



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 91*

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 # 893 – PLUS Loans for Graduate and Professional Students
Reference # 894 – Program Eligibility Using Direct Assessment
Reference # 895 – Expansion of Eligibility to Telecommunications and Correspondence Programs
Reference # 896 – Exceeding Loan Limits
Reference # 897 – Change in PLUS Interest Rate
Reference # 898 – Late Disbursement and Post-Withdrawal Disbursement of FFELP Funds
Reference # 899 – New Military Deferment
Reference # 900 – Forbearance Agreements
Reference # 901 – Ineligible Borrower Claims
Reference # 902 – Special Allowance Rates

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.

PLUS Loans for Graduate and Professional Students

The *Common Manual* has been updated to include information about graduate and professional student PLUS (Grad PLUS) loans. A school that participates in the Federal PLUS Loan Program and offers both undergraduate and graduate or professional programs must offer PLUS loans both to parents who wish to borrow on behalf of their dependent undergraduate students and the school's graduate and professional students. Schools are not permitted to exclude either category of borrower from participation in the Federal PLUS Loan Program.

Before applying for a PLUS loan, the graduate or professional student is required to complete a Free Application for Federal Student Aid (FAFSA) and the school is required to determine the student's maximum eligibility for subsidized and unsubsidized Stafford loan funds. However, the student may decline the Stafford loan funds and the school may not require the student to accept Stafford loan funds as a condition of applying for a Grad PLUS loan.

The PLUS MPN may be used by a graduate or professional student borrower to obtain one or more Grad PLUS loans. The graduate or professional student borrower completes both the student and the parent sections of the PLUS MPN with information about the graduate or professional student, and submits it to the school, the lender, or the guarantor, depending on the process established by the school. A school may certify a Grad PLUS loan for a graduate or professional student only if the student meets the eligibility criteria for both a student and a Grad PLUS loan borrower.

A school determines a graduate or professional student borrower's maximum eligibility for a Grad PLUS loan by subtracting from the cost of attendance (COA) the estimated financial assistance (EFA) that the student is expected to receive for the loan period.

In addition, the following glossary definitions have been added to the manual:

Grad PLUS Loan: A PLUS loan made to a graduate or professional student.

Parent PLUS Loan: A PLUS loan made to the parent of a dependent undergraduate student.

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|---------------------------|---------------|-----------------------------------------------------------------------------------|
| Affected Sections: | 2.1.B | Types of Loans Available |
| | 2.2 | The Life of a FFELP Loan |
| | 2.2.A | Origination |
| | 3.4.A | Recordkeeping Requirements |
| | 4.5 | Recordkeeping Requirements |
| | 5.1.A | General Borrower and Student Eligibility Requirements |
| | 5.1.B | Student Eligibility Requirements |
| | 5.1.C | Parent Borrower Eligibility Requirements |
| | 5.2 | Federal Data Matches |
| | 5.2.D | Prior Overpayment |
| | 5.2.E | Prior Default |
| | 5.11 | Use of Telecommunications and Correspondence in Programs of Study |
| | 5.12.A | Study at Participating Foreign Schools |
| | 5.12.B | Study-Abroad Programs |
| | 5.14 | Multiple School Enrollment |
| | 6.11.C | Increased Unsubsidized Stafford Loan Limits for Health Profession Students |
| | 6.11.D | Exceeding Loan Limits |

- 6.11.E Prorated Loan Limits
- 6.11.F Effects of Consolidation Loan on New Stafford Loan Eligibility
- 6.15 School Certification of the Loan
- 6.15.C PLUS Loan Certification
- 6.16 Applying for Federal Stafford and PLUS Loans
- 7.1.A General Determinations
- 7.1.B Creditworthiness
- 7.2.A Lender Responsibilities under a Master Promissory Note
- 7.7.C Disbursement by Individual Check
- 7.7.D Disbursement by Electronic Funds Transfer (EFT) or Master Check
- 7.7.E Disbursement for Students in Study-Abroad Programs or Foreign Schools
- 8.2 Required Notices
- 8.7 Delivering Loan Funds at Eligible Schools
- 8.7.C Early Delivery
- 8.7.E Late Delivery
- 8.7.H Delivery Methods
- 8.8.C Treatment of a Title IV Credit Balance When a Student Withdraws
- 8.9.D Return of Loan Funds for a Deceased Borrower
- 9.4 Withdrawal Dates
- 9.5 Return of Title IV Funds
- 9.5.A Return Amounts for Title IV Loan and Grant Programs
- 9.5.D Return of Title IV Funds Calculations for Students Subject to Verification
- 10.1 Verifying Enrollment
- 10.5.D Revised Out-of-School Dates before Conversion to Repayment
- 11.1 Authorized Deferment
- 11.5.A Eligibility Criteria—In School
- 11.12.A Eligibility Criteria—Rehabilitation Training Program
- Figure 12-5
- Figure 13-1
- Figure 13-2
- appendix G

