



IMPORTANT UPDATE

TO: Financial Aid Officers
Student Loan Officers

FROM: Jessie Cooper, Compliance Officer
Georgia Student Finance Commission

DATE: May 9, 2008

SUBJECT: COMMON MANUAL, *Unified Student Loan Policy Bulletin 108*

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 #1019 – Maximum Stafford and PLUS Loan Periods
- Reference #1037 – Timely Lender Payment of Federal Default Fee
- Reference #1038 – Recordkeeping Requirements
- Reference #1039 – Permissible and Prohibited Activities
- Reference #1040 – Total and Permanent Disability Loan Discharge
- Reference #1042 – Annual Loan Limit Progression
- Reference #1043 – Minimum Loan Period
- Reference #1044 – Payment Periods
- Reference #1045 – Student Authorization and EFT
- Reference #1046 – Returning Undeliverable FFELP Funds to the Lender
- Reference #1047 – Economic Hardship Deferment
- Reference #1048 – Military Deferment
- Reference #1049 – “School-Affiliated Organization” Definition

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.

Maximum Stafford and PLUS Loan Periods

The *Common Manual* has been revised to delete the 12-month maximum period for which a school may certify a Stafford or PLUS loan. The maximum period for which a school may certify a loan is an academic year. In a non-term credit-hour program, a clock-hour program, or a nonstandard term, credit-hour program that does not have substantially equal terms or has substantially equal terms that are not all at least nine weeks in length, the maximum period for which a school may certify a loan is the calendar period of time in which the student is expected to successfully complete the credit or clock hours and the instructional weeks in the Title IV academic year definition for the program. For a student who attends such a program on at least a half-time but less than full-time basis, otherwise progresses in the program at a slower rate, or takes an approved leave of absence, the loan period may be longer than the loan period for a student attending the same program who progresses at a normal pace.

Affected Sections:	6.2	Determining the Loan Period
Effective Date:	Loan periods beginning on or after July 1, 2008. <i>This 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.</i>	
Basis:	§682.603(g)(2)(i); preamble to the <i>Federal Register</i> dated November 1, 2007, Vol. 72, No. 211, pp. 61971-61972.	
Policy Information:	1019/Batch 150	
Guarantor Comments:	None.	

Timely Lender Payment of Federal Default Fee

The *Common Manual* has been revised to state that if the lender does not remit the federal default fee within 45 days after any disbursement of the loan proceeds, the guarantor may cancel the guarantee on the loan. If a guarantee is canceled, the loan loses eligibility for interest benefits and special allowance, and no claim will be paid if the borrower later defaults on the loan, dies, or becomes totally and permanently disabled. Once the guarantee is canceled for nonpayment of fees, the guarantor may choose not to reinstate it. Generally, the lender will receive notification from the guarantor if fees are not paid within the 45-day period and if any loan guarantees are going to be canceled.

Affected Sections:	7.8	Processing the Federal Default Fee (Formerly the Guarantee Fee)
Effective Date:	Federal default fees remitted by lenders for loan disbursements on or after July 1, 2008.	
Basis:	DCL FP-06-07.	
Policy Information:	1037/Batch 150	
Guarantor Comments:	None.	

Recordkeeping Requirements

The *Common Manual* has been revised by adding the requirement that the holder of an electronically signed promissory note or MPN must retain the original promissory note or MPN for at least 3 years after the loan or all the loans made on the note have been satisfied. The Manual is also revised to add the documentation that the Department may require of the lender that created the original electronically signed promissory note to resolve a factual dispute on a loan that has been assigned to the Department, and to

expand the disbursement record requirement.

Affected Sections: 3.4.A Recordkeeping Requirements
15.5.G Paid-in-Full Loans
Effective Date: Electronically signed notes in existence as of July 1, 2008, and all electronically signed notes created on or after July 1, 2008.

