

IMPORTANT UPDATE

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

**FROM:** Jerome Duran, Chief Operating Officer  
Georgia Student Finance Commission

**DATE:** May 11, 2004

**SUBJECT:** COMMON MANUAL, *Unified Student Loan Policy Bulletin 72*

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 # 770 – Clarification of Reissue Requirements  
Reference # 772 – Origination of Stafford and PLUS Loans  
Reference # 773 – PLUS Loan Application and Master Promissory Note (PLUS MPN)  
Reference # 774 – Applying for Federal Stafford and PLUS Loans  
Reference # 775 – Disbursing Loan Proceeds Through An Escrow Agent  
Reference # 776 – Maximum Repayment Period for Rehabilitated Consolidation Loans  
Reference # 777 – Loan Forgiveness and Unpaid Refund Discharge  
Reference # 778 – Valid Source Documents for Reporting SSN Changes  
Reference # 779 – Reinstatement of Title IV Eligibility after Default  
Reference # 780 – Federal Interest Benefits  
Reference # 781 – Rehabilitation Training Program Deferment  
Reference # 782 – Cures and Reinstatement of the Guarantee  
Reference # 783 – First and Next Payment Due Dates for a Consolidation Loan  
Reference # 785 – Date of Determination of a Student's Withdrawal at Schools Required to Record Attendance  
Reference # 786 – Treatment of Title IV Credit Balances under Return of Title IV Funds Requirements

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

**Clarification of Reissue Requirements**

The *Common Manual* currently details an exception to the 120-day loan disbursement reissue policy. The exception permits a lender to reissue a loan disbursement more than 120 days after the last date of the student's eligible enrollment or more than 120 days after the date on which the original late disbursement was made, so that the student will not be harmed by circumstances beyond his or her control. The location in the manual's text of this exception implies that it is only applicable to the reissue of a late disbursement, which is not the intent of the policy. To correct this, a new subheading has been added to separate the exception to the 120-day reissue limitation from the policy regarding late disbursement, thereby clarifying that the exception applies both to timely disbursements and to late disbursements. In addition, a new requirement has been added that stipulates that the lender must document the reason for the reissue of the loan disbursement in all reissue situations.

<b>Affected Sections:</b>	7.7.F Reissuing Disbursements
<b>Effective Date:</b>	Disbursements reissued by the lender on or after July 1, 2004.
<b>Basis:</b>	None. Coordinates with §668.164(g) and private letter to the Student Loan Marketing Association from the Department, dated July 15, 1994.
<b>Policy Information:</b>	770/Batch 113
<b>Guarantor Comments:</b>	None.

**Origination of Stafford and PLUS Loans**

The *Common Manual* has been updated to remove references to the common PLUS application and promissory note. In addition, redundant text was removed from 2.2.A and the subheading titled "Origination of Stafford Loans" was deleted. The paragraphs under this subheading were updated and generic information was retained that is applicable to the origination of both Stafford and PLUS loans using a Master Promissory Note (MPN).

<b>Affected Sections:</b>	2.2.A Origination
<b>Effective Date:</b>	The PLUS Application and Master Promissory Note (PLUS MPN) must be used for loan periods beginning on or after July 1, 2004, or for any loan certified by the school on or after July 1, 2004, regardless of the loan period.
<b>Basis:</b>	DCL GEN-03-03.
<b>Policy Information:</b>	772/Batch 113
<b>Guarantor Comments:</b>	None.

**PLUS Loan Application and Master Promissory Note (PLUS MPN)**

The *Common Manual* has been updated to remove references to the common PLUS loan application and promissory note because parent borrowers must use the PLUS Application and Master Promissory Note to obtain PLUS loan funds for loan periods beginning on or after July 1, 2004, or for any loan certified by the school on or after July 1, 2004, regardless of the loan period.

**Affected Sections:** 2.3.C Common Forms  
6.18 Facilitating Guarantee Processing  
6.20 Adjusting the Guaranteed Loan Amount  
7.2.A All Promissory Notes  
7.2.B Additional Responsibilities under an MPN  
7.2.C Transfer Students and Promissory Notes  
8.3.B Authorization for Release of EFT/Master Check Disbursements  
Figure 8-1  
9.9.D Payment of Accrued Interest on Loans Not Eligible for Federal Interest Benefits  
10.5 In-School Deferment and Summer Bridge

**Effective Date:** PLUS loans for loan periods beginning on or after July 1, 2004, or for any loan certified by the school on or after July 1, 2004, regardless of the loan period.

