



## IMPORTANT UPDATE

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

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

**DATE:** April 7, 2008

**SUBJECT:** COMMON MANUAL, *Unified Student Loan Policy Bulletin 106*

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 #1014 – Stafford Loan Repayment Start Date  
Reference #1015 – Using Title IV Funds for the Current Year to Pay for Minor Prior-Year Charges  
Reference #1016 – Eligible Lender Trustee Relationships  
Reference #1017 – Refusing to Certify a Loan or Reducing Borrower Eligibility  
Reference #1018 – Stafford Annual Loan Limits for Transfer Students  
Reference #1020 – Rehabilitation of a Defaulted Loan  
Reference #1021 – PLUS MPN with Endorser  
Reference #1022 – Obtaining a Subsequent Consolidation Loan

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](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 *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](http://www.commonmanual.org). Please carefully note the effective date of each policy change.

### Stafford Loan Repayment Start Date

The *Common Manual* has been revised to clarify that for purposes of converting Stafford loans to repayment, the lender must use the day-specific method.

**Affected Sections:** 10.4.A Stafford Loan Repayment Start Date  
**Effective Date:** Effective for Stafford loans converted to repayment on or after March 1, 1997, unless implemented earlier by the lender or guarantor.  
**Basis:** §682.209(a)(3); DCL 96-L-186/96-G-287.  
**Policy Information:** 1014/Batch 148  
**Guarantor Comments:** None.

### Using Title IV Funds for the Current Year to Pay for Minor Prior-Year Charges

The *Common Manual* has been revised to state that a school may credit a student's account with Title IV funds from the current year to satisfy minor, prior-year charges for tuition, fees, room, and board without obtaining the student's or parent borrower's authorization. After obtaining written authorization from the student, or from the parent borrower in the case of a parent PLUS loan, a school may credit a student's account with Title IV funds from the current year to pay minor, prior-year charges incurred for educationally related activities other than tuition, fees, room, and board.

However, the sum of all minor, prior-year charges for tuition, fees, room, board, and, with the student's or parent borrower's written authorization, other educationally related activities that are paid with Title IV funds from the current year must not exceed \$200.

**Affected Sections:** 8.3 Required Authorizations  
8.7.H Delivery Methods  
Figure 8-1  
**Effective Date:** Educationally related charges paid by a school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.  
**Basis:** §668.164(d)(2); §668.165(b)(1)(i).  
**Policy Information:** 1015/Batch 148  
**Guarantor Comments:** None.

### Eligible Lender Trustee Relationships

The *Common Manual* has been updated to align the requirements for a school or school-affiliated organization that makes or originates loans through an eligible lender trustee with the final regulations published November 1, 2007. Specifically, the requirement for a school-affiliated organization to limit lending to Stafford loans for graduate and professional students, and only at one school, has been deleted. The requirement to include ELT loans in an annual compliance audit has been deleted for both the school and the school-affiliated organization involved in an ELT relationship.

**Affected Sections:** 3.2 Schools Acting as Lenders and Eligible Lender Trustee Relationships  
**Effective Date:** Loans first disbursed under an ELT relationship on or after January 1, 2007.  
**Basis:** §682.602.  
**Policy Information:** 1016/Batch 148

**Guarantor Comments:** None.

### **Refusing to Certify a Loan or Reducing Borrower Eligibility**

The *Common Manual* has been updated to clarify that a school may not establish any one of the following general policies:

- Limiting the number of times a student who is making satisfactory academic progress may borrow up to the maximum Stafford annual loan limit at any one grade level.
- Prorating the Stafford annual loan limit based on a student's enrollment status, such as when the student is enrolled less than full-time, or is enrolled for less than a full academic year that is not a final period of study.
- Certifying a Stafford loan only for the amount needed to cover school charges.
- Limiting unsubsidized Stafford borrowing by independent students.

**Affected Sections:** 6.15.E Refusing to Certify a Loan or Reducing Borrower Eligibility  
**Effective Date:** Publication date of the 07-08 FSA Handbook for the prohibition against a general policy that limits the number of times a student may have a full annual loan limit at any grade level.

Publication date of the 05-06 FSA Handbook for the prohibition against a general policy of prorating the annual loan limit based on a student's enrollment status.

Publication date of the 03-04 FSA Handbook for the prohibition against a general policy that:

- Limits borrowing to the amount needed to cover school charges.
- Limits unsubsidized Stafford borrowing by independent students.

**Basis:** 03-04 FSA Handbook, Volume 8, Chapter 2, p. 8-15; 05-06 FSA Handbook, Volume 3, Chapter 4, p. 3-80; 07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-85 and 3-92.

**Policy Information:** 1017/Batch 148

**Guarantor Comments:** None.

### **Stafford Annual Loan Limits for Transfer Students**

The *Common Manual* has been revised to include new guidance from the 07-08 FSA Handbook stating that when a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher, (graduate/professional) annual loan limit.

**Affected Sections:** 6.1 Defining an Academic Year

6.11.A Stafford Annual Loan Limits

**Effective Date:** Publication date of the 07-08 FSA Handbook.

**Basis:** 07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88.

**Policy Information:** 1018/Batch 148

**Guarantor Comments:** None.

### **Rehabilitation of a Defaulted Loan**

The *Common Manual* has been revised to clarify that there are no federal restrictions that prohibit a loan from being rehabilitated more than once.

**Affected Sections:** 13.7 Rehabilitation of Defaulted FFELP Loans

**Effective Date:** Retroactive to the implementation of the *Common Manual*.

**Basis:** HEA §428F(a); §682.405; DGAD letter dated July 30, 1993; *Federal Register* Final Rule published June 28, 1994, p. 33342.

**Policy Information:** 1020/Batch 148

**Guarantor Comments:** None.

### **PLUS MPN with Endorser**

The *Common Manual* has been revised to clarify that when an endorser is used, the PLUS MPN becomes a “single-loan” promissory note because the endorser is liable only for the specific loan that he or she agreed to endorse. The lender must obtain a new MPN and new Endorser Addendum if the PLUS borrower (parent or student) requests an increase in the loan amount or a subsequent new PLUS loan.

**Affected Sections:** 6.16 Applying for Federal Stafford and PLUS Loans  
**Effective Date:** Effective for PLUS MPNs used for loan periods beginning on or after July 1, 2003.  
**Basis:** DCL GEN-03-03.  
**Policy Information:** 1021/Batch 148  
**Guarantor Comments:** None.

### **Obtaining a Subsequent Consolidation Loan**

The *Common Manual* has been revised to clarify one of the conditions that permits a Consolidation loan borrower to obtain a subsequent Consolidation loan. A borrower with either a Federal or Direct Consolidation loan is eligible for a subsequent, separate Federal or Direct Consolidation loan if the borrower is consolidating at least one other eligible loan (except a Consolidation loan) made before or after the date that the existing Consolidation loan was made. This change provides consistency with existing *Common Manual* text which states that an eligible borrower may consolidate any or all outstanding eligible loans, including existing Consolidation loans and loans made before or after any existing Consolidation loan.

**Affected Sections:** 15.2 Borrower Eligibility and Underlying Loan Holder Requirements  
**Effective Date:** Consolidation loans made on or after July 1, 2000.  
**Basis:** §682.201(e)(2), Interim Final Rules published in the *Federal Register* dated August 9, 2006, page 45699, *Federal Register* dated November 1, 1999, and preambles to the *Federal Registers* dated November 1, 1999, and August 10, 1999, page 43430.  
**Policy Information:** 1022/Batch 148  
**Guarantor Comments:** None.