Basis: Assignments made on or after July 1, 2008. *This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different triggering event, the Common Manual will immediately notify schools and lenders of the change.*
Policy Information: §682.414(a)(5)(iv) and (6); *Federal Register* Vol. 72, No. 211 dated November 1, 2007, p. 61968.
Guarantor Comments: 1038/Batch 150
None.

Permissible and Prohibited Activities

The *Common Manual* has been revised to amend certain existing lender prohibitions, such that a lender is not permitted to offer—directly or indirectly—points, premiums, payments, or other inducements to any school or other party to secure applications for FFELP loans or to secure FFELP loan volume. This includes but is not limited to:

- Payments or offerings of other benefits, including prizes or additional financial aid funds, to a prospective borrower in exchange for applying for or accepting a FFELP loan from the lender.
- Payments or other benefits to a school, any school-affiliated organization or to any individual in exchange for FFELP loan applications, application referrals, or a specified volume or dollar amount of loans made, or placement on the school's list of recommended or suggested lenders.
- Payments or other benefits provided to a student at a school who acts as the lender's representative to secure FFELP loan applications from individual prospective borrowers.
- Payments or other benefits to a loan solicitor or sales representative of a lender who visits schools to solicit individual prospective borrowers to apply for FFELP loans from the lender.
- Payment to another lender or any other party of referral fees or processing fees, except those processing fees necessary to comply with federal or state law.
- Solicitation of an employee of a school or school-affiliated organization to serve on the lender's advisory board or committee and/or payment of costs incurred on behalf of an employee of the school or a school-affiliated organization to serve on a lender's advisory board or committee.
- Payment of conference or training registration, transportation, and lodging costs for an employee of a school or school-affiliated organization.
- Payment of entertainment expenses, including expenses for private hospitality suites, tickets to shows or sporting events, meals, alcoholic beverages, and any lodging, rental, transportation, and other gratuities related to lender-sponsored activities for employees of a school or a school-affiliated organization.
- Philanthropic activities, including providing scholarships, grants, restricted gifts, or financial contributions in exchange for FFELP loan applications or application referrals, or for a specified volume or dollar amount of FFELP loans made, or for placement on a school's list of recommended or suggested lenders.
- Staffing services to a school, except for services provided to participating foreign schools at the direction of the Department, as a third-party servicer or otherwise on more than a short-term, emergency, non-recurring basis to assist a school with financial aid-related functions. The term "emergency basis" for the purpose of providing staffing support means only in the instance of a state- or federally-declared natural disaster, a federally-declared national disaster, and other localized disasters and emergencies identified by the Department.

- In-person participation in a school's required entrance and exit counseling.

Revised policy also adds a list of permissible lender activities, as follows. The lender may provide:

- Assistance to a school that is comparable to the kinds of assistance provided to a school by the Department under the Direct Lending program, as identified by the Department in public announcements, such as a notice in the *Federal Register*.
- Support of, and participation in, a school's or guarantor's student aid or financial literacy-related outreach activities, as long as the name of the entity that developed and paid for any materials is provided to the participants and the lender does not promote its student loan or other products.
- Meals, refreshments, and receptions that are reasonable in cost and scheduled in conjunction with training, meeting or conference events, if those meals, refreshments, or receptions are open to all training, meeting, or conference attendees.
- Toll-free numbers for use by the school or others to obtain information about FFELP loans and free data transmission service for the school to use in electronically submitting applicant loan information or student status information or confirmation data.
- A reduced origination fee when permitted by statute.
- A reduced interest rate.
- Payment of the federal default fee on behalf of the FFELP borrower.
- A premium payment to another lender for the purchase of a loan.
- Other benefits to a borrower under a repayment incentive program that requires, at a minimum, one or more scheduled payments in order to receive or retain the benefit.
- Benefits under a loan forgiveness program for public service or other targeted purposes approved by the Department, provided these benefits are not marketed to secure loan applications or loan guarantees.
- Items of nominal value to schools, school-affiliated organizations, and to borrowers that are offered as a form of generalized marketing or advertising, or to create good will.
- Other services identified by the Department through a public announcement, such as a notice in the *Federal Register*.