**Basis:** DCL GEN-03-03.

**Policy Information:** 773/Batch 113

**Guarantor Comments:** None.

#### **Applying for Federal Stafford and PLUS Loans**

The *Common Manual* has been updated to remove references to the common PLUS application and promissory note. Parent borrowers must use the PLUS Application and Master Promissory Note (PLUS MPN) to obtain PLUS loan funds 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. In addition, information in section 6.16 was reorganized. Subsections 6.16.A and 6.16.B were deleted and new subheadings were added to section 6.16 that provide information regarding "Federal Stafford Loans," "Federal PLUS Loans," and "Processes Applicable to Both the Stafford and PLUS MPN."

**Affected Sections:** 6.16 Applying for Federal Stafford and PLUS Loans  
6.16.A Applying for a Federal Stafford Loan  
6.16.B Applying for a Federal PLUS Loan

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

**Basis:** DCL GEN-03-03.

**Policy Information:** 774/Batch 113

**Guarantor Comments:** None.

#### **Disbursing Loan Proceeds Through An Escrow Agent**

The *Common Manual* has been revised to reflect a regulatory technical correction published in the *Federal Register* on December 31, 2003, that aligns 34 CFR §682.207(b)(1)(iv) with 34 CFR §682.408(c). A lender that disburses loan proceeds through an escrow agent must require the agent to disburse loan proceeds no later than 21 days after the agent receives the proceeds from the lender.

**Affected Sections:** 7.7 Disbursing the Loan

**Effective Date:** Retroactive to the implementation of the *Common Manual*.

**Basis:** §682.207(b)(1)(iv); §682.408(c).

**Policy Information:** 775/Batch 113

**Guarantor Comments:** None.

### **Maximum Repayment Period for Rehabilitated Consolidation Loans**

The *Common Manual* has been updated based on the technical corrections published December 31, 2003, that require a lender to use the loan's balance at the time it is rehabilitated when establishing the maximum repayment period for a rehabilitated Consolidation loan. The loan balance is considered to be the amount paid to the guarantor to purchase the loan.

**Affected Sections:** 12.7 Rehabilitation of Defaulted Loans  
**Effective Date:** Consolidation loans reentering repayment after rehabilitation on or after January 30, 2004.  
**Basis:** §682.405(b)(3).  
**Policy Information:** 776/Batch 113  
**Guarantor Comments:** None.

### **Loan Forgiveness and Unpaid Refund Discharge**

The *Common Manual* has been revised to add unpaid refund discharge and loan forgiveness to the list of circumstances under which a lender may be eligible for payment from the guarantor or reimbursement from the Department. In order to receive a payment, revised policy states that the lender must submit to the guarantor or the Department, as applicable, the borrower's loan forgiveness application or unpaid refund discharge application, if received. To provide consistency with regulatory language, the term "payment" has been used to refer to transactions between guarantors, and lenders or servicers, and the term "reimbursement" has been used to refer to transactions between the Department, and lenders or servicers.

**Affected Sections:** 2.2.C Repayment  
**Effective Date:** Completed unpaid refund discharge requests received by the lender on or after July 1, 2000.  
Completed teacher loan forgiveness requests received by the lender for new borrowers with Stafford loans first disbursed on or after October 1, 1998.  
Completed child care provider loan forgiveness requests received by the lender for new borrowers with Stafford loans first disbursed on or after October 8, 1998.  
**Basis:** HEA 428K; §682.215; §682.402(l) and (m).  
**Policy Information:** 777/Batch 113  
**Guarantor Comments:** None.

### **Valid Source Documents for Reporting SSN Changes**

The *Common Manual* has been updated to state that if a lender becomes aware of a Social Security number (SSN) discrepancy that resulted from a data input error, the guarantor may consider a loan application, Master Promissory Note (MPN), or loan certification to be a valid source reference for initiating and reporting an SSN change.

**Affected Sections:** 3.5.F Social Security Number Change Reporting  
**Effective Date:** None.  
**Basis:** None.  
**Policy Information:** 778/Batch 113  
**Guarantor Comments:** None.

### **Reinstatement of Title IV Eligibility after Default**

The *Common Manual* has been revised to remove redundant language pertaining to documentation needed for the reinstatement of Title IV eligibility after default.

**Affected Sections:** 5.2.E Prior Default  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** HEA 428F(b); §668.35; §682.200; §682.401(b)(4); April 1996 Supplement to DCL 96-G-287/96-L-186, Q&A #6.  
**Policy Information:** 779/Batch 113  
**Guarantor Comments:** None.

### **Federal Interest Benefits**

The *Common Manual* has been revised to clarify when a lender can begin billing the Department for interest benefits for borrowers who qualify for a deferment. For any deferment other than an initial period of unemployment deferment based on the borrower's self-certification of eligibility, the lender may begin billing the Department on the date the borrower's eligibility for the deferment began. For an initial period of unemployment deferment based on the borrower's self-certification of eligibility, the lender may begin billing for interest benefits on the later of the first date the borrower qualifies for the deferment (as determined by the lender), the begin date requested by the borrower, or 6 months before the date on which the lender receives any required borrower request and documentation of eligibility for the deferment.

