



IMPORTANT UPDATE

TO: Financial Aid Officers
Student Loan Officers

FROM: Jessie Cooper, Compliance Officer
Georgia Student Finance Commission

DATE: September 14, 2006

SUBJECT: COMMON MANUAL, *Unified Student Loan Policy Bulletin 90*

The attached policy change summaries have been prepared by the nation's guarantors in order to clarify, revise or correct existing policies contained in the Common Manual. The effective date associated with each provision is noted at the end of each section.

The following summaries are listed in the order that the policy changes were passed:

- Reference # 882 – Academic Year Definition
- Reference # 883 – Elimination of Request for Early Repayment
- Reference # 884 – Federal Default Fee
- Reference # 885 – Fraud Charges and Title IV Eligibility
- Reference # 886 – False Certification Due to Identity Theft
- Reference # 887 – Reduction of the Origination Fee
- Reference # 888 – Return of Title IV Funds
- Reference # 889 – Cost of Attendance
- Reference # 890 – Independent Student Definition
- Reference # 891 – Treatment of Qualified Education Benefits
- Reference # 892 – Assistance from States

If you have any questions about the attached bulletin, please contact Jessie Cooper at 770-724-9139 or 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 July 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 in the e-library. Please carefully note the effective date of each policy change.

Academic Year Definition

The *Common Manual* has been updated to incorporate changes derived from the HERA of 2005. This change reduces the minimum academic year requirement for a program of study measured in clock hours from 30 weeks to 26 weeks.

Affected Sections:	6.1 Defining an Academic Year 6.11.E Prorated Loan Limits
Effective Date:	Loan periods beginning on or after July 1, 2006.
Basis:	Higher Education Act of 1965, Section 481(a)(2), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05.
Policy Information:	882/Batch 132
Guarantor Comments:	None.

Elimination of Request for Early Repayment

The *Common Manual* has been revised to reflect statutory changes derived from the HERA that eliminate a Stafford borrower's option of waiving all or a portion of his or her grace period in order to enter repayment early.

Affected Sections:	10.3 Grace Period
Effective Date:	Stafford borrower requests for early repayment received by the lender on or after July 1, 2006.
Basis:	Higher Education Act of 1965, Section 428(b)(7)(A), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.
Policy Information:	883/Batch 132
Guarantor Comments:	None.

Federal Default Fee

The *Common Manual* has been updated to reflect the change from guarantee fee to federal default fee as made to the HEA through the HERA of 2005. A definition was added to the glossary that states that the federal default fee is collected either by deduction from the proceeds of the loan or from other nonfederal sources. The HEA requires that this fee equal one percent of the loan's principal. In addition, the glossary has been revised to define "guarantee fee" as a fee the guarantor was permitted to charge on a loan disbursed on or after July 1, 1994, and for which the date of guarantee of principal was before July 1, 2006.

Affected Sections:	7.8 Processing Guarantee Fees appendix G
Effective Date:	Federal Stafford and PLUS loans guaranteed on or after July 1, 2006.
Basis:	Higher Education Act of 1965, Section 428(b)(1)(H)(i) and (ii) and Section 428H(h), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.
Policy Information:	884/Batch 132
Guarantor Comments:	None

Fraud Charges and Title IV Eligibility

The *Common Manual* has been revised to state that a student or parent borrower who has been convicted of, or pleaded guilty or *has nolo contendere* to, a crime involving fraud in obtaining Title IV assistance is ineligible for additional Title IV funds until the student or parent, as applicable, repays the funds that were obtained fraudulently. Title IV grant funds that were obtained fraudulently must be repaid to the Department; Title IV loan funds obtained fraudulently must be repaid to the holder of the loan. The student or parent borrower's eligibility under this provision based on the certification provided in the Master Promissory Note (MPN). Regardless of the MPN certification, if either the school or the lender has conflicting information regarding the eligibility of the student or parent borrower, this discrepancy must be resolved before additional Title IV funds may be disbursed or delivered.