The Manual has also been revised to define "applications" for this section to include the FAFSA, and FFELP Master Promissory Notes and application and promissory notes. In addition, the Manual has been revised to define "other benefits" for purposes of clarifying prohibited lender activities, as including but not limited to preferential rates for, or access to the lender's other financial products, computer hardware or non-loan processing or non-financial aid-related software at below market rental or purchase cost, or printing and distribution of college catalogs and other materials at reduced or no cost.

Affected Sections:	3.4.C	Prohibited Activities
Effective Date:	Lender activities that occur on or after July 1, 2008.	
Basis:	§682.200(b) <i>Lender</i> (5).	
Policy Information:	1039/Batch 150	
Guarantor Comments:	None.	

Total and Permanent Disability Loan Discharge

The *Common Manual* has been revised to comply with the regulatory changes published in the *Federal Register* dated November 1, 2007, regarding borrower eligibility changes for a total and permanent disability loan discharge. If a borrower receives a new loan after the date the physician completes and certifies the loan discharge application, the borrower is not eligible for loan discharge. If any FFELP loan was certified prior to the date the physician certified the discharge application, then the proceeds of that loan that are disbursed after the date of the physician's certification must be returned to the holder within 120 days of the disbursement date(s) to preserve the borrower's discharge eligibility. A borrower's 3-year

conditional discharge period is prospective from the date that the physician completes and signs the loan discharge application. Language describing a borrower's eligibility to receive loan discharge based on substantial deterioration of a pre-existing condition has been removed. A lender may file a loan discharge claim with the guarantor if the borrower submits a complete and certified loan discharge application to the lender within 90 days from the date the physician completes and certifies the loan discharge application. If the borrower submits the discharge application after this 90-day time frame, the borrower must have the physician complete a new application and the borrower must submit the new application to the lender within 90 days of the physician's certification of the new discharge application. A borrower must provide to the Department, upon the Department's request, additional medical evidence if the borrower's application does not conclusively prove that the borrower is disabled. As part of this review or at any time during the application process or during or at the end of the conditional discharge period, the Department may arrange for an additional review of the borrower's condition by an independent physician at no expense to the borrower. When a borrower receives a final disability discharge, any payments made on the discharged loan(s) after the date the physician completed and certified the loan discharge application are returned to the person who made the payments.

The Manual has also been updated to comply with the Technical Amendments published by the Department in the August 21, 2001, *Federal Register* that removes language allowing a lender to apply an administrative forbearance, not to exceed 60 days, from the date the borrower indicates they are totally and permanently disabled through the date that the lender receives the physician's certification of the disability or a letter from the physician stating that additional time is needed to make the disability determination. The Department indicates that the cessation of collection activity is unnecessary until the loan holder actually receives the discharge application, or until the lender receives a written request from the physician for additional time to complete and certify the borrower's discharge application.

Affected Sections:	5.4.A Figure 11-2 11.20.P 13.1.D 13.8.F	Conditional Discharge of a Prior Loan Due to Total and Permanent Disability Forbearance Eligibility Chart Total and Permanent Disability Total and Permanent Disability Claims Total and Permanent Disability
Effective Date:	Total and permanent disability applications received by the lender on or after July 1, 2008. July 1, 2008, for administrative forbearance related to total and permanent disability.	
Basis:	§682.402(c); August 21, 2001, <i>Federal Register</i> , Vol. 66, No. 162; November 1, 2007, <i>Federal Register</i> , Vol. 72, No. 211, p. 61964.	
Policy Information:	1040/Batch 150	
Guarantor Comments:	None.	