**Affected Sections:** A.1.B When Federal Interest Benefits Will Be Paid  
**Effective Date:** Deferments granted by the lender on or after July 1, 2001.  
**Basis:** §682.210(a)(5); §682.210(h)(1) and (2); §682.300(b)(1)(ii).  
**Policy Information:** 780/Batch 113  
**Guarantor Comments:** None.

### **Rehabilitation Training Program Deferment**

The *Common Manual* has been revised to move information regarding the eligibility criteria for PLUS loan borrowers with dependent students for a rehabilitation training program deferment from subsection 10.5.A to section 10.12. This change congregates similar information for rehabilitation training program deferments within one section of the manual.

**Affected Sections:** 10.5.A Eligibility Criteria—In-School  
10.12 Rehabilitation Training Program Deferment  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** None.  
**Policy Information:** 781/Batch 113  
**Guarantor Comments:** None.

### **Cures and Reinstatement of the Guarantee**

The *Common Manual* has been revised to more readily identify specific cure types and activities by regrouping existing language under three new subheadings within section 13.5. The new subheadings are "Receipt of a Curing Payment," "Receipt of a New Signed Repayment Agreement," and "Reinstating the Guarantee." Additional organizational changes have also been made to language in subsection 13.5.B to coordinate it with similar language in 13.5.D.

**Affected Sections:** 13.5 Cures and Reinstatement of the Guarantee  
13.5.B Cures for Due Diligence Violations and Gaps  
13.5.D Cures for Timely Filing Violations  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** None.  
**Policy Information:** 782/Batch 113  
**Guarantor Comments:** None.

### **First and Next Payment Due Dates for a Consolidation Loan**

The *Common Manual's* existing subsections 14.5.A through 14.5.F have been redesignated as subsections 14.5.B through 14.5.G. Current Consolidation loan policy that requires a lender to establish a first payment due date that is no more than 60 days after the date of the last disbursement discharging underlying loans has been relocated from section 14.5 to new subsection 14.5.A. Additionally, new subsection 14.5.A states that a lender must establish a first payment due date that is no more than 60 days after the last day of a deferment or forbearance period, unless the borrower makes prepayments during that period that cause the due date to be advanced. Redesignated subsection 14.5.B states that when a lender is required to re-disclose repayment terms because of the addition of a loan(s) during the 180-day add-on period, the lender

may establish a new effective date for a revised payment amount that is no more than 60 days after the date of the last disbursement that discharged the add-on loan(s).

**Affected Sections:** 9.5 Establishing the First Payment Due Date  
14.5 Repayment  
14.5.A Disclosing Repayment Terms  
14.5.B Maximum Repayment Period  
14.5.C Deferments  
14.5.D Forbearance  
14.5.E Delinquency, Default, and Claim Filing  
14.5.F Paid-in-Full Loans

**Effective Date:** Consolidation loan repayment disclosures issued by a lender on or after July 1, 2004.

**Basis:** §682.102(e)(5); §682.209(a)(1); §682.209(h)(1).

**Policy Information:** 783/Batch 114

**Guarantor Comments:** None.

#### **Date of Determination of a Student's Withdrawal at Schools Required to Record Attendance**

The *Common Manual* has been updated to include more complete information about schools that are required to record attendance for a limited period of time or for a specific group of students. In addition, the manual has been updated to state that except in unusual cases, if a student is absent without explanation, a school that is required to record attendance is expected to make a determination that the student withdrew no later than one week after the student's last date of academic attendance as determined from the school's attendance records. The school does not have to make a withdrawal determination if during that one week period, the student verifies that he or she plans to return to school.

**Affected Sections:** 4.6 Withdrawal Dates

**Effective Date:** Provisions regarding schools that are required to record attendance for a limited period of time or for a specific group of students are effective for any student who withdraws on or after July 1, 2003.  
Provisions for determining a student's withdrawal date are effective for any student who withdraws on or after February 13, 2004.

