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IMPORTANT UPDATE

**TO:** Financial Aid Officers  
Student Loan Officers

**FROM:** Ruth T. Vincent, Director  
Guaranteed Loan Division

**DATE:** January 2, 2004

**SUBJECT:** COMMON MANUAL, *Unified Student Loan Policy Bulletin 68*

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 # 726 – Treatment of *Aid That Could Have Been Disbursed* in the Return of Title IV Funds Calculation
- Reference # 727 – Lender Responsibilities for Processing Borrower Loan Requests
- Reference # 728 – Federal Origination Fee
- Reference # 729 – Exclusions from Loan Proration
- Reference # 730 – Request for Additional Loan Funds
- Reference # 731 – Discretionary Forbearance Encouraged
- Reference # 732 – Due Diligence – Rolling Delinquency
- Reference # 733 – Due Diligence – Special Occurrence
- Reference # 734 – ED Form 799 Definition Replace with “LaRS”
- Reference # 735 – School Definitions

If you have any questions about the enclosed common bulletin, please contact Jessie Cooper by phone at 770-724-9139 or email at [jessiec@gsfc.org](mailto:jessiec@gsfc.org).



Unified Student Loan Policy

## Policy Changes Approved December 18, 2003

Batch 109: Proposals 726 - 735

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 December 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](http://www.NCHELP.org) in the e-library. Please carefully note the effective date of each policy change.

### **Treatment of Aid That Could Have Been Disbursed in the Return of Title IV Funds Calculation**

The U.S. Department of Education has recently revised its guidance regarding the treatment of *aid that could have been disbursed* in the return of Title IV funds calculation.

In accordance with the revised guidance, there are times when a school may include FFELP funds as aid that could have been disbursed even if the school was prohibited from delivering the funds on or before the date the student withdrew. This includes:

- Loan funds for a first-year, first-time undergraduate borrower who withdraws before completing the 30th day of his or her program of study.
- The second or subsequent disbursement(s) of a loan even if the school was prohibited from delivering the funds on or before the date the student withdrew

However, in all cases, the following conditions for making a late disbursement must be met in order for FFELP funds to be included as aid that could have been disbursed:

- Except in the case of a PLUS loan, the Department processed a valid Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official expected family contribution (EFC) on or before the date of the student's withdrawal,
- The school certified a loan on or before the date of the student's withdrawal.

In these cases, although the loan funds may be included as aid that could have been disbursed in the return of Title IV funds calculation, under no circumstances may the school deliver the loan funds to the borrower as a post-withdrawal disbursement.

If a school is completing the return of Title IV funds calculation on a payment period basis, FFELP funds scheduled for disbursement in a subsequent payment period may not be included as aid that could have been disbursed.

<b>Affected Sections:</b>	4.7.A Return Amounts for Title IV Grant and Loan Programs
<b>Effective Date:</b>	Effective for any student who withdraws on or after July 1, 2003.
<b>Basis:</b>	2003-04 <i>Federal Student Aid Handbook</i> , Volume 2, Chapter 6, page 2116; 2003 National Association of Student Financial Aid Administrators (NASFAA) Conference, Return of Title IV Funds session.
<b>Policy Information:</b>	726/Batch 109
<b>Guarantor Comments:</b>	None.

### **Lender Responsibilities for Processing Borrower Loan Requests**

The *Common Manual* has been updated to align the manual with federal regulations to include two additional responsibilities a lender must perform in processing a borrower's loan request. Specifically, the text has been amended to add that a lender must ensure that the school has properly completed the school certification and must determine the correct interest rate applicable to the loan.

**Affected Sections:** 7.3 Processing the Loan Request  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** §682.206(b).  
**Policy Information:** 727/Batch 109  
**Guarantor Comments:** None.

### **Federal Origination Fee**

The *Common Manual* has been revised to relocate information regarding a lender's ability to charge a lesser federal origination fee to Stafford loan borrowers to a more appropriate location in the manual. Also, specific subheadings have been added to ease the reader's reference to information about the lender fees, and reporting and paying the federal origination fee. Finally, references to the ED Form 799 have been updated to reflect the Lender's Interest and Special Allowance Request and Report (LaRS).

**Affected Sections:** 3.5.A Federal Origination Fee and Lender Fees: Payment and Reporting  
7.9.A Assessing the Origination Fee  
**Effective Date:** Retroactive to the effective date of the *Common Manual*, except for the ability of a lender to charge a lesser federal origination fee to a borrower who demonstrates a "greater financial need," which is for fees owed by the lender effective on or after July 1, 2000.  
**Basis:** §682.202(c).  
**Policy Information:** 728/Batch 109  
**Guarantor Comments:** None.

