	5.8.D
Effective Date:	Payment periods established by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis:	§668.4(a)–(c).
Policy Information:	685/Batch 104
Guarantor Comments:	None.

Lender MPN Loan Origination

The *Common Manual* has been updated to incorporate information regarding the expiration of the ability of a lender to make new loans under a Master Promissory Note (MPN). In addition to the current revocation guidance, a lender may elect not to make subsequent loans under an existing MPN. The lender's decision may be based on any number of circumstances—for instance, if there is

a change in the borrower's circumstances (such as bankruptcy or delinquency), or because the loan is being requested under a Lender of Last Resort Program.

Affected Sections: 6.1.A, 6.2.I
Effective Date: Exercise of a lender's option to discontinue making loans under an existing Stafford Master Promissory Note (Stafford MPN) on or after July 1, 1999.

The PLUS Loan Application and Master Promissory Note (PLUS MPN) may be used for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003. The PLUS MPN must be used for loan periods beginning on or after July 1, 2004, or for any loan certified on or after July 1, 2004, regardless of the loan period.

Basis: Dear Colleague Letter (DCL) GEN-98-25; DCL GEN-03-03.
Policy Information: 687/Batch 104
Guarantor Comments: None.

Definition of Master Promissory Note

The definition of "Master Promissory Note (MPN)" has been revised to provide a succinct definition of an MPN. The definition has been further revised by changing "period of enrollment" to "academic year." The revised definition now reads:

Master Promissory Note: (MPN) A promissory note under which the borrower may receive loans for either a single academic year or multiple academic years. See section 5.1. The MPN forms, developed by FFELP participants and approved by the Department, are the Stafford Master Promissory Note (Stafford MPN) and the PLUS Application and Master Promissory Note (PLUS MPN).

Affected Sections: Appendix G
Effective Date: Disbursements made from a Stafford Master Promissory Note (Stafford MPN) on or after July 1, 2001, unless implemented earlier by the guarantor, and disbursements made from a PLUS Application and Master Promissory Note (PLUS MPN) on or after July 1, 2003.

Basis: *Federal Register* dated June 29, 2001.
Policy Information: 691/Batch 104
Guarantor Comments: None.