**Basis:** DCL GEN-04-03; 2003-04 *Federal Student Aid Handbook*, Volume 2, Chapter 6, pages 2-119 and 2-120.

**Policy Information:** 785/Batch 114

**Guarantor Comments:** None.

#### **Treatment of Title IV Credit Balances under Return of Title IV Funds Requirements**

The *Common Manual* has been updated to incorporate guidance for schools regarding the treatment of Title IV credit balances under the return of Title IV funds requirements. If a student withdraws and has a Title IV credit balance on his or her account, the school must not deliver any portion of the credit balance to the student or return any portion to the Title IV student aid programs before it completes a return of Title IV funds calculation. The school must hold the funds even if it results in the school not being in compliance with the 14-day payment requirement for credit balances. In this case, the school does not need the student's or parent's authorization to hold the Title IV credit balance beyond the original 14-day period. However, within 14 days of the date that the school performs the return of Title IV funds calculation, the school must pay any remaining Title IV credit balance. The school must first allocate the Title IV credit balance to repay any grant overpayment owed by the student as a result of the current withdrawal. If there is no grant overpayment owed or if an additional credit balance exists on the account after the grant overpayment is repaid, it must be paid in one or more of the following ways:

- In accordance with cash management regulations, the school may use the credit balance to pay authorized charges at the school (including previously paid charges that are now unpaid due to a return of Title IV funds by the school).

- With the student's authorization, the school may use the credit balance to reduce the student's Title IV loan debt (not limited to loan debt incurred for the payment period or period of enrollment during which the student withdrew).
- The school may deliver the credit balance to the student, or the parent in the case of a PLUS loan.

If the school cannot locate the student or parent to whom a Title IV credit balance is due, the school must return the credit balance to the Title IV programs. In this case, there is no specific order of return to the Title IV programs, but schools are encouraged to make determinations that are in the best interest of the individual student.

**Affected Sections:** 4.6 Withdrawal Dates  
8.8 Managing Credit Balances

**Effective Date:** Students who withdraw on or after February 13, 2004, as determined by the school.

**Basis:** DCL GEN-04-03.

**Policy Information:** 786/Batch 114

**Guarantor Comments:** None.

**Verification Not Completed before the Student's Withdrawal**

The *Common Manual* has been updated to include guidance regarding return of Title IV funds requirements for students subject to verification. If a student is selected for verification but withdraws prior to providing all required verification documentation, the school must complete the return of Title IV funds calculation in time to comply with the 30-day return of Title IV funds deadlines. If the student did not provide the required verification documentation, the school must include as disbursed aid or aid that could have been disbursed only those funds not subject to verification (i.e., PLUS loans and unsubsidized Stafford loans) in the return of Title IV funds calculation. However, if the student subsequently provides the documentation before the verification deadline, the school is required to perform a new return of Title IV funds calculation and make the appropriate adjustments.

If the school is unable to offer the post-withdrawal disbursement to the student, or parent in the case of a PLUS loan, within the required 30 days after the date that the school determined that the student withdrew, the school must offer the funds as soon as possible. Also, whenever possible, the school must provide the student or parent with the minimum 14-day period to respond to the offer of a post-withdrawal disbursement.

**Affected Sections:** 4.7 Return of Title IV Funds  
6.6.A Performing Verification Requirements

**Effective Date:** Students who withdraw on or after February 13, 2004, as determined by the school.

**Basis:** DCL GEN-04-03.

**Policy Information:** 787/Batch 114

**Guarantor Comments:** None.

**Percentage of Title IV Aid Earned for Withdrawal from a Non-term-based Credit-hour Program**

The *Common Manual* has been updated to include guidance for schools that offer non-term-based credit-hour programs to determine the number of calendar days in the payment period or period of enrollment. If a student withdraws from a non-term-based credit-hour program where the completion date is dependent upon an individual student's progress, the school must project the completion date based on the student's progress as of the date of his or her withdrawal to determine the total number of calendar days in the period. If the student does not earn credits or complete lessons as he or she progresses through the program, the school is required to have a reasonable procedure for projecting the completion date based on the student's progress before withdrawal.

If the completion date for all students in a non-term-based credit-hour program is the same, the total number

of calendar days in the period will be the same for all students.

**Affected Sections:** 4.7.A Return Amounts for Title IV Loan and Grant Programs  
**Effective Date:** Students who withdraw on or after February 13, 2004, as determined by the school.  
**Basis:** DCL GEN-04-03.  
**Policy Information:** 788/Batch 114  
**Guarantor Comments:** None.

#### **Disbursements for Students Enrolled in Foreign Schools**

The *Common Manual* has been updated to state that prior to disbursing Stafford funds directly to a student attending a foreign school, the lender must receive confirmation from the guarantor that the school the student plans to attend is eligible to participate in the FFELP and that the student has been accepted for enrollment at the school. In addition, the lender must notify the foreign school when it actually disburses the FFELP funds directly to the student.

**Affected Sections:** 7.7.E Disbursement for Students in Study-Abroad Programs or Foreign Schools  
**Effective Date:** Loans guaranteed on or after November 26, 2003.  
**Basis:** DCL G-03-348/L-03-242.  
**Policy Information:** 789/Batch 114  
**Guarantor Comments:** None.