### **Exclusions from Loan Proration**

The *Common Manual* has been updated to clarify that loan proration is not required for a student completing coursework necessary for a professional credential or certification from a state, or for a student completing preparatory coursework necessary for admission into either an undergraduate or a graduate program of study.

**Affected Sections:** 6.11.A Stafford Annual Loan Limits  
6.11.E Prorated Loan Limits  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** §682.204(a)(6) and (7); 2003-04 *Federal Student Aid Handbook*, Volume 8, Chapter 2, page 8-9.  
**Policy Information:** 729/Batch 109  
**Guarantor Comments:** None.

### **Request for Additional Loan Funds**

The *Common Manual* has been revised to remove references to the Stafford loan application and to align the text with the Stafford Master Promissory Note (Stafford MPN) process. As revised, the policy clarifies that if a student becomes eligible for additional Stafford loan funds during an academic year due to a change in his or her enrollment status, the school may certify the borrower's eligibility for additional funds under an existing Stafford MPN. The borrower is no longer required to complete a new application to request the additional funds for that academic year.

**Affected Sections:** 6.11.E Prorated Loan Limits  
**Effective Date:** For all loans certified by the school using a Stafford Master Promissory Note

(Stafford MPN).  
**Basis:** None.  
**Policy Information:** 730/Batch 109  
**Guarantor Comments:** None.

### **Discretionary Forbearance Encouraged**

The *Common Manual* has been updated to specify that a lender is encouraged to grant a discretionary forbearance to a borrower or endorser who intends to repay a loan, but is temporarily unable to make payments due to poor health or other personal problems and does not qualify for a deferment, mandatory administrative forbearance, or mandatory forbearance. Cross-references have been added to guide the reader to additional information about deferment and mandatory administrative forbearance.

**Affected Sections:** 11.3.C Forbearance Option  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** §682.211.  
**Policy Information:** 731/Batch 109  
**Guarantor Comments:** None.

### **Due Diligence - Rolling Delinquency**

The *Common Manual* has been revised to provide a more general example of a rolling delinquency that requires due diligence activities appropriate to the new level of delinquency on the loan. The previous example in the text iterated specific due diligence activities that are required for certain due diligence time frames. Cross-references have been added to guide the reader to additional information about due diligence requirements.

**Affected Sections:** 11.3.E Rolling Delinquency  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** §682.411(d)(3).  
**Policy Information:** 732/Batch 109  
**Guarantor Comments:** None.

### **Due Diligence - Special Occurrence**

The *Common Manual* has been updated by revising the example of a “special occurrence” for clarity. The revised example more clearly iterates that the due diligence requirements on a loan on which a special occurrence takes place are specific to the type of contact information the lender receives (valid address or valid telephone number) and the level of delinquency on the loan at the time the lender receives the new information. Also, cross-references have been added to guide the reader to additional information about due diligence requirements in the case of a special occurrence.

**Affected Sections:** 11.3.F Special Occurrence  
**Effective Date:** Loans on which the first day of delinquency on the oldest outstanding due date is on or after July 1, 2000, unless implemented earlier by the guarantor.  
**Basis:** §682.411(i).  
**Policy Information:** 733/Batch 109  
**Guarantor Comments:** None.

### **ED Form 799 Definition Replaced with “LaRS”**

The *Common Manual* has been updated to remove the outdated definition of the ED Form 799 and add a definition of the Lender's Interest and Special Allowance Request and Report (LaRS). The new definition indicates a lender may submit the LaRS report using the automated Lender Reporting System or the paper form.

**Affected Sections:** appendix G  
**Effective Date:** For quarterly billings submitted by a lender on or after October 1, 2002.  
**Basis:** June 2002 Department of Education Announcement.  
**Policy Information:** 734/Batch 109  
**Guarantor Comments:** None.

### **School Definitions**

Currently, the *Common Manual* includes glossary definitions of "school," "eligible school," "participating school," "institution," and "institution of higher education." The manual has been updated to eliminate the definitions of "institution" and "eligible school." The definitions of "participating school" and "institution of higher education" have been updated to align the text in the manual with text in federal regulations. The definition of "school" has been updated to align the text with the definition of an "eligible institution" in federal regulations, because when the *Common Manual* includes a reference to a school, the school is presumed to be eligible to participate in Title IV programs.

**Affected Sections:** appendix G  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** §600.2; §600.4; §668.2.  
**Policy Information:** 735/Batch 109  
**Guarantor Comments:** None