Effective Date: Loans certified by the school on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 428(B), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02/FP-06-01; Dear Colleague Letter FP-06-05.

Policy Information: 893/ Batch 133

Guarantor Comments: None.

Program Eligibility Using Direct Assessment

The *Common Manual* has been updated to include direct assessment as a means of measuring student learning, in addition to the existing measures of clock and credit hours. Direct assessment must be consistent with the accreditation of the school or program utilizing the results of the assessment. The Department must determine whether such a program is an eligible program for Title IV purposes.

Affected Section: 4.1.C Maintaining Eligibility

Effective Date: Loan periods beginning on or after July 1, 2006, for programs that are approved by the Department.

Basis: Higher Education Act of 1965, Section 481(b)(4), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05.

Policy Information: 894 /Batch 133

Guarantor Comments: None.

Expansion of Eligibility to Telecommunications and Correspondence Programs

The *Common Manual* has been updated to expand the definition of “eligible programs” as it relates to the use of telecommunications in programs of study. Revised policy clarifies that courses offered by telecommunications are no longer considered to be correspondence courses, and students enrolled in telecommunications courses are no longer considered to be correspondence students. As a result, an otherwise eligible school that offers over 50 percent of its courses by telecommunications, or has 50 percent or more of its regular students enrolled in telecommunications courses, is now eligible to participate in the Title IV programs. Revised policy also reflects that a student enrolled in a short-term certificate program of less than one year offered by telecommunications is now eligible for Title IV program assistance. A program of study offered at a foreign school that includes a telecommunications course is ineligible for Title IV program assistance. Telecommunications technologies may be used in the foreign school classroom to supplement and support instruction offered as part of an otherwise eligible program.

The 50-percent limitations continue to apply to correspondence courses and the students enrolled in those courses

Affected Sections: 5.11 Use of Telecommunications and Correspondence in Programs of Study

appendix G

Effective Date: Loan periods beginning on or after July 1, 2006.

Basis: Higher Education Act of 1965, Sections 481(b)(3) and 484(l)(1), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letters GEN-06-05 and GEN-06-11; 2006-2007 *Federal Student Aid Handbook*.

Policy Information: 895Batch 133

Guarantor Comments: None.

Exceeding Loan Limits

The *Common Manual* is updated to provide additional clarification regarding satisfactory repayment arrangements in situations where a student inadvertently exceeds the annual or aggregate loan limit. If a Stafford borrower inadvertently exceeds an annual or aggregate loan limit under a Title IV program, the loan holder may allow the student to sign an agreement acknowledging the debt and affirming the borrower’s intention to repay the excess amount as part of the normal repayment process. Additionally, consolidation of the loan(s) that exceeded the annual or aggregate loan limit is considered a satisfactory repayment arrangement

Affected Sections: 6.11.D Exceeding Loan Limits

Effective Date: Satisfactory repayment arrangements for overpayments created by inadvertent overborrowing made on or after July 1, 2005, unless implemented earlier by the lender.

Basis: §668.35(d)(2); 2005-06 *Federal Student Aid Handbook*, Volume 5, Chapter 1, Page 5-7.

Policy Information: 896/Batch 133

Guarantor Comments: None.

Change in PLUS Interest Rate

The *Common Manual* has been amended to reflect the statutory change made by the HERA to require a FFELP PLUS loan first disbursed on or after July 1, 2006, to carry a fixed interest rate of 8.5%.

Affected Sections: 7.5.A Current PLUS Interest Rate

Figure 7-2 PLUS and SLS Loan Interest Rates

Effective Date: PLUS loans first disbursed by the lender on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 427A(l)(2), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letters GEN-06-02/FP-06-01, FP-06-04, and FP-06-05.

Policy Information: 897/Batch 133

Guarantor Comments: None.