#### **Payment Rules for Modular Programs and Mini-Sessions**

The *Common Manual* has been revised to include payment rules for students enrolled in modular programs and mini-sessions. A student who is enrolled in a modular program is not eligible to receive Stafford loan funds until the first module that he or she will actually attend. For example, the earliest that a school may deliver loan funds to a student who begins enrollment in the second of three five-week modules that comprise a payment period is 10 days prior to the first day of the second module (or 30 days after the date the second module begins if the borrower is subject to delayed delivery). A borrower subject to delayed delivery who is enrolled in a summer or winter mini-session that is less than 30 days in length is not eligible to receive Stafford loan funds until the student completes the first 30 days of his or her program of study. This may result in the school delivering the funds during a subsequent mini-session or during the next full term.

**Affected Sections:** 8.7.F Delivery to Borrowers in Special Circumstances  
**Effective Date:** Loan funds delivered by the school on or after July 1, 2003.  
**Basis:** 2003-04 *Federal Student Aid Handbook*, Volume 8, Chapter 6, page 8-62.  
**Policy Information:** 790/Batch 114  
**Guarantor Comments:** None.

#### **LaRS Report**

The *Common Manual* has been revised to provide more detailed information on the Lender's Interest Billing and Special Allowance Request and Report (LaRS report), including electronic submission of the LaRS report via the Lender Reporting System. Also, information related to the outdated ED Form 799 has been deleted.

**Affected Sections:** A.3.A ED Form 799 Submission  
A.3.B General Instructions for Completing ED Form 799  
A.3.C Summary of ED Form 799  
A.3.D ED Form 799 Codes  
**Effective Date:** Quarterly billings submitted by a lender on or after October 1, 2002.  
**Basis:** *LaRS External Users Guide*, Lender's Interest and Special Allowance Request and Report (LaRS) and Instructions.  
**Policy Information:** 791/Batch 114  
**Guarantor Comments:** None.

### **Blanket Guarantees**

The *Common Manual* has been updated to state that loan funds are not insured if any amount that is disbursed under an individual agreement with a guarantor (i.e., a blanket guarantee) exceeds the amount for which the borrower is eligible. The loss of insurance applies only if the lender knew or had reason to know that the borrower did not qualify for the loan or some part of the loan prior to the disbursement of loan funds.

**Affected Sections:** 7.7 Disbursing the Loan  
**Effective Date:** Loans originated under a blanket certificate of loan guarantee on or after October 1, 1998.  
**Basis:** HEA 428(n).  
**Policy Information:** 792/Batch 114  
**Guarantor Comments:** None.

### **Return of Unearned Loan Funds**

The *Common Manual* has been revised to reorganize existing language and remove redundant information pertaining to the return of unearned FFELP funds by a school for a student who does not return from an approved leave of absence. If a student does not return from an approved leave of absence, the school must perform a return of Title IV funds calculation and return unearned loan funds to the lender within 30 days of the date the leave of absence ended or within 30 days of the date the student notified the school that he or she would not be returning, whichever is earlier.

**Affected Sections:** 8.9.C Return of Unearned Loan Funds  
**Effective Date:** Official or 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:** None.  
**Policy Information:** 793/Batch 114  
**Guarantor Comments:** None.

### **Deferment Eligibility Chart**

The Deferment Eligibility Chart (Figure 10-1) has been revised by changing the category heading "Borrower Consolidates Before 7/1/93" to "Pre 7/1/93 Borrower." This change clarifies that borrowers who consolidate on or after July 1, 1993, but have an outstanding balance on non-consolidated FFELP loans that were made before July 1, 1993, are eligible for the deferments available to pre-July 1, 1993, borrowers. In addition, footnote #7 on the chart has been revised and relocated to clarify that a borrower who obtains a Federal Consolidation loan that repaid a loan(s) made before July 1, 1987, or who has an outstanding balance on a loan obtained prior to July 1, 1987, when the Federal Consolidation loan was obtained, is eligible for an in-school deferment only if the borrower is attending school full time.

**Affected Sections:** Figure 10-1 Deferment Eligibility Chart  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** §682.210.  
**Policy Information:** 794/Batch 114  
**Guarantor Comments:** None.

### **Due Diligence for Loans with a Rolling Delinquency or Special Occurrence**

Current policy may inadvertently imply that, in the case of a rolling delinquency or a special occurrence, a lender need only mail the final demand letter if the account is more than 120 days delinquent for loans with monthly repayment obligations (180 days delinquent for loans with repayment obligations less frequent than monthly).

The manual has been revised to clarify that, while no further diligent efforts to contact the borrower by telephone are required, a lender must mail the final demand letter and ensure that no gap of greater than 45

days in collection activity occurs. Also, a regulatory citation for language regarding “gaps” has been added to the text of the manual in subsections 11.4.A and 11.4.B.

