



IMPORTANT UPDATE

TO: Financial Aid Officers
Student Loan Officers

FROM: Jessie Cooper, Compliance Officer
Georgia Student Finance Commission

DATE: March 7, 2008

SUBJECT: COMMON MANUAL, *Unified Student Loan Policy Bulletin 105*

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 # 998 – Variable Rate Conversion Provisions
Reference #1005 – Exceptional Performer Eliminated
Reference #1006 – Frequency of Capitalization for Consolidation Loans
Reference #1007 – Lender Reporting Requirements
Reference #1008 – Armed Forces and Military Deferments
Reference #1009 – Borrower Choice of Lender
Reference #1010 – Transfer of Claim Other Than For Security
Reference #1011 – Disclosing Stafford Loan Eligibility Information to Grad PLUS Applicants
Reference #1012 – Establishing a Repayment Schedule
Reference #1013 – Consumer Information

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

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.

Variable Rate Conversion Provisions

The *Common Manual* has been revised in Section H.2 to state that lenders were not permitted, based on October 1994 guidance from the Department in DCL 94-L-171, to adjust special allowance billings on loans - subject to the variable-rate conversion provisions of the Higher Education Amendments of 1986 and of 1992 - for which the applicable interest rate was retroactively revised. However, lenders were permitted, as a result of guidance from the Department on March 1, 1998, in DCL 98-L-202, to recalculate special allowance billings on the subject loans for all or part of the period from July 23, 1992, to December 31, 1994.

In addition, Figure H-1 was revised by reversing the second and third columns, expanding the column title, and adding a new footnote to explain that the quarterly variable interest rates were determined by adding 3.25% for the "1986 loans" or 3.10% for the "1992 loans" to the average of the bond equivalent rate of the 91-day Treasury bill rate as auctioned for the preceding 3-month period.

For loans subject to conversion under the Higher Education Amendments of 1992 in Figure H-1, the annual variable interest rate for the period from July 1, 2006, through June 30, 2007, was corrected from 7.949% to 7.94% and a reference to footnote #2 was inserted because the interest rate is higher than 7.00%. For all loans subject to conversion under the Higher Education Amendments of 1986 and 1992, the annual variable interest rates for the period from July 1, 2007, through June 30, 2008, were added.

Affected Sections:	H.2 History of Excess Interest Rebates and Variable Interest Rate Conversions Figure H-1
Effective Date:	The guidance for lenders to recalculate special allowance billings on loans, subject to the variable rate conversion provisions, for all or part of the period from July 23, 1992, to December 31, 1994, was effective on March 1, 1998. All revisions, except interest rate changes to the chart, are retroactive to the implementation of the <i>Common Manual</i> .
Basis:	DCLs 94-L-171; 98-L-202; 98-L-207.
Policy Information:	998/Batch 147
Guarantor Comments:	None.

Exceptional Performer Eliminated

The *Common Manual* has been revised to comply with the statutory changes derived from the College Cost Reduction and Access Act (P.L. 110-84). The Exceptional Performer program was eliminated on October 1, 2007; therefore, eligible default claims filed by a lender on or after that date will be paid at the insurance rate applicable to each loan.

Affected Sections:	3.9 Exceptional Performer Designation
	3.9.A Applying for the Designation
	3.9.B Department Determination of Request for Designation
	13.1.A Claim Filing Requirements
	13.2 Claim Returns
	13.2.A Refiling the Return Claim
	13.3.A Claim Payment Amount
	13.3.B Amount of Interest Purchased on Eligible Claims
	13.3.C Amount of Interest Purchased on Returned Claims

13.5 Claim Repurchase
14.3.B Non-Default Claims
14.4.A Original Filing Deadline
14.4.B Refile Deadline
Appendix G Glossary

Effective Date: Claims originally filed by a lender on or after October 1, 2007.
Basis: HEA §428(c)(1), §428I, and §438(b)(5), as amended by the College Cost Reduction and Access Act (P.L. 110-84).
Policy Information: 1005/Batch 147
Guarantor Comments: None.

Frequency of Capitalization for Consolidation Loans.

The *Common Manual* has been revised to specify that a lender may capitalize unsubsidized interest that accrues during periods of in-school deferment on a Consolidation loan only at the end of the deferment.

Affected Sections: 10.10.B Capitalization Frequency
Effective Date: Unsubsidized interest capitalized on Consolidation loans for periods of in-school deferment on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.
Basis: §682.202(b)(5); preamble to the *Federal Register* Vol. 72, No. 211 dated November 1, 2007, p. 61984.
Policy Information: 1006/Batch 147
Guarantor Comments: None.

Lender Reporting Requirements

The *Common Manual* has been revised to add the requirement that the lender must report enrollment and loan status information or any FFELP loan-related data that the Department requires. The information must be reported to the guarantor or to the Department, as applicable, by the deadline established by the Department.

