
IMPORTANT UPDATE

TO: Financial Aid Officers
Student Loan Officers

FROM: Ruth T. Vincent, Director
Guaranteed Loan Division

DATE: January 27, 2004

SUBJECT: COMMON MANUAL, *Unified Student Loan Policy Bulletin 69*

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 # 736 – Forbearance Notification Upon a Borrower’s Death
- Reference # 737 – Dependent Student Eligibility for Additional Unsubsidized Stafford Loan Funds
- Reference # 738 – Regaining Title IV Eligibility After a Drug Conviction
- Reference # 739 – Period of Enrollment vs. Loan Period
- Reference # 740 – Period of Enrollment for Which the Loan Is Intended vs. Loan Period
- Reference # 741 – In-School Deferment Documentation
- Reference # 742 – Notification When Mandatory Administrative Forbearance is Granted for Exceptional Circumstances
- Reference # 743 – Due Diligence Requirements
- Reference # 745 – Endorser Address Skip Tracing When Endorser Is Not Delinquent
- Reference # 746 – Teacher Loan Forgiveness
- Reference # 747 – Original Filing Deadlines for Death and Total and Permanent Disability Claims
- Reference # 748 – Discharge Definition Updated
- Reference # 749 – Forgiveness Definition Added
- Reference # 750 – Independent Student Definition

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



Unified Student Loan Policy

Policy Changes Approved January 15, 2004

Batch 110: Proposals 736 - 743, & 745 - 750

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 January 2004 *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.

Forbearance Notification upon a Borrower's Death

The *Common Manual* has been revised to state that a lender must send a notice to — as opposed to notify — a borrower or endorser stating that an administrative forbearance was granted for up to an additional 60 days in order for the lender to collect death documentation. This change recognizes that it is impossible for the lender to notify a deceased Stafford or PLUS borrower. Revised policy instead requires the lender to send a notice to the borrower's or endorser's address stating that the forbearance has been granted.

Affected Sections:	10.19.E Death
Effective Date:	Reliable but unofficial notifications of a borrower's or, in the case of a PLUS loan, the borrower's or student's death, received by the lender on or after August 21, 2001.
Basis:	§682.211(f)(6); §682.402(b)(3).
Policy Information:	736/Batch 110
Guarantor Comments:	None.

Dependent Student Eligibility for Additional Unsubsidized Stafford Loans

The *Common Manual* has been updated to add examples of the types of circumstances that a financial aid administrator (FAA) may use to determine that a dependent student is eligible for additional unsubsidized Stafford loan funds. If a dependent student's parent is unable to obtain a PLUS loan because of exceptional circumstances such as adverse credit history, incarceration, parental whereabouts unknown, or family income that is limited to public assistance or disability benefits, the dependent student may be eligible for additional unsubsidized Stafford loan funds. A parent's unwillingness or refusal to obtain a PLUS loan is not considered an exceptional circumstance. The FAA must document the exceptional circumstances that are used as the basis for determining that a dependent student is eligible for additional unsubsidized Stafford loan funds.

Affected Sections:	6.15.D Additional Unsubsidized Stafford Loan Certification
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	§682.201(a)(3).
Policy Information:	737/Batch 110
Guarantor Comments:	None.

Regaining Title IV Eligibility After a Drug Conviction

The *Common Manual* has been updated to state that a student who loses Title IV eligibility because of a drug conviction and subsequently completes a qualified drug rehabilitation program regains eligibility for

Title IV funds on the date he or she successfully completes the program. The maximum loan period that a school may certify for a student who regains Title IV eligibility after a drug conviction is the academic year during which the student regains eligibility.

Affected Sections: 5.7 Effect of Drug Conviction on Eligibility
Effective Date: Student eligibility determinations made for award years beginning on or after July 1, 2000.
Basis: §668.40(c); 2003-04 *Federal Student Aid Handbook*, Volume 1, Chapter 1, page 1-14.
Policy Information: 738/Batch 110
Guarantor Comments: None.

Period of Enrollment vs. Loan Period

The *Common Manual* has been updated to replace the term "period of enrollment" with "loan period" where appropriate. In addition, regulatory citations have been added to section 6.2 of the manual.

Affected Sections: 6.2 Determining the Period of Enrollment
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: None.
Policy Information: 739/Batch 110
Guarantor Comments: None.

Period of Enrollment for Which the Loan Is Intended vs. Loan Period

The *Common Manual* has been updated to standardize terminology within the text. The phrase "period of enrollment for which the loan is intended" has been replaced with "loan period" under the subheading "Determining Adverse Credit" in this subsection.

Affected Sections: 7.1.B Creditworthiness
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: None.
Policy Information: 740/Batch 110
Guarantor Comments: None.

In-School Deferment Documentation

Subsection 9.1.A of the *Common Manual* has been corrected to consistently state that a lender, upon receiving reliable information indicating that a borrower may be eligible for an in-school deferment, must determine the borrower's eligibility and, if the borrower is eligible, grant the deferment. Information regarding a borrower's authorization for deferment on the Master Promissory Note has been relocated to subsection 10.5.B. References to the common PLUS Application and Promissory Note have been deleted.

Affected Sections: 9.1.A Lender Processing of Enrollment Changes
10.5.B Deferment Documentation – In-School
Effective Date: In-school deferments granted by the lender on or after October 1, 1998.

Removal of text relative to the common PLUS application and promissory note is effective for loan periods that begin on or after July 1, 2004, or for any loan certified on or after July 1, 2004 regardless of the loan period.
Basis: §682.210(c)(1) and (4).
Policy Information: 741/Batch 110
Guarantor Comments: None.