**Affected Sections:** 11.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations  
11.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly

**Effective Date:** Loans on which the first day of delinquency on the oldest outstanding due date is on or after July 1, 1996, unless implemented earlier by the guarantor.

**Basis:** §682.411(b)(2); §682.411(d)(4).

**Policy Information:** 795/Batch 114

**Guarantor Comments:** None.

**Due Diligence Figures Added to the *Common Manual***

Three new figures have been added to chapter 11 of the *Common Manual* to provide quick references to the required due diligence time frames and activities. While these activities continue to be described in the manual's text, primarily in subsections 11.4.A and 11.4.B, the new figures provide an enhanced tool for easy reference.

**Affected Sections:** 11.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations  
11.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly

**Effective Date:** None.

**Basis:** §682.411.

**Policy Information:** 796/Batch 114

**Guarantor Comments:** None.

Reference # 787 – Verification Not Completed before the Student's Withdrawal  
Reference # 788 – Percentage of the Title IV Aid Earned for Withdrawal from a Non-term-based Credit-hour Program  
Reference # 789 – Disbursements for Students Enrolled in Foreign Schools  
Reference # 790 – Payment Rules for Modular Programs and Mini-Sessions  
Reference # 791 – LaRS Report  
Reference # 792 – Blanket Guarantees  
Reference # 793 – Return of Unearned Loan Funds  
Reference # 794 – Deferment Eligibility Chart  
Reference # 795 – Due Diligence for Loans with a Rolling Delinquency or Special Occurrence  
Reference # 796 – Due Diligence Figures Added to the *Common Manual*

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

Attachment

## Deferment Eligibility Chart

Figure 10-1

Form	Deferment Type	Time Limit	Stafford and SLS Loans			PLUS Loans				Consolidation Loans	
			Pre 7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87 to 6/30/93	New <sup>2</sup> Borrower 7/1/93	Loans Before 8/15/83	Pre 7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87 to 6/30/93	New <sup>2</sup> Borrower 7/1/93	Borrower Consolidates Before 7/1/93 <sup>7</sup>	New <sup>2</sup> Borrower 7/1/93 <sup>2</sup>
SCH	In-School: Full Time	None	•	•	•	•	•	•	•	•	•
	In-School: Half Time <sup>2</sup>	None		•	•			•	•	•	•
EDU	Graduate Fellowship	None	•	•	•	•	•	•	•	•	•
	Rehabilitation Training	None	•	•	•	•	•	•	•	•	•
	Teacher Shortage	3 Years		•							
	Internship/ Residency Training	2 years	•	•		•					
TDIS	Temporary Total Disability <sup>3</sup>	3 Years	•	•		•	•	•		•	
PUB	Armed Forces or Public Health Services <sup>4</sup>	3 Years	•	•		•					
	National Oceanic and Atmospheric Administration Corps <sup>4</sup>	3 Years		•							
	Peace Corps, ACTION Program and Tax-Exempt Organization Volunteer	3 Years	•	•		•					
UNEM	Unemployment	2 years	•	•		•	•	•		•	
	Unemployment	3 Years			•				•		•
PLWM	Parental Leave <sup>5</sup>	6 Months	•	•							
	Mother Entering/Reentering Work Force	1 Year		•							
HRD	Economic Hardship	3 Years			•				•		•
PLUS <sup>6</sup>	In-School: Full Time	None				•	•	•			
	In-School: Half Time	None				•	•	•			
	Rehabilitation Training	None				•	•	•			

<sup>1</sup> "New Borrower" 7/1/87 to 6/30/93: A borrower whose first FFELP loan was made on or after July 1, 1987, and before July 1, 1993, or who had an outstanding balance on a loan obtained on or after July 1, 1987, and before July 1, 1993, when he or she obtained a loan on or after July 1, 1993, or who had no outstanding balance on a Federal Consolidation loan made before July 1, 1993, that repaid a loan first disbursed before July 1, 1987.

<sup>2</sup> "New Borrower" 7/1/93: A borrower whose outstanding FFELP loans were all made on or after July 1, 1993, and when his or her first FFELP loan was made on or after July 1, 1993, had no outstanding FFELP loans that were made before July 1, 1993.

<sup>3</sup> A deferment may be granted during periods when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment because the borrower is caring for a dependent (including the borrower's spouse) who is temporarily totally disabled.

<sup>4</sup> Borrowers are eligible for a combined maximum of 3 years of deferment for service in NOAA, PHS, and Armed Forces.

<sup>5</sup> A parental leave deferment may be granted to a borrower in periods of no more than 6 months each time the borrower qualifies.

<sup>6</sup> Deferment for parent borrower during which the dependent student for whom the parent obtained a PLUS loan meets the deferment eligibility requirements.

