

IMPORTANT UPDATE

TO: Financial Aid Officers
Student Loan Officers

FROM: Ruth T. Vincent, Director
Guaranteed Loan Division

DATE: September 10, 2003

SUBJECT: COMMON MANUAL, *Unified Student Loan Policy Bulletin 65*

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 #632 – Closed School Loan Discharges
Reference #692 – Claims
Reference #693 – “The Life of a PLUS Loan” Flow Chart
Reference #694 – Financial Responsibility for For-Profit Servicers
Reference #695 – Withdrawal Dates
Reference #696 – Consolidating Alternative Loans
Reference #697 – Revised Claim Definition
Reference #698 – Definition of Reaffirmation

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

Attachment

Batch 99: Proposal 632 & Batch 105: Proposals 692-698

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 July 2004. These changes will also be incorporated into the September 2003 *Integrated Common Manual*. The *Integrated Common Manual* is available on several guarantor websites, and it is also available on NCHelp's website at www.NCHELP.org in the e-library. Please carefully note the effective date of each policy change.

Closed School Loan Discharges

Revised *Common Manual* policy changes the formatting of subsection 12.8.B and creates a separate subheading for language specific to suspending and resuming collection activities during the closed school loan discharge process. This change conforms text in this subsection with the text formats in other subsections within section 12.8. Selected text from the first and second paragraphs under the subheading "Identifying Potentially Eligible Borrowers" has been moved to be the first and third paragraphs under the new subheading "Suspending Collection." The first paragraph of text under the subheading "Notification to the Borrower" has been moved to become the second paragraph of text under the subheading "Suspending Collection." Under this subheading, the text has been revised to clarify that once a lender receives reliable information that a borrower may be eligible for a closed school loan discharge, the lender *must* immediately suspend all collection activities and *may* place any affected loan in an administrative forbearance while awaiting confirmation of the borrower's eligibility for loan discharge. If the borrower's account is placed in a forbearance status, then the forbearance must continue until the lender receives confirmation of the school's closing and confirmation of the borrower's eligibility for loan discharge.

Revised policy also moves text pertaining to skip tracing from the subheading "Procedure for Discharging Loans" to "Notification to the Borrower" and adds text to clarify that if the request is resent to the borrower, the administrative forbearance period must not exceed a total of 60 days after the date on which the lender originally mailed the request to the borrower.

Affected Sections: 12.8.B
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.211(f)(7); §682.402(d)(7).
Policy Information: 632/Batch 99
Guarantor Comments: None.

Claims

Common Manual policy in section 2.2 has been amended to more clearly iterate that the life of a FFELP loan ends when the loan is paid in full—or when the outstanding loan amount is fully discharged or forgiven. Phase 3 of the life of a loan has been updated to include that in addition to when the loan is paid in full by the borrower, the lender's obligation to maintain or service the loan ends when the loan is paid by consolidation, paid by the guarantor as a claim, or fully discharged or forgiven. In addition, subsection 2.2.C is updated to include that a loan that is forgiven is generally eligible for claim payment from the guarantor, and that certain forgiveness programs do not involve the guarantor, but rather involve direct reimbursement from the Department to the lender. Also, clarification has been added to state that permanently discharged and forgiven loans are not subject to further collection activities.

Affected Sections: Figure 2-1, 2.2, 2.2.C
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.215; §682.402; *Federal Register*, vol. 67, no. 168, dated August 29, 2002.

Policy Information: 692/Batch 105
Guarantor Comments: None.

“The Life of a PLUS Loan” Flow Chart

The *Common Manual* has been revised to include changes to the information in the “The Life of a PLUS Loan” flow chart, Figure 2-2, regarding the PLUS Application and Master Promissory Note (PLUS MPN), and acknowledges that a PLUS borrower enters repayment status when a loan is fully disbursed. The flow chart has also been revised to more accurately reflect flexible processing scenarios, similar to the processing scenarios acknowledged in the “The Life of a Stafford Loan” flow chart.

Affected Sections: Figure 2-2
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: DCL GEN-03-03.
Policy Information: 693/Batch 105
Guarantor Comments: None.

Financial Responsibility for For-Profit Servicers

The *Common Manual* has been updated to align current text regarding financial responsibility standards with the federal regulations. Updated policy confirms that, in addition to other criteria, a for-profit servicer must have debt obligations (without insurance, guarantee, or credit enhancements) that are currently issued and outstanding and are listed at or above the second highest rating level of credit quality given by a nationally recognized statistical rating organization.

Affected Sections: 3.6.B
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §668.15(b)(7)(ii).
Policy Information: 694/Batch 105
Guarantor Comments: None.

Withdrawal Dates

The *Common Manual* has been updated to provide guidance for schools to determine a student's withdrawal date if the student fails to earn a passing grade in at least one class *and* the school is unable to confirm the student's attendance through the end of the payment period or period of enrollment, as applicable. In this case, the school must use either the midpoint of the period or the student's last day of participation in an academically related activity—as documented by the school—as the student's withdrawal date.

Affected Sections: 4.6
Effective Date: Unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999.
Basis: §668.22; 2002-2003 *Federal Student Aid Handbook*, Volume 2 Institutional Eligibility and Participation, Chapter 6, pages 2-114 and 2-115.
Policy Information: 695/Batch 105
Guarantor Comments: None.

Consolidating Alternative Loans

The *Common Manual* has been revised to clarify that other education loans that the lender considers when determining the length of the repayment period for a Federal Consolidation loan are those made to a borrower by an organization under a public or private student loan program exclusively for the purpose of financing the borrower's or a dependent student's postsecondary education. This revision was necessary to clarify the application of the policy to a parent loan borrower who obtains a Federal Consolidation loan.

Affected Sections: 9.5.B
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.209(h).
Policy Information: 696/Batch 105
Guarantor Comments: None.

Revised Claim Definition

The *Common Manual* definition of "claim" has been amended to be more general, referring to all claim, forgiveness, and discharge types. The definition reads as follows:

Claim: The process by which the lender (or the lender's servicer) requests reimbursement from the guarantor for its losses on a Federal Stafford, SLS, PLUS, or Consolidation loan due to the borrower's default or eligibility for loan discharge or forgiveness.

Affected Sections: appendix G
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.402(I)(3).
Policy Information: 697/Batch 105
Guarantor Comments: None.

Definition of Reaffirmation

The *Common Manual* has been updated to include the definition of "reaffirmation" in the glossary as follows:

Reaffirmation: A borrower's acknowledgment of a loan repayment obligation—including all principal, interest, collection costs, legal costs, and late charges—in a legally binding manner.

Affected Sections: appendix G
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.201(a)(4).
Policy Information: 698/Batch 105
Guarantor Comments: None.