Late Disbursement and Post-Withdrawal Disbursement of FFELP Funds

The *Common Manual* has been updated to incorporate changes derived from the HERA as follows. Prior to delivering a late disbursement or post-withdrawal disbursement of loan funds to the borrower, the school must explain that the borrower is obligated to repay any loan funds that the school delivers, and confirm that the borrower still requires the loan funds. The school is also required to document the student's file regarding the result of the contact and the final determination concerning the late disbursement or post-withdrawal disbursement.

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| Affected Sections: | 8.2.A Initial Notice of Funds 8.7.E Late Delivery 9.5.A Return Amounts for Title IV Loan and Grant Programs |
| Effective Date: | Effective for withdrawals that occur on or after July 1, 2006. |
| Basis: | Higher Education Act of 1965, Section 484B(a)(4)(A), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05. |
| Policy Information: | 898/Batch 133 |
| Guarantor Comments: | None. |

New Military Deferment

The *Common Manual* has been revised by changing the name of the current military deferment to the Armed Forces deferment and moving the information from section 11.7 to 11.3 to maintain consistency by providing information about deferment types in alphabetical order. Several sections and subsections in chapter 11 have been renumbered to accommodate the movement of existing text and the insertion of new text in section 11.8 about the new military deferment created by the HERA.

The new military deferment covers a borrower's loan(s) that are first disbursed on or after July 1, 2001, while a borrower is serving on active duty during a war or other military operation, or a national emergency, or while a borrower is performing qualifying National Guard duty during a war or other military operation, or a national emergency.

The military deferment is loan-specific. This deferment is available only for a borrower's Stafford and PLUS loans first disbursed on or after July 1, 2001, and Consolidation loans when all Title IV loans included in the Consolidation loan are loans that were first disbursed on or after July 1, 2001. The borrower must meet the qualifications after July 1, 2001.

This deferment is available only for periods during which a borrower is performing one of the following services:

- Serving on active duty during a war or other military operation, or a national emergency.
- Performing qualifying National Guard duty during a war or other military operation, or a national emergency.

In the context of the new military deferment, the following definitions apply:

- *Active duty* means serving in full-time duty in the active military service of the U.S., not including training or attendance at a service school.
- *Military operation* means a contingency operation in which a member of the Armed Forces is, or may become, involved in military actions, operations, or hostilities against an enemy of the U.S. or against an opposing military force; or results in the call or order to, or retention on, active duty of members of the uniformed services under 10 U.S.C. 688, 12301(a), 12302, 12304, 12305, or 12406, 10 U.S.C. chapter 15, or any other provision of law during a war or during a national emergency declared by the president or Congress.
- *National emergency* means a national emergency by reason of certain terrorist attacks declared by the president on September 14, 2001, or subsequent national emergencies declared by the president by reason of terrorist attacks.
- *Qualifying National Guard duty* means training or other duty, other than inactive duty, performed by a member of the U.S. Army National Guard or the Air National Guard on full-time National Guard duty as called to service authorized by the president or the secretary of defense. The training or other duty must be performed for more than 30 consecutive days in connection with a

war or other military operation, or a national emergency as declared by the president and supported by federal funds.

- *Serving in active duty* means service by an individual who is a Reserve of an Armed Force ordered to active duty under 10 U.S.C. 12301(a), 12301(g), 12302, 12304, or 12306, or any retired member of an Armed Force ordered to active duty under 10 U.S.C. 688 of such title, for service in connection with a war or other military operation or national emergency, regardless of the location at which the active duty service is performed. This also includes any other member of an Armed Force on active duty in connection with such emergency or subsequent actions of conditions who has been assigned to a duty station at a location other than where the member is normally assigned.

Not all active duty military personnel are eligible for the new military deferment. Borrowers who do not qualify for this deferment may be eligible for the Armed Forces deferment.

A borrower is not eligible for a refund of any loan payments made prior to the time the deferment is granted.

A borrower must request the deferment and provide the lender with the documentation of his or her duty status. This documentation must include a copy of the borrower's military orders, or a written statement from the borrower's commanding or personnel officer that the borrower is serving on active duty during a war or other military operation, or a national emergency, or performing qualifying National Guard duty during a war or other military operation, or a national emergency, as those terms are defined.

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends on the earlier of the date that is no later than 3 years after the date on which it began, or the date on which the borrower's qualifying service is certified to end or actually ends.