<sup>7</sup> A borrower who received a Federal Consolidation loan before July 1, 1993 that repaid a loan made before July 1, 1987, for a period of enrollment beginning before July 1, 1987, or who had an outstanding balance on a FFELP loan obtained prior to July 1, 1987 when the Federal Consolidation loan was obtained, is eligible for in-school deferment only if the borrower attends school full time.

<sup>8</sup> A borrower with a Federal Consolidation loan made before July 1, 1993, or a  borrower who receives a Consolidation loan on or after July 1, 1993, who has  any outstanding FFELP loan(s) at the time of consolidation that was first  disbursed before July 1, 1993.

<sup>9</sup> A borrower who receives a Federal Consolidation loan made on or after July 1, 1993, who has no outstanding FFELP loans at the time of consolidation  that were made on or before July 1, 1993.

**Due Diligence Requirements for Loans with Monthly Repayment Obligations  
and  
With Repayment Obligations Less Frequent than Monthly**

<b>Borrower/Comaker</b>		
<b>Days Delinquent<sup>1</sup></b>		
<b>Monthly</b>	<b>Less Frequent Than Monthly</b>	
<b>Required Collection Activity<sup>3</sup></b>		
<u>1-15</u>	<u>1-15</u>	1 collection letter or written notice
<u>16-180</u>	<u>16-240</u>	4 diligent telephone efforts
		<b>Monthly Repayment Obligations</b>
		At least 1 diligent effort on or before the 90 <sup>th</sup> day of delinquency and 1 diligent effort after the 90 <sup>th</sup> day of delinquency
		AND
		4 collection letters
<u>60-120</u>	<u>60-120</u>	Default Aversion Assistance Request (DAAR)
<u>181-270<sup>2</sup></u>	<u>241-330<sup>2</sup></u>	Any collection efforts that urge the borrower to make required payments on the loan
<u>On or after 241<sup>2</sup></u>	<u>On or after 301<sup>2</sup></u>	1 final demand letter
<u>271-360</u>	<u>331-420</u>	Claim filing

<b>Endorser</b>		
<b>Days Delinquent<sup>1</sup></b>		
<b>Monthly</b>	<b>Less Frequent Than Monthly</b>	
<b>Required Collection Activity</b>		
<u>1-180</u>	<u>1-240</u>	1 diligent telephone effort
		AND
		2 collection letters
<u>On or after 241<sup>2</sup></u>	<u>On or after 301<sup>2</sup></u>	1 final demand letter

<sup>1</sup>A lender is permitted a 5-day tolerance at the end of each time frame during which due diligence activities are required with the exception of filing the claim.

<sup>2</sup>Any collection effort (verbal or written) made or performed as made-up activity after the final demand letter is mailed must support the final demand.

<sup>3</sup>The timing of the collection activities must ensure that no gaps of greater than 45 days occur through the 270<sup>th</sup> day of delinquency.

**Due Diligence with a Rolling Delinquency or Special Occurrence<sup>1</sup>****For loans with monthly repayment obligations**

<b><u>Days Delinquent Following Event</u></b>	<b><u>Diligent Efforts to Contact the Borrower by Telephone<sup>2</sup></u></b>	<b><u>Collection Letters<sup>2</sup></u></b>	<b><u>Default Aversion Assistance Request (DAAR)<sup>2</sup></u></b>	<b><u>Collection Efforts 181-270 Days of Delinquency<sup>2</sup></u></b>	<b><u>Final Demand<sup>3</sup></u></b>
<u>1 – 15</u>	<u>During the 16<sup>th</sup> -180<sup>th</sup> day of delinquency: 4 diligent efforts (at least 1 on or before the 90<sup>th</sup> day of delinquency, and at least 1 after the 90<sup>th</sup> day of delinquency)</u>	<u>During the 16<sup>th</sup> -180<sup>th</sup> day of delinquency: 4 written notices or collection letters</u>	<u>During the 60<sup>th</sup>-120<sup>th</sup> day of delinquency: if not submitted previously, or if not active, request DAAR</u>	<u>Continue efforts that urge the borrower to make payments on the loan</u>	<u>Send anytime the loan becomes 241 days or more delinquent</u>
<u>16 – 90</u>	<u>On or before the 180<sup>th</sup> day of delinquency: 2 diligent efforts</u>	<u>On or before the 180<sup>th</sup> day of delinquency: if diligent efforts are unsuccessful, send 2 forceful letters</u>  <u>If one telephone contact only, send 1 forceful letter on or before the 180<sup>th</sup> day of delinquency</u>	<u>During the 60<sup>th</sup> -120<sup>th</sup> day of delinquency: if not previously submitted, or if not active, request DAAR</u>	<u>Continue efforts that urge the borrower to make payments on the loan</u>	<u>Send anytime the loan becomes 241 days or more delinquent</u>
<u>91 – 120</u>	<u>On or before the 180<sup>th</sup> day of delinquency: 1 diligent effort</u>	<u>On or before the 180<sup>th</sup> day of delinquency: if diligent effort is unsuccessful, send 1 forceful letter</u>	<u>During the 60<sup>th</sup> -120<sup>th</sup> day of delinquency: if not previously submitted, or if not active, request DAAR</u>	<u>Continue efforts that urge the borrower to make payments on the loan</u>	<u>Send anytime the loan becomes 241 days or more delinquent</u>
<u>121 - +</u>	<u>No diligent efforts required but must ensure no gaps greater than 45 days</u>	<u>No diligent efforts required but must ensure no gaps greater than 45 days</u>	<u>If not previously submitted, or if not active, request DAAR</u>	<u>Continue efforts that urge the borrower to make payments on the loan</u>	<u>Send anytime the loan becomes 241 days or more delinquent</u>