Affected Sections: 3.5.D Reporting Loan Status Changes
Effective Date: Enrollment or loan status changes submitted to the guarantor or to the Department on or after July 1, 2008 unless implemented earlier by the lender and the guarantor on or after November 1, 2007. *This trigger event aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.*
Basis: §682.208(l); *Federal Register* Vol. 72, No. 211 dated November 1, 2007, p. 61966.
Policy Information: 1007/Batch 147
Guarantor Comments: None.

Armed Forces and Military Deferments

The *Common Manual* has been revised to allow a borrower's representative to request an armed forces or a military deferment on behalf of the borrower. If a lender grants an armed forces or a military deferment based on a request from the borrower's representative, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to cancel the deferment and continue to make payments on the loan. The lender may also notify the borrower's representative of the outcome of the deferment request.

Affected Sections: 11.3.A Eligibility Criteria—Armed Forces
11.8.B Deferment Documentation—Military
Effective Date: Armed forces and military deferment requests granted on or after July 1, 2008, can be implemented early by the lender on or after November 1, 2007. *This trigger event aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.*
Basis: §682.210(i)(5); §682.210(t)(7); *Federal Register*, Vol. 72, No. 211 dated

November 1, 2007, p. 61962.

Policy Information: 1008/Batch 147

Guarantor Comments: None.

Borrower Choice of Lender

The *Common Manual* has been updated to place emphasis on the borrower's right to choose a FFELP lender. This update incorporates the new regulatory requirements for a school that provides a list of recommended FFELP lenders to its student and their parents and explains how schools that choose not to recommend lenders, may provide information to assist the borrowers with their choice of lender.

Affected Sections: 4.4 Providing Information to Students
6.15 School Certification of the Loan

Effective Date: Recommended lender lists provided to students and parents on or after July 1, 2008.

Certifications based on the borrower's choice of lender and/or guarantor, effective retroactive to the implementation of the *Common Manual*.

Ensuring that there is no delay in certification and/or processing of the loan based on the borrower's choice of lender or guarantor, effective for loans certified by the school on or after July 1, 2008.

Basis: Preamble language to the *Federal Register*, dated November 1, 2007, pp. 61986-61990; §682.212 (h); §682.603(f); DCL GEN-07-01.

Policy Information: 1009/Batch 147

Guarantor Comments: None.

Transfer of Claim Other Than For Security

Pursuant to new bankruptcy code, the *Common Manual* has been updated to remove any reference to the assignment of a proof of claim. The Manual now makes reference to the Transfer of Claim Other Than For Security form that a guarantor must file and the Notice of Transfer of Claim Other Than For Security form that a lender/servicer will receive once the bankruptcy court processes the transfer.

Affected Sections: 13.1.D Claim File Documentation
13.8.A Bankruptcy

Effective Date: Original assignment of a proof of claim filed by the lender on or after July 1, 2008, unless implemented earlier by the guarantor.

Basis: Bankruptcy Code 11 U.S.C. §502(a); Bankruptcy Code 11 U.S.C. §1111(a); Bankruptcy Rule 3001 (e)(f).

Policy Information: 1010/Batch 147

Guarantor Comments: None.

Disclosing Stafford Loan Eligibility Information to Grad PLUS Applicants

The *Common Manual* has been revised to include the requirement that, if the school determines that a Grad PLUS applicant has not applied for the maximum Stafford loan for which he or she is eligible, the school must notify the student of the maximum Stafford loan funds for which he or she is eligible. The school's notice must provide the student with the following on each loan type (Stafford and PLUS):

- The maximum interest rate.
- The periods during which interest that accrues must be paid by the borrower.
- The point at which the loan enters repayment.

The school must then provide the student with an opportunity to request the maximum Stafford loan funds for which he or she is eligible.

Affected Sections: 6.15.C PLUS Loan Certification

Effective Date: Grad PLUS loans certified by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

Basis: §682.603(d).

Policy Information: 1011/Batch 147

Guarantor Comments: None.

Establishing a Repayment Schedule

The *Common Manual* has been corrected to state in Subsection 10.8.A that a lender must require a borrower to repay his or her loans under a standard repayment schedule if the borrower fails to select an income-sensitive, graduated, or extended (if applicable) repayment schedule within 45 days after being notified by the lender to choose a repayment schedule. This change aligns the text in this subsection with current policy in Section 10.8 of the Manual.

Affected Sections: 10.8.A Standard Repayment Schedule
Effective Date: Repayment schedules requested or established on or after October 7, 1998.
Basis: None.
Policy Information: 1012/Batch 147
Guarantor Comments: None.

Consumer Information

The *Common Manual* has been updated to clarify that consumer information regarding refunds must be provided by the school *upon request* to enrolled and prospective students. Revised policy also places the requirements into a bulleted format for clarity.

Affected Sections: 9.5 Return of Title IV Funds
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §668.43(a)(2) through (4).
Policy Information: 1013/Batch 147
Guarantor Comments: None.