Notification When Mandatory Administrative Forbearance is Granted for Exceptional Circumstances

Subsection 10.21.B of the *Common Manual* has been revised to clarify that a lender, while not required to notify the borrower or endorser at the time a mandatory administrative forbearance is granted due to exceptional circumstances (i.e., local or national emergency, military mobilization, or natural disaster), must do so as soon as feasible, as noted in a cross-reference to section 10.21.

Affected Sections: 10.21.B Exceptional Circumstances
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.211(i)(2) and (3).
Policy Information: 742/Batch 110
Guarantor Comments: None.

Due Diligence Requirements

The *Common Manual* has been updated to add detail to section 11.4 noting that no gap in due diligence activity of greater than 60 days is allowed in the case of a loan transfer. Revised policy also states that there is no 5-day tolerance for due diligence activities for an ICA/location cure and clarifies that the 45-day maximum period between due diligence activities is not extended by the 5-day tolerance. Further, the section title has been revised to more specifically address the information found in this section.

Affected Sections: 11.4 Satisfying Due Diligence Requirements
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.411(b)(2); §682.411(k); §682 Appendix D.
Policy Information: 743/Batch 110
Guarantor Comments: None.

Endorser Address Skip Tracing When Endorser Is Not Delinquent

The *Common Manual* has been revised to clarify that a lender is strongly encouraged to initiate skip tracing activities on an endorser if the endorser's address becomes invalid during any period when the endorser is not delinquent.

Affected Sections: 11.7.D Endorser Address Skip Tracing Requirements
Effective Date: Loans on which the first day of delinquency on the oldest outstanding due date is after July 1, 1996.
Basis: DCL 96-L-186/96-G-287, Q&As #59 and #60.
Policy Information: 745/Batch 110
Guarantor Comments: None.

Teacher Loan Forgiveness

Revised policy clarifies that under the Teacher Loan Forgiveness Program, the Department repays a maximum of \$5,000 (combined total for loans obtained under both the FFELP and FDLP) of a qualified borrower's Stafford loan obligations, and Consolidation loan obligations to the extent that a Consolidation loan repaid a borrower's Stafford loan(s).

Affected Sections: 12.9.B Teacher Loan Forgiveness Program
Effective Date: Teacher Loan Forgiveness Applications received by the lender on or after July 1, 2001, from a "new borrower" on or after October 1, 1998, unless implemented earlier by the guarantor.
Basis: §682.215.
Policy Information: 746/Batch 110
Guarantor Comments: None.

Original Filing Deadlines for Death and Total and Permanent Disability Claims

The *Common Manual* policy language regarding the applicable filing deadlines for death and total and permanent disability claims has been revised to coordinate with the language style used to address other claim types. The revised language rephrases existing policy that states that the guarantor will purchase the disability or death claim even if the lender does not file a death or total and permanent disability claim within the required 60-day filing period—provided that the lender did not incur violations that resulted in a

noncurable cancellation of the loan's guarantee before receiving certification of the borrower's disability, or before the date it determined that the borrower died or student for whom the loan was obtained died, as applicable. The claim will be subject to an interest penalty and the lender will be required to repay all interest benefits and special allowance payments for amounts received or otherwise payable after the 60-day filing period. If the lender incurs timely claim filing or due diligence violation that results in the cancellation of the loan's guarantee and the violations are not cured, the guarantee of the loan cannot be reinstated. The lender also must not attempt to collect on the loan.

Affected Sections: 13.4.A Original Filing Deadline
Effective Date: Death claims filed by the lender retroactive to the implementation of the *Common Manual*, and total and permanent disability claims filed by the lender on or after July 1, 2002.
Basis: §682.402(b) and (c).
Policy Information: 747/Batch 110
Guarantor Comments: None.

Discharge Definition Updated

The glossary definition of "discharge" in the *Common Manual* has been updated to include unpaid refund discharge in the list of potential reasons why borrower or any comaker might be released from all or a portion of his or her loan obligation. The revised definition is as follows:

Discharge: The release of a borrower or any comaker from all or a portion of his or her loan obligation, as applicable, due to bankruptcy, school closure, death, total and permanent disability, an unpaid refund by the school, or the school's false certification of a FFELP loan. See section 12.8.

Affected Sections: 12.8 Discharge
appendix G
Effective Date: The revised definition of discharge that incorporates unpaid refund discharge is effective on or after July 1, 2001.
Basis: §682.402(a)(1).
Policy Information: 748/Batch 110
Guarantor Comments: None.

Forgiveness Definition Added

A glossary definition of "forgiveness" has been added to the *Common Manual* as follows:

Forgiveness: The release of a borrower or any comaker, as applicable, from all or a portion of his or her loan obligation due to qualifying child care service or qualifying teaching service as authorized by Title IV, Part B of the Higher Education Act, as amended. See section 12.9.

Affected Sections: 12.9 Forgiveness
appendix G
Effective Date: The definition of forgiveness is effective on or after October 8, 1998.
Basis: HEA 428J, 428K, and 460.
Policy Information: 749/Batch 110
Guarantor Comments: None.

Independent Student Definition

The glossary definition of "independent student" has been updated to remove the specific criteria included on the Free Application for Federal Student Aid (FAFSA) that classify a student as independent for Title IV purposes. The revised definition reads as follows:

Independent Student: A student who meets one or more of the criteria listed on the Free Application for Federal Student Aid (FAFSA) that classify a student as independent for Title IV purposes. A student also may be classified as independent if a financial aid administrator determines and documents that the student is independent based on his or her professional judgment of the student's unusual circumstances. See section 6.8 for additional information regarding the determination of a

student's dependency status.

Affected Sections: appendix G
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: None.
Policy Information: 750/Batch 110
Guarantor Comments: None.