



IMPORTANT UPDATE

TO: Financial Aid Officers
Student Loan Officers

FROM: Jessie Cooper, Compliance Officer
Georgia Student Finance Commission

DATE: April 5, 2007

SUBJECT: COMMON MANUAL, *Unified Student Loan Policy Bulletin 97*

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 # 929 – Return of Title IV Funds
Reference # 930 – PLUS Loans for Graduate and Professional Students
Reference # 931 – Return of Title IV Funds
Reference # 932 – Forbearance
Reference # 933 – Combining Teaching Service for Teacher Loan Forgiveness
Reference # 934 – Loans Eligible for Consolidation
Reference # 935 – Late Delivery Requirements Clarified
Reference # 936 – Comaker Definition Revised
Reference # 937 – Deferment Eligibility Chart
Reference # 938 – Clarification to Cohort Default Rate Calculation

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

Attachment

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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 *Integrated Common Manual*. The *Integrated Common Manual* is available on several guarantor websites, and it is also available on *Common Manual's* website at www.commonmanual.org. Please carefully note the effective date of each policy change.

Return of Title IV Funds

The *Common Manual* has been revised to incorporate regulatory clarifications to the return of Title IV funds requirements provided in an electronic announcement posted by the Department on June 30, 2006, and the *Federal Registers* published August 9, 2006, and November 1, 2006. Revised policy clarifies that, if there are unearned grant funds that must be repaid as a result of the return of Title IV funds calculation, the student is not required to return a grant overpayment for which the original amount was \$50 or less on a program-by-program basis. Furthermore, a student who owes a grant overpayment for which the original balance was \$50 or less as a result of a return of Title IV funds calculation remains eligible to receive Title IV program assistance.

Revised policy also states that a school's return of FFELP funds is considered timely if performed within 45 days of the date the school determined that the student withdrew. If the funds are returned by check, the check must be endorsed by the lender's bank within 60 days of the date the school determined that the student withdrew.

In addition, revised policy includes the ACG, SMART Grant, and Grad PLUS programs in the order in which unearned funds must be returned to the Title IV programs.

Affected Sections:	5.2.D Prior Overpayment 9.5.A Return Amounts for Title IV Grant and Loan Programs 9.5.B Processing Returned Funds
Effective Date:	Withdrawals that occur on or after July 1, 2006.
Basis:	Higher Education Act of 1965, Sections 484B(b)(3)(B), 484B(b)(1), and 484B(b)(2)(C), as amended by the Higher Education Reconciliation Act (HERA) of 2005; electronic announcement <i>Return to Title IV Funds Worksheets</i> posted by the Department on June 30, 2006; <i>Federal Register</i> dated August 9, 2006, pages 45671-45672 and 45694-45696, §668.22(i)(2), §668.35(e), §668.173(b); <i>Federal Register</i> dated November 1, 2006, pages 64380-64381 and 64397, §668.22(h)(3)(ii)(B); <i>Dear Colleague Letter</i> GEN-06-09.
Policy Information:	929/Batch 139
Guarantor Comments:	None.

PLUS Loans for Graduate and Professional Students

The *Common Manual* has been updated to provide additional clarification that in the case of a school that participates in both the FFELP and the Direct Loan Program, the school must determine the student's maximum Stafford Loan eligibility under the program in which the school is participating for Stafford loan purposes before the student may apply for a Grad PLUS loan.

Affected Sections:	6.15.C PLUS Loan Certification
Effective Date:	Loans certified by the school on or after December 1, 2006.
Basis:	Preamble to the <i>Federal Register</i> dated November 1, 2006, page 64383; §682.201(b)(3).
Policy Information:	930/Batch 139
Guarantor Comments:	None.