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| Affected Sections: | 11.3 Economic Hardship Deferment Through 11.22.D Applying a Mandatory Forbearance Retroactively |
| Effective Date: | Military deferments granted on or after July 1, 2006, for loans for which the first disbursement is made on or after July 1, 2001. |
| Basis: | Higher Education Act of 1965, Section 428(b)(1)(M), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02. |
| Policy Information: | 899/Batch 133 |
| Guarantor Comments: | None. |

Forbearance Agreements

The *Common Manual* has been revised to comply with statutory changes derived from the Higher Education Reconciliation Act (HERA) of 2005. In all cases when a forbearance agreement is required, a lender and the borrower may agree to the terms of forbearance verbally or in writing. A lender that grants a forbearance based on a verbal agreement with the borrower must record the forbearance terms in the borrower's file and send a notice to the borrower confirming the terms of the forbearance agreement.

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| Affected Sections: | 11.18.B Documentation Required for Authorized Forbearance 11.18.G Forbearance of Defaulted Loans 11.18.H Borrower Contact during Forbearance 11.20 Discretionary Forbearance 11.21 Mandatory Administrative Forbearance 11.21.A Death 11.22 Mandatory Forbearance |
| Effective Date: | Forbearance agreements granted or renegotiated by the lender on or after July 1, 2006. |
| Basis: | Higher Education Act of 1965, Sections 428(c)(3)(A) and 428(c)(10), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02. |
| Policy Information: | 900/Batch 133 |
| Guarantor Comments: | None. |

Ineligible Borrower Claims

The *Common Manual* has been updated to provide that an ineligible borrower claim of a loan first disbursed on or after July 1, 2006, is eligible for payment of 100% of principal and eligible interest.

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| Affected Sections: | 12.4.F Ineligible Borrower Due Diligence 13.3.A Claim Payment Amount 13.3.C Amount of Interest Purchased on Returned Claims |
| Effective Date: | Ineligible borrower claims filed by the lender on loans first disbursed on or after July 1, 2006. |
| Basis: | Higher Education Act of 1965, Section 428(c)(1)(G), as amended by the Higher Education Reconciliation Act (HERA) of 2005, Dear Colleague Letters GEN-06-02 and FP-06-07. |
| Policy Information: | 901/Batch 133 |
| Guarantor Comments: | None. |

Special Allowance Rates

The *Common Manual* has been revised to reflect statutory changes derived from the HERA that make permanent the temporary special allowance maximum/minimum income provisions of the Taxpayer-Teacher Protection Act of 2004. These provisions state that loans financed with proceeds from tax-exempt obligations originally issued prior to October 1, 1993, revert to the regular special allowance rates paid on other loans if certain actions occur after September 30, 2004. The manual has also been revised to reflect statutory changes derived from the HERA that prohibit loans from being subject to the minimum/maximum special allowance rates for certain tax-exempt bond issues if the loan was made or purchased on or after February 8, 2006, or is not earning the minimum quarterly special allowance as of February 8, 2006. However, certain holders of these loans remain subject to the maximum/minimum special allowance rates until December 31, 2010, if all of the following apply:

- The holder was a unit of the state or local government or a nonprofit private entity as of February 8, 2006, and during the quarter for which the special allowance is paid.
- The holder is not owned or controlled by, or under the common ownership or control with, a for-profit entity as of February 8, 2006, and during the quarter for which special allowance is paid.
- The holder held, directly or through any subsidiary, affiliate, or trustee, a total unpaid balance of principal equal to or less than \$100 million on loans for which maximum/minimum special allowance was paid in the most recent quarterly payment prior to September 30, 2005.

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| Affected Sections: | A.2.A Special Allowance Rates |
| Effective Date: | Provisions relating to the Taxpayer-Teacher Protection Act of 2005 are effective October 1, 2004, for loans financed by tax-exempt obligations originally issued prior to October 1, 1993. Provisions relating to the Higher Education Reconciliation Act (HERA) of 2005 are effective February 8, 2006. |
| Basis: | Taxpayer-Teacher Protection Act of 2005, as amended by the Higher Education Reconciliation Act (HERA) of 2005; Higher Education Act of 1965, Section 438(b)(2)(B)(iv) through (vi), as amended by the HERA; Dear Colleague Letter FP-06-04. |
| Policy Information: | 902/Batch 131 |
| Guarantor Comments: | None. |