- Affected Sections:**
- 5.1.A General Borrower and Student Eligibility Requirements
 - 5.7 Effect of Drug Conviction on Eligibility
 - 5.8 Required High School diploma or Equivalent
 - 5.9 Ability-to-Benefit Provisions
 - 5.9.A Testing ATB Students with Special Needs
 - 5.9.B School Liability in ATB Testing
 - 5.10 Student Enrollment Requirements
 - 5.11 Use of Telecommunications and Correspondence in Programs of Study
 - 5.12 Foreign Schools and Study-Abroad Programs
 - 5.12.A Study at Participating Foreign Schools
 - 5.12.B Study-Abroad Programs
 - 5.13 Eligibility Requirements Specific to Transfer Students
 - 5.13.A Financial Aid History for Transfer Students
 - 5.13.B Students Who Transfer after Full Disbursement of the Loan
 - 5.14 Multiple School Enrollment
 - 5.15 Ineligible Borrowers
 - 5.15.A Ineligibility Based on Borrower Error
 - 5.15.B Ineligibility Based on School Error
 - 5.15.C Ineligibility Based on Lender Error

- Effective Date:** Loan periods beginning on or after July 1, 2006.
- Basis:** Higher Education Act of 1965, Sections 428B(a)(1) and 484(a)(6), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05.
- Policy Information:** 885/Batch 132
- Guarantor Comments:** None.

False Certification Due to Identity Theft

The *Common Manual* is being revised to add information about loan discharge for false certification due to a crime of identity theft. Until the date that the Department's applicable discharge regulations are effective, a lender may provide administrative forbearance on a borrower's potentially eligible loan(s) if a borrower presents evidence, on or after July 1, 2006, that the lender believes to be reasonably persuasive, showing that the borrower's loan(s) may have been falsely certified due to a crime of identity theft.

- Affected Sections:** Figure 11-2 Forbearance Eligibility Chart
11.19.C Closed School or False Certification
13.8.D False Certification
- Effective Date:** False certification due to identity theft documentation provided to a lender on or after July 1, 2006.
- Basis:** Higher Education Act of 1965, Section 437(c)(1), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.
- Policy Information:** 886/Batch 132
- Guarantor Comments:** None.

Reduction of the Origination Fee

The *Common Manual* has been revised to state that the maximum origination fee that may be charged to a Stafford loan borrower will be reduced, and eventually eliminated, beginning July 1, 2006, as follows:

- For a Stafford loan first disbursed on or after July 1, 2006, the maximum origination fee that a lender may charge is 2%.
- For a Stafford loan first disbursed on or after July 1, 2007, the maximum origination fee that a lender may charge is 1.5%.
- For a Stafford loan first disbursed on or after July 1, 2008, the maximum origination fee that a lender may charge is 1%.
- For a Stafford loan first disbursed on or after July 1, 2009, the maximum origination fee that a lender may charge is 0.5%.
- For a Stafford loan first disbursed on or after July 1, 2010, there will be no origination fee (the fee will be eliminated).

These reductions are not applicable to PLUS loans made either to parents or to graduate and professional students. The lender must charge the full 3% origination fee to any PLUS borrower.

Affected Sections:	3.5.A Federal Origination Fee and Lender Fee 7.9.A Collecting the Origination Fee Figure 7-4 Examples of Calculating Guarantee Fee Refunds
Effective Date:	Stafford loans first disbursed by the lender on or after July 1, 2006, July 1, 2007, July 1, 2008, July 1, 2009, and July 1, 2010, respectively.
Basis:	Higher Education Act of 1965, Section 438(c)(2)(B), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.
Policy Information:	887/Batch 132
Guarantor Comments:	None.