Return of Title IV Funds

The *Common Manual* has been revised to incorporate regulatory changes and clarifications to the post-withdrawal disbursement requirements provided in the *Federal Register* published August 9, 2006 and November 1, 2006. Revised policy specifies that, in order to credit loan funds to outstanding school charges or to deliver a credit balance of funds directly to the student, or borrower in the case of a parent PLUS loan, the school must provide a written notice within 30 days of determining that the student has withdrawn. In this notice, the school must request confirmation of the borrower's consent for the credit of a post-withdrawal disbursement of loan funds to the student's account, or for the direct delivery of loan funds to the student or parent, in the case of a parent PLUS loan. For a post-withdrawal disbursement of loan funds, the school must explain that a borrower who does not confirm that a post-withdrawal disbursement of loan funds may be credited to outstanding school charges may not receive the direct delivery of any of those loan funds unless the school concurs. The school must explain that the student, or parent in the case of a parent PLUS loan, may accept or decline some or all of the funds, and must explain the obligation of the borrower to repay any loan funds he or she chooses to have delivered.

The notice must inform the loan recipient of the deadline to respond and that the school will not deliver the funds if the school does not receive a timely response to the notice, unless the school opts to deliver a post-withdrawal disbursement based on a late response. The deadline may be set by school policy, but may not be less than 14 days after the date the school sent the notification. The deadline must be the same for funds to be applied to outstanding school charges and for funds to be directly delivered to the borrower.

If the school receives no response to the post-withdrawal disbursement notice, the school may not deliver any of those funds. If the school receives a timely response to the post-withdrawal disbursement notice, the school must deliver the funds in the manner specified by the student, or parent in the case of a parent PLUS loan. If the school receives a late response to the notice, the school may deliver the disbursement, provided that the school delivers all of the funds accepted, or the school may decline to deliver any funds. A post-withdrawal disbursement may not be delivered later than 120 days after the date of the school's determination that the student withdrew, unless an exception is granted by the Department. If the school decides not to deliver a post-withdrawal disbursement due to the untimely response of the borrower, the school must provide written notification to the borrower of the denial of the post-withdrawal disbursement.

The school must document in the student's file the result of any notification made of the student's right to cancel or accept all or a portion of the funds, and the final determination made concerning the post-withdrawal disbursement.

Revised policy clarifies that the school is not required to provide additional notice to the student or parent borrower of the credit of a post-withdrawal loan disbursement to outstanding school charges.

Affected Sections: 8.2.B School Notice of Credit to Student Account

9.5.A Return Amounts For Title IV Grant and Loan Programs

Effective Date: For post-withdrawal disbursement confirmations, withdrawals that occur on or after September 8, 2006.

Basis: For aid types to be included in the return of Title IV funds calculation, withdrawals that occur on or after July 1, 2006.

Higher Education Act of 1965, Sections 484B(a)(3)(C)(i) and 484B(a)(4), as amended by the Higher Education Reconciliation Act (HERA) of 2005; *Federal Register* dated August 9, 2006, pages 45669-45670, 45694-45695; *Federal Register* dated November 1, 2006, pages 64379-64380, 64397; §668.164(g)(4)(i); *Dear Colleague Letter* GEN-06-05; electronic announcement *Return to Title IV Funds Worksheets* posted by the Department on June 30, 2006.

Policy Information: 931/Batch 139

Guarantor Comments: None.

Forbearance

The *Common Manual* has been revised to include the requirement that when a lender and borrower verbally agree to the terms of a forbearance, the lender must send a notice confirming the terms of the forbearance agreement to the borrower within 30 days of the date that agreement was made with the borrower.

Affected Sections: 11.19.B Documentation Required for Authorized Forbearance
Effective Date: Borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may have implemented this provision no earlier than November 1, 2002.
Basis: §682.211(b)(1).
Policy Information: 932/Batch 139
Guarantor Comments: None.

Combining Teaching Service for Teacher Loan Forgiveness

The *Common Manual* has been revised to include language to state explicitly that an otherwise eligible borrower may qualify for teacher loan forgiveness by completing the 5-year teaching service requirement by combining years of full-time service at qualifying elementary and secondary schools.

Affected Sections: 13.9.B Teacher Loan Forgiveness Program
Effective Date: Teacher loan forgiveness applications received by the lender on or after October 30, 2004.
Basis: Preamble to the *Federal Register* dated November 1, 2006, page 64386.
Policy Information: 933/Batch 139
Guarantor Comments: None.