<sup>1</sup> The timing of the collection activities must ensure that no gaps of greater than 45 days occur through the 270<sup>th</sup> day of delinquency.

<sup>2</sup>A lender is permitted a 5-day tolerance at the end of each time frame during which due diligence activities are required, with the exception of filing the claim.

<sup>3</sup>Any collection effort (verbal or written) made or performed as made-up activity after the final demand letter is mailed must support the final demand.

**Due Diligence with a Rolling Delinquency or Special Occurrence<sup>1</sup>****For loans with repayment obligations less frequent than monthly**

<b><u>Days Delinquent Following Event</u></b>	<b><u>Diligent Efforts to Contact the Borrower by Telephone<sup>2</sup></u></b>	<b><u>Collection Letters<sup>2</sup></u></b>	<b><u>Default Aversion Assistance Request (DAAR)<sup>2</sup></u></b>	<b><u>Collection Efforts 241-330 Days of Delinquency<sup>2</sup></u></b>	<b><u>Final Demand<sup>3</sup></u></b>
<u>1 – 15</u>	<u>During the 16<sup>th</sup> - 240<sup>th</sup> day of delinquency: 4 diligent efforts (at least 1 on or before the 120<sup>th</sup> day of delinquency and at least 1 after the 120<sup>th</sup> day of delinquency)</u>	<u>During the 16<sup>th</sup> - 240<sup>th</sup> day of delinquency: 4 written notices or collection letters</u>	<u>During the 60<sup>th</sup> –120<sup>th</sup> day of delinquency: if not previously submitted or if not active, request DAAR</u>	<u>Continue efforts that urge the borrower to make payments on the loan</u>	<u>Send anytime the loan becomes 301 days or more delinquent</u>
<u>16 – 120</u>	<u>On or before the 240<sup>th</sup> day of delinquency: 2 diligent efforts</u>	<u>On or before the 240<sup>th</sup> day of delinquency: if diligent efforts are unsuccessful, send 2 forceful letters</u>  <u>If one telephone contact only, send 1 forceful letter on or before the 240<sup>th</sup> day of delinquency</u>	<u>During the 60<sup>th</sup> - 120<sup>th</sup> day of delinquency: if not previously submitted or if not active, request DAAR</u>	<u>Continue efforts that urge the borrower to make payments on the loan</u>	<u>Send anytime the loan becomes 301 days or more delinquent</u>
<u>121-180</u>	<u>On or before the 240<sup>th</sup> day of delinquency: 1 diligent effort</u>	<u>On or before the 240<sup>th</sup> day of delinquency: if diligent effort is unsuccessful, send 1 forceful letter</u>	<u>60<sup>th</sup> –120<sup>th</sup> day of delinquency: if not previously submitted, or if not active, request DAAR</u>	<u>Continue efforts that urge the borrower to make payments on the loan</u>	<u>Send anytime the loan becomes 301 days or more delinquent</u>
<u>181 - +</u>	<u>No diligent efforts required but must ensure no gaps greater than 45 days</u>	<u>No diligent efforts required but must ensure no gaps greater than 45 days</u>	<u>If not previously submitted, or if not active, request DAAR</u>	<u>Continue efforts that urge the borrower to make payments on the loan</u>	<u>Send anytime the loan becomes 301 days or more delinquent</u>

<sup>1</sup> The timing of the collection activities must ensure that no gaps of greater than 45 days occur through the 270<sup>th</sup> day of delinquency.

<sup>2</sup>A lender is permitted a 5-day tolerance at the end of each time frame during which due diligence activities are required with the exception of filing the claim.

<sup>3</sup>Any collection effort (verbal or written) made or performed as made-up activity after the final demand letter is mailed must support the final demand.