



## IMPORTANT UPDATE

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

**FROM:** Jessie Cooper, Compliance Officer  
Georgia Student Finance Commission

**DATE:** May 5, 2006

**SUBJECT:** COMMON MANUAL, *Unified Student Loan Policy Bulletin 87*

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 # 859 – Death of a Student or Parent  
Reference # 860 – Loan Delivery via Stored-Value Cards  
Reference # 861 – Master Promissory Note (MPN) Signed after the Date of the Student's Withdrawal  
Reference # 862 – Exceptional Circumstances for Certifying an Additional Unsubsidized Loan for a Dependent Student  
Reference # 863 – HEROS Act Waivers  
Reference # 864 – Required Updates to Dependency Status

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

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. These changes will also be incorporated into the April 2006 *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.

### Death of a Student or Parent

The *Common Manual* has been updated to include guidance for schools and lenders to follow in the event of a student or parent borrower's death. Information has been added to address the following issues:

1. Certification of an additional unsubsidized Stafford loan for a student whose parent dies during the loan period.
2. Lender cancellation of a Stafford or PLUS loan disbursement if the borrower, or student for whom a PLUS loan was borrowed, dies before all disbursements of the loan are consummated.
3. Treatment of a Title IV credit balance when a student dies.
4. Return of loan funds for a deceased borrower.
5. Determining the withdrawal date for a deceased student.
6. Disbursements that are not consummated at the time of the borrower's or student's death.

The school is not permitted to deliver Stafford or PLUS loan funds if the student has died. In addition, if the parent who borrowed the PLUS loan dies, the school may not deliver the PLUS loan funds after the date of the parent's death. The death of the parent creates sufficient "exceptional circumstances" to permit the school to certify additional unsubsidized Stafford loan funds for the dependent student for the current academic year if those funds would not result in the student exceeding applicable annual or aggregate loan limits.

If the student dies at any time during the loan period, the school must perform a return of Title IV funds calculation and must return all Title IV funds for which it is responsible. However, the student's estate is not responsible for returning any unearned funds that would be the responsibility of the student to repay. A school may not under any circumstances make a late disbursement or a post-withdrawal disbursement of Title IV funds on behalf of a student who has died.

Text has been added to state that the student's withdrawal date is the date related to any of the following conditions that result in the student's withdrawal:

- Illness.
- Accident.
- Grievous personal loss.
- Death.
- Other circumstances beyond the student's control.

If the lender learns that a borrower—or student, in the case of a PLUS loan—died before a disbursement is consummated, the lender must cancel all remaining disbursements. If after forwarding a loan disbursement to a school, the lender learns that the borrower—or student, as applicable—died before a disbursement is consummated, the lender must contact the school and request an immediate repayment of the ineligible funds.

### Affected Sections:

- 6.15.D Additional Unsubsidized Stafford Loan Certification**
- 7.7.K Disbursement Cancellation**
- 8.8 Managing Credit Balances**
- 8.9 Return of Loan Funds**
- 9.4 Withdrawal Dates**
- 9.5.A. Return Amounts for Title IV Grant and Loan Programs**
- 13.8.C Death**
- 13.9.B Teacher Loan Forgiveness Program**

<b>Effective Date:</b>	Updates to return of Title IV funds requirements are effective October 7, 2000, unless implemented earlier by the school on or after November 1, 1999. All other updates are effective retroactive to the implementation of the <i>Common Manual</i> .
<b>Basis:</b>	§668.22(c)(1)(iv); 2005-06 <i>Federal Student Aid Handbook</i> , Volume 5, Chapter 2, pages 5-65, and 5-79; private letter guidance from George Harris (Department of Education) to Reitha Scott, Florida Department of Education; private letter guidance from Jeff Baker (Department of Education) to the Honorable David Wu, U.S. House of Representatives; and private letter guidance from Jamie Malone, (Department of Education, Region V) to Greg Schweitzer, Great Lakes Higher Education Guaranty Corporation.
<b>Policy Information:</b>	859/Batch 129
<b>Guarantor Comments:</b>	None.

### **Loan Delivery via Stored Value Cards**

The *Common Manual* has been updated to include the stored-value card as an acceptable method of delivery. The school must obtain the student or parent borrower's authorization, as applicable, to deliver Title IV funds using a stored-value card, and the following conditions must be met:

- The value of the card must be convertible to cash and may not be limited to specific vendors.
- The student must not incur any fees for using the card to withdraw the disbursement over a reasonable period of time. It would be reasonable to allow automated teller machine (ATM) withdrawals to be free, or to provide several free withdrawals per month. It would also be reasonable to charge a fee for use of an ATM that is not affiliated with the issuing bank, as long as ATMs from the issuing bank are conveniently located for the student.
- The student must not be charged by either the school or the affiliated bank for the issuing of a stored-value card. The student may be charged for a replacement card.
- The bank must have an individual account for each student that is insured by the Federal Deposit Insurance Corporation (FDIC).
- The school must not make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.
- The account must not be marketed or portrayed as a credit card account, nor be structured to be converted into a credit card at any time after it is issued. The issuing bank may not link the stored-value card account to any other banking services it may offer, such as checking, savings, or credit card accounts.
- The school must inform the student of any terms and conditions associated with accepting and using the stored-value card.
- The school must ensure that its stored-value card process meets all regulatory time frames for delivery of loan proceeds or payment of Title IV credit balances.
- The student's access to the funds on the stored-value card must not be contingent upon the student's continued enrollment, academic status, or financial standing with the school.