Loans Eligible for Consolidation

The *Common Manual* has been updated to clarify that a borrower who has either a Federal or a Direct Consolidation loan may obtain a subsequent Federal or Direct Consolidation loan if the borrower is consolidating an existing Consolidation loan with at least one other eligible loan. An eligible loan includes another eligible Consolidation loan, regardless of whether that eligible loan was made before or after the date the most recent Consolidation loan was made.

Affected Sections: 15.2 Borrower Eligibility and Underlying Loan Holder Requirements
Effective Date: Consolidation applications received on or after December 1, 2006, unless implemented earlier by the guarantor.
Basis: *Dear Colleague Letter* GEN-06-20/FP-06-16.
Policy Information: 934/Batch 139
Guarantor Comments: None.

Late Delivery Requirements Clarified

The *Common Manual* has been revised to clarify that a school must offer a late delivery of Stafford or PLUS loan funds the student or parent borrower was eligible to receive while the student was still enrolled during a payment period or period of enrollment that the student successfully completed. If a student ceases to be enrolled half time but does not withdraw, the school may, but is not required to, offer a late delivery of Stafford or PLUS loan funds to the student or parent borrower.

Revised policy also deletes the HERA-related requirement for a school to contact the borrower, obtain confirmation that the borrower still requires the loan funds, and explain the borrower's repayment obligation before making a late delivery of loan funds. In the preamble to the *Federal Register* dated November 1, 2006, the Department clarified that this requirement applies only to post-withdrawal disbursements for withdrawn students, and not to late deliveries for students who dropped to less-than-half-time enrollment but did not withdraw, or students who successfully completed a payment period or period of enrollment, as applicable.

Affected Sections: 8.7.E Late Delivery
Effective Date: Late delivery of FFELP loan proceeds by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may have implemented these provisions no earlier than November 1, 2002.
Basis: §668.164(g)(3)(ii) and (iii); preamble to the *Federal Register* dated November 1, 2006, page 64380.
Policy Information: 935/Batch 139
Guarantor Comments: None.

Comaker Definition Revised

The *Common Manual* has been revised to clarify that, in the context of a Federal Consolidation loan, the term comaker refers to one of two spouses who jointly borrowed a Federal Consolidation made from an application received by the consolidating lender prior to July 1, 2006. These borrowers are jointly and severally liable for the loan's repayment regardless of future marital status.

Affected Sections:	11.1.A General Deferment Eligibility Criteria Chapter 12 Introduction 13.8 Discharge appendix G
Effective Date:	Consolidation loan applications received by the lender on or after July 1, 2006.
Basis:	Higher Education Act of 1965, Section 428C(a)(3)(C), as amended by the Higher Education Reconciliation Act (HERA) of 2005; <i>Dear Colleague Letter</i> GEN-06-02.
Policy Information:	936/Batch 139
Guarantor Comments:	None.

Deferment Eligibility Chart

The Deferment Eligibility Chart, Figure 11-1, has been revised to include the military deferment for Stafford and PLUS loans first disbursed on or after July 1, 2001, and for Consolidation loans in which all underlying Title IV loan balances were first disbursed on or after July 1, 2001. In addition, the chart has been revised to indicate that all deferments are borrower-based, except for the military deferment which is loan-based.

Affected Sections:	Figure 11-1 Deferment Eligibility Chart
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:	Interim Final Rules published in the <i>Federal Register</i> dated August 9, 2006, pages 45701 - 45702.
Policy Information:	937/Batch 139
Guarantor Comments:	None.

Clarification to Cohort Default Rate Calculation

The *Common Manual* has been revised to clarify that the cohort for a fiscal year for the purpose of calculating a cohort default rate consists of all former students who, during that fiscal year, entered repayment on any Federal Stafford loan, Federal SLS loan, or Direct Stafford loan that they received, or on the portion of a Federal Consolidation loan or the Federal Direct Consolidation loan that repays those loans.

Affected Sections:	16.2 Calculation of Cohort Default Rates appendix G
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	§668.183(b).
Policy Information:	938/Batch 139
Guarantor Comments:	None.