Annual Loan Limit Progression

The *Common Manual* has been updated to reflect the annual loan limit progression requirements as outlined in the November 1, 2007, final rules. For the purposes of determining the frequency with which a student may receive the annual loan limits, nonstandard term-based credit-hour programs are now divided into two categories: those with terms of substantially equal length, with each term containing no less than nine weeks of instructional time; and those with terms that are not substantially equal or for which not all of the terms are at least nine weeks of instructional time in length.

Nonstandard term-based credit-hour programs whose terms meet these length requirements are now treated like standard term-based credit-hour programs for the purpose of determining the frequency of annual loan limits. A student enrolled in such a program enters a new academic year for annual loan limit purposes when the calendar time of the academic year has elapsed.

Affected Sections:	6.1 Figure 6-2	Defining an Academic Year
Effective Date:	Loans certified on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	
Basis:	§682.603(g); Preamble to the November 1, 2007, <i>Federal Register</i> , Vol. 72, No. 211, pp. 62021-62022.	
Policy Information:	1042/Batch 150	
Guarantor Comments:	None.	

Minimum Loan Period

The *Common Manual* has been updated to reflect the reduced minimum loan period of a single term for a credit-hour program that has terms that are substantially equal in length and for which no term is less than nine weeks in length. Revised policy also provides that the minimum loan period for a student who transfers, or completes one program and begins another within an academic year, is the shorter of the remainder of the program or the remainder of the academic year associated with the previous program.

Affected Sections:	6.2	Determining the Loan Period
Effective Date:	Loan periods beginning on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	
Basis:	§682.603(g)(1); preamble to the November 1, 2007, <i>Federal Register</i> , Vol. 72, No. 211, pp. 62020-62021.	
Policy Information:	1043/Batch 150	
Guarantor Comments:	None.	

Payment Periods

The *Common Manual* has been revised to reflect the payment period definitions published in the November 1, 2007, final regulations. For a program measured in credit hours with standard terms or with non-standard terms that are substantially equal in length, payment periods must correspond to the terms in the academic year for all Title IV programs. For all other types of academic programs, for FFELP funds, the loan period must be divided into two payment periods. The first payment period does not end until the student has successfully completed half of the credit or clock hours *and* half of the number of weeks of instructional time in the academic year, program, or the remainder of the program, as applicable. The exception to this rule is that, if the student is in the final portion of a program, and the remaining portion is less than half of an academic year, that period represents only one payment period. However, loan funds for that period must still be delivered in multiple disbursements, unless the school qualifies for the low cohort default rate exemption from multiple disbursement.

If a school is unable to determine when a student has completed half the credit hours or clock hours in a program, academic year, or the remainder of a program, the student is considered to begin the second payment period at the later of:

- The date the student successfully completed one half of the academic coursework in the program, academic year, or the remainder of the program.
- The date when the student successfully completed half of the number of weeks of instruction in the program, academic year, or the remainder of the program.

For the purpose of these payment period definitions, revised policy defines “substantially equal” and “successfully completed,” and describes the effect of excused absences when determining whether a student has successfully completed the payment period in a clock hour program.

If the loan period for a Stafford or PLUS loan consists of one payment period, the school must schedule the second disbursement so that the disbursement is delivered no earlier than:

- The calendar midpoint between the first and last scheduled days of class of the loan period in the following types of programs:
 - S A standard term, credit-hour program.
 - S A substantially equal, nonstandard term, credit-hour program in which all of the terms are at least nine weeks in length.
- The date the student successfully completes half of the credit or clock hours (or half of the academic coursework) *and* half of the weeks of instruction in the loan period in the following types of programs:
 - S A nonstandard term, credit-hour program that does not have substantially equal terms.
 - S A nonstandard term, credit-hour program that has substantially equal terms that are not all at least nine weeks in length.

S A non-term, credit-hour program.

S A clock-hour program.