<b>Affected Sections:</b>	<b>8.3 Required Authorizations</b> <b>8.7.H Delivery Methods</b>
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<b>Effective Date:</b>	Loan proceeds delivered by a school on or after October 27, 2005, unless implemented earlier by the school.
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<b>Basis:</b>	<i>Dear Colleague Letter</i> GEN-05-16, Q&A #18 and #20.
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<b>Policy Information:</b>	860/Batch 129
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<b>Guarantor Comments:</b>	None.
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### **Master Promissory Note (MPN) Signed after the Date the Student Lost Eligibility**

The *Common Manual* has been updated to specify that a borrower is not required to sign the Master Promissory Note (MPN) prior to the end of the loan period or the date on which the student ceased to be enrolled at least half time to be eligible for a late delivery of Stafford or PLUS loan funds. However, the borrower must sign the MPN before a lender may make a late disbursement of loan funds. In order for a school to include Stafford or PLUS loan funds, as applicable, as "aid that could have been disbursed" in the return of Title IV funds calculation, or for a school to make a post-withdrawal disbursement, the borrower must have signed the MPN prior to the date the school completes the calculation.

**Affected Sections:** 8.7.E Late Delivery  
9.5.A Return Amounts for title IV grant and Loan Programs  
**Effective Date:** Return of title IV funds calculations completed on or after October 27, 2005.  
**Basis:** *Dear Colleague Letter* GEN-05-16, Q&A #1, #2 and #3.  
**Policy Information:** 861/Batch 129  
**Guarantor Comments:** None.

### **Exceptional Circumstances for Certifying Additional Unsubsidized Stafford Loan Funds for a Dependent Student**

The *Common Manual* has been updated to include additional 'exceptional circumstances' that a school may use to certify additional unsubsidized Stafford loan funds for an otherwise eligible dependent student. These circumstances may include, but are not limited to:

- The dependent student's parent is not a U.S. citizen or eligible noncitizen and the dependent student is otherwise eligible for the additional unsubsidized Stafford loan.
- The dependent student's parent files a bankruptcy petition and provides the school with an official letter from the bankruptcy court confirming that the parent has filed for bankruptcy and is prohibited from incurring additional debt.
- The dependent student's parent is in default on a Title IV loan.

**Affected Sections:** 6.15.D Additional Unsubsidized Loan Certification  
**Effective Date:** Retroactive to the implementation of the *Common Manual*.  
**Basis:** §682.201(b)(1)(iv); *Dear Colleague Letter* GEN-05-16, Q&A #5 and #6.  
**Policy Information:** 862/Batch 129  
**Guarantor Comments:** None.

### **HEROES Act Waivers**

The *Common Manual* history appendix has been revised by adding a new entry, dated October 20, 2005, for the publication date of the *Federal Register* that extends the HEROES Act waivers until September 30, 2007. A new section of the history appendix, H.4, entitled Statutory and Regulatory Waivers, has been created for the HEROES Act waivers and any future waivers that the Department may publish pursuant to hurricane disaster relief or other special circumstances. Section H.4 describes "affected individuals" as defined in the HEROES Act and provides for quick reference a chart that indicates which of the HEROES Act waivers or modifications apply to six different groups of individuals. The text of section H.4 summarizes the current requirement that each waiver affects, includes appropriate cross-references for more comprehensive information about each current requirement, describes each waiver or modification in detail, and discusses documentation requirements associated with granting the HEROES Act waivers or modifications.

As a technical edit, standardized cross-referencing language will be inserted into the manual's policy text to refer the reader to section H.4 of appendix H for more information about the HEROES Act waiver or modification that applies to the policy's topic.

**Affected Sections:** appendix H  
**Effective Date:** December 12, 2003, through September 30, 2007.  
**Basis:** *Federal Registers* dated December 12, 2003, and October 20, 2005; Public Laws 108-76 and 109-78.  
**Policy Information:** 863/Batch 129  
**Guarantor Comments:** None.

### **Required Updates to a Student's Dependency Status**

The *Common Manual* has been updated to state that a student must update his or her dependency status if it changes at any time during the award year unless it changes because the student's marital status changes. If an unmarried and otherwise dependent student marries after he or she submits the FAFSA, the student remains dependent for the rest of that award year. If the student is still married when he or she submits the FAFSA for the next award year, the student is independent for that award year. If a married student divorces after he or she submits the FAFSA, the student remains independent for the current award year. However, if the student is independent in the current award year solely because he or she is married, the student is dependent in the next award year if he or she cannot answer "yes" to any of the dependency questions on the FAFSA.

If the student's last remaining parent dies after the FAFSA is submitted, the student must update his or her dependency status on the Student Aid Report (SAR) and report income and assets as an independent student.

After the school certifies a Stafford loan, the certification record cannot be changed to reflect a change in dependency status. However, the school may use the updated status to recalculate the expected family contribution (EFC) and certify additional loans if the student qualifies. The school is liable for any overpayment of Stafford loan funds due to recalculation errors.

<b>Affected Sections:</b>	<b>6.8 Determining Updates to Dependency Status</b>
<b>Effective Date:</b>	Retroactive to the implementation of the Common Manual.
<b>Basis:</b>	2005-06 <i>Federal Student Aid Handbook</i> , Application and Verification Guide, Chapter 2, pages AVG-23 and AVG-29, and Chapter 5, page AVG-97.
<b>Policy Information:</b>	864/Batch 129
<b>Guarantor Comments:</b>	None.