Return of Title IV Funds

The *Common Manual* has been updated to incorporate changes to the return of Title IV funds requirements derived from the HERA, as follows:

- The method for computing the percentage of the payment period or period of enrollment completed for a student who withdraws from a clock-hour program has been simplified. That percentage is now determined by dividing the total number of clock hours comprising the payment period or period of enrollment for which assistance is awarded into the number of clock hours scheduled to be completed by the student in that period as of the day the student withdrew.
- The return of Title IV funds requirements no longer apply to LEAP, SLEAP, GEAR UP, and SSS funds. Federal Work-Study funds and the nonfederal share of an FSEOG award (if the school meets its matching share by the individual recipient method or the aggregate method) continue to be excluded from the calculation.
- The time frame in which the school must return funds under the return of Title IV calculation has been lengthened from 30 days to 45 days after the date the school determines that the student has withdrawn.
- The amount of a grant overpayment due from a student as a result of the return of Title IV funds calculation is limited to the amount by which the original grant overpayment amount exceeds half of the total Title IV grant funds that the student received. A student is not required to repay a grant overpayment of \$50 or less resulting from the return of Title IV funds calculation.

Affected Sections:	8.9.C Return of Unearned Loan Funds 9.4 Withdrawal Dates 9.5.A Return Amounts for Title IV Grant and Loan Programs 9.5.B Processing Returned Funds 9.5.D Return of Title IV Funds Calculations for Students Subject to Verification
Effective Date:	Withdrawals that occur on or after July 1, 2006.
Basis:	Higher Education Act of 1965, Sections 484B(a)(3)(B)(ii), 484B(b)(1), 484B(b)(2)(C), and 484B(d)(2), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05.

Policy Information: 888/Batch 132
Guarantor Comments: None.

Cost of Attendance

The *Common Manual* has been updated to give a school the option to include a cost of attendance (COA) component for the one-time cost of obtaining the first professional credential, as determined by the school, for a student enrolled in a program that requires professional licensure or certification. The license or certification must be required by a state or must be commonly accepted as required to practice or be employed in the profession. In addition, the cost must be incurred while the student is enrolled in school and must not include costs associated with preparing the student for a test required for licensing or certification unless the preparation is part of the eligible program.

Affected Sections: **6.5.A COA Components**
Effective Date: Loan periods beginning on or after July 1, 2006.
Basis: Higher Education Act of 1965, Section 472(13), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05 and GEN-06-10.
Policy Information: 889/Batch 132
Guarantor Comments: None.

Independent Student Definition

The *Common Manual* has been updated to add a new circumstance under which a student may be considered to be independent for Title IV purposes. For the purpose of determining a student's dependency status, a student is considered to be independent if he or she is currently serving on active duty in the U.S. Armed Forces or is a National Guard or Reserves enlistee and is called to active duty for purposes other than training. In this case, active duty does not include a call into active duty for state purposes.

Affected Sections: **6.8 Determining the Student's Dependency Status**
Effective Date: Loan periods beginning on or after July 1, 2006.
Basis: Higher Education Act of 1965, Section 480(d)(3), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letters GEN-06-05 and GEN-06-10.
Policy Information: 890/Batch 132
Guarantor Comments: None.

Treatment of Qualified Education Benefits

The *Common Manual* has been updated to remove qualified education benefits from the calculation of a student's estimated financial assistance.

The manual has also added the definition of "qualified education benefit" to the glossary, as follows:

Qualified Education Benefit - Refers to qualified tuition programs (e.g., 529 prepaid tuition plans and savings plans), prepaid tuition plans offered by a state, and Coverdell education savings accounts.

Affected Sections: **6.7 Determining the Amount of Estimated Financial Assistance appendix G**
Effective Date: Loan periods beginning on or after July 1, 2006.
Basis: Higher Education Act of 1965, Sections 480(f)(3) and (4), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letters GEN-06-05 and GEN-06-10.
Policy Information: 891/Batch 132
Guarantor Comments: None.

Assistance from States

The *Common Manual* has been updated to state that any non-Title IV state assistance that the state specifies must be used to pay a specific component of the cost of attendance (COA) may be excluded from the EFA if the costs paid by those state funds are also excluded from the COA.

Affected Sections:	6.5 Determining the Student's Cost of Attendance (COA) 6.7 Determining the Amount of Estimated Financial Assistance (EFA)
Effective Date:	Loan periods beginning on or after July 1, 2006.
Basis:	Higher Education Act of 1965, Section 480(j)(3), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05.
Policy Information:	892/Batch 132
Guarantor Comments:	None.