If the loan period for a Stafford or PLUS loan consists of one payment period, revised policy states that the school may deliver the second disbursement no earlier than the calendar midpoint between the first and last scheduled days of class in the loan period in a standard term program and a nonstandard term program that has substantially equal terms of at least nine weeks in length. However, in all other types of programs, a school may deliver the second disbursement of a loan made for a single payment period no earlier than the date the student successfully completes half of the credit or clock hours (or half of the academic coursework) and half of the weeks of instructional time in the loan period.

Revised policy provides additional information about the payment period for a student who returns to the same program after 180 days or, at any time, either transfers into a different program at the same school or enrolls in another school. A school may consider such a student to remain in the same period if all of the following apply:

- The student is continuously enrolled at the school.
- The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers into the new program.
- The payment periods are substantially equal in length in weeks of instructional time and credit or clock hours.
- There are little or no changes in institutional charges associated with the payment period.
- The credits from the payment period the student is transferring out of are accepted toward the new program.

Revised policy further describes the effect of the new payment period definitions on the school's scheduling of loan disbursements from the lender, the timing of the school's delivery of second disbursements, and the use of the payment period in the Return of Title IV funds calculation for nonstandard term programs.

Affected Sections: 6.3 Determining Payment Periods
6.4.B When Disbursements May Be Made
8.7.B Delivering Second and Subsequent Disbursements
9.5.A Return Amounts for Title IV Grant and Loan Programs

Effective Date: Disbursements delivered by the school on or after July 1, 2008.

Basis: §668.4; §668.22(e); §682.604(c)(6); preamble to the *Federal Register* Vol. 72, No. 211, pp. 62016-62017.

Policy Information: 1044/Batch 150

Guarantor Comments: None.

Student Authorization and EFT

The *Common Manual* has been revised to reflect that a school may credit a borrower's bank account with Title IV funds without obtaining the borrower's authorization. Additional language has also been incorporated to clarify that a school may require a student to supply bank account information for direct delivery of loan funds or may open a bank account on behalf of the student or borrower with their authorization. In cases where a stored-value or prepaid ATM card is used with these accounts, the school must ensure that the cards are widely accepted and that students have convenient access to withdraw funds.

Affected Sections: 8.3 Required Authorizations
8.7.H Delivery Methods
Figure 8-1

Effective Date: Funds deposited by EFT directly into a student's or parent borrower's bank account or stored-value card by a school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

Basis: §668.164(b); §668.164(c)(1)(iii); §668.164(c)(2) and (3).

Policy Information: 1045/Batch 150
Guarantor Comments: None.

Returning Undeliverable FFELP Funds to the Lender

The *Common Manual* has been revised to include new regulations that state that the school must return the unclaimed FFELP loan funds to the lender, even if state laws or regulations would otherwise require the school to return unclaimed funds to the state. Revised policy also permits the school to make additional attempts to deliver the funds for a period of up to 240 days so long as the school's subsequent delivery attempts begin no more than 45 days after the funds were returned or rejected, as applicable. If the borrower or student has not received or negotiated the funds by the end of the 240-day period, the school is required to return the loan funds to the FFELP lender no later than the 240th day after the date of the initial delivery attempt. If the school chooses not to make additional attempts to deliver the funds, the loan funds must be returned to the FFELP lender within 45 days of the date the funds were returned or rejected.

Affected Sections: 8.9.A Return of Undelivered Loan Funds
Effective Date: Loan funds delivered by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.
Basis: §668.164(h).
Policy Information: 1046/Batch 150
Guarantor Comments: None.

Economic Hardship Deferment

The *Common Manual* has been revised to comply with the regulatory changes published in the *Federal Register* dated November 1, 2007, regarding eligibility requirements for the purposes of an economic hardship deferment. Text has been revised to incorporate the new standard that the borrower's monthly income may not exceed an amount equal to 150% of the poverty line applicable to the borrower's family size. The glossary definition of economic hardship has also been updated.

Affected Sections: 11.4.A Eligibility Criteria—Economic Hardship
Appendix G
Effective Date: Economic Hardship deferment requests made on or after October 1, 2007.
Basis: §682.210(s)(6)(iii)(B).
Policy Information: 1047/Batch 150
Guarantor Comments: None.

Military Deferment

The *Common Manual* has been revised to comply with the regulatory changes published in the *Federal Register* dated November 1, 2007, that relate to military active duty student deferments and military service deferments.

A new section has been added to the Manual regarding the military active duty student deferment. This deferment is available for a period of up to 13 months following the completion of active duty military service to a borrower who is a member of the National Guard or Armed Forces Reserve (including a member in retired status), and is called or ordered to active duty service while enrolled on at least a half-time basis in an eligible school at the time of, or within 6 months prior to, his or her activation.

The current military service deferment has been revised to eliminate the limitations originally placed on this deferment. It is no longer a loan-based deferment and is borrower based. In addition, the 3-year limitation has been removed. It is now available to a borrower who has an outstanding balance on any loan that was in repayment on October 1, 2007, for *all* periods of active duty service that include that date or begin on or after that date. A military service deferment may be granted to a borrower whose deferment eligibility expired due to the prior 3-year limitation, if that borrower was still serving on eligible active duty on or after October 1, 2007. The deferment may be applied to the borrower's eligible loan(s) retroactively from the date the prior deferment expired until the end of the borrower's active duty service.

The military service deferment period for a borrower whose qualifying service includes October 1, 2007, or begins on or after that date, is extended for 180 days after the date the borrower is demobilized from active duty service. The additional 180-day deferment is available to a borrower each time the borrower is demobilized from qualifying active duty service. A lender may grant expanded deferment benefits without

receiving a new deferment request from the borrower or borrower's representative. If a deferment is granted in this manner, the lender must notify the borrower of the additional benefits and provide the borrower the opportunity to decline the deferment.

If a borrower is eligible for both a military service deferment and a military active duty student deferment, the 180-day extended military service deferment and the 13-month active duty student deferment periods will apply concurrently.

With the addition of a new Section 11.8 (Military Active Duty Student Deferment), Sections 11.9 through 11.19 have been renumbered as Sections 11.10 through 11.20, respectively. Lastly, the Deferment Eligibility Chart (Figure 11-1) has been revised to reflect these changes.

Affected Sections:	11.8	Military Active Duty Student Service Deferment
	11.8.A	Eligibility Criteria—Military Active Duty Student
	11.8.B	Deferment Documentation—Military Active Duty Student
	11.8.C	Length of Deferment—Military Active Duty Student
	11.8.D	Simplified Deferment Processing
	11.9	Military Deferment
	11.9.A	Eligibility Criteria—Military
	11.9.B	Deferment Documentation—Military
	11.9.C	Length of Deferment—Military
	Figure 11-1	Deferment Eligibility Chart
Effective Date:		Deferment requests granted or extended by the lender on or after October 1, 2007.
Basis:		Preamble to the November 1, 2007, <i>Federal Register</i> , Vol. 72, No. 211, pp. 61962-61963; §682.210(t) and (u); <i>Dear Colleague Letter</i> FP-08-01. 1048/Batch 150
Policy Information:		
Guarantor Comments:		None.

“School-Affiliated Organization” Definition

The definition for school-affiliated organization has been added to Appendix G stating that a school-affiliated organization is any organization that is directly or indirectly related to a school including, but not limited to: alumni organizations, foundations, athletic organizations, or social, academic, or professional organizations. Corresponding text in Section 3.2 has also been updated to mirror the language of the new glossary definition.

Affected Sections:	3.2	Schools Acting as Lenders and Eligible Lender Trustee Relationships
	Appendix G	
Effective Date:		July 1, 2008.
Basis:		§682.200; preamble to the <i>Federal Register</i> dated November 1, 2007, pp. 61979.
Policy Information:		1049/Batch 150
Guarantor Comments:		None.