

Sonny Perdue
GOVERNOR



Timothy A. Connell
PRESIDENT

TO: Financial Aid Officers
Student Loan Officers

FROM: Richard M. Hawkshead *RMH*
Vice President, Internal Audit and Compliance

DATE: April 3, 2009

SUBJECT: COMMON MANUAL, *Unified Student Loan Policy* **Bulletin 116**

The attached policy change summary has been prepared by the nation's guarantors in order to clarify, revise or correct existing policy contained in the Common Manual. The effective date of the provision is noted at the end of policy change.

Reference #1090 – Entrance Counseling
Reference #1091 – Exit Counseling
Reference #1093 – Grade Level Changes and Increases in the Stafford Annual Loan Limit
Reference #1094 – Increased Loan Limits and Overawards
Reference #1096 – Reduced Interest Rate for Military Servicemembers
Reference #1097 – Timing of Lender Disclosures Before Repayment
Reference #1098 – Economic Hardship Deferment
Reference #1099 – Post-Active Duty Student Deferment
Reference #1100 – Military Service Deferment
Reference #1101 – Mandatory Forbearance for Post-Active Duty Student Deferment
Reference #1102 – Additional Documentation Requirements for Subrogated Loans
Reference #1103 – Repayment Options on Rehabilitated Loans
Reference #1104 – Consolidating to Obtain Direct Loan Benefits

If you have any questions about the attached bulletin, please contact Jessie Cooper at 770-724-9139 or jessiec@gsfc.org or me at 770-724-9012.

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.

Entrance Counseling

The *Common Manual* has been updated to include statutory changes resulting from the Higher Education Opportunity Act. Revised policy includes all the information that a school must ensure a borrower receives during entrance counseling and expands counseling specific to Grad PLUS borrowers to make formatting consistent with counseling applicable to Stafford borrowers. In addition to fulfilling the existing requirements, under the new provisions, a school must also include information about each of the following:

- How interest accrues and is capitalized during periods when the interest is not paid by either the borrower or the Department.
- That the borrower has the option to pay accruing interest on any unsubsidized loan while the borrower is in school.
- The effect of accepting the loan on the borrower's eligibility for other forms of student financial assistance.
- The school's definition of half-time enrollment during regular and summer terms, and the consequences of not maintaining half-time enrollment.
- The importance of contacting the appropriate school offices if the student intends to withdraw.
- The name and contact information for a party whom the student may contact with questions about rights, responsibilities, loan terms and conditions.
- That the student must repay the loan in full, even if the student does not complete the program or if the student does not complete the program in the regular time.
- The availability of the NSLDS and how the borrower can use the information found there.
- Federal delinquent debt collection procedures.

Revised policy deletes audiovisual presentation as an acceptable means of providing entrance counseling. Acceptable entrance counseling methods are in-person counseling; interactive electronic means with the condition that the borrower must acknowledge receipt of the information; and written counseling materials that the school provides to the borrower that includes a separate written form that the borrower must sign and return to the school.

Affected Sections:	4.4.C Entrance Counseling
Effective Date:	Entrance counseling provided by the school on or after August 14, 2008.
Basis:	HEA §485(l), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315.
Policy Information:	1090/157
Guarantor Comments:	None.

Exit Counseling

The *Common Manual* has been updated to include statutory changes resulting from the Higher Education Opportunity Act. Revised policy expands counseling specific to Grad PLUS borrowers and makes it consistent with counseling applicable to Stafford borrowers. In addition to the existing requirements, a school must include information about each of the following:

- The different features of the available repayment schedules, sample information showing the average anticipated monthly payments, and the difference in interest paid and total payment under each.
- The borrower's options to prepay a loan, to request a shorter repayment period, or select another repayment plan.
- Federal delinquent debt collection procedures.
- Forbearance, deferment, loan cancellation, forgiveness, or discharge options for all Title IV loans.
- The effect of consolidation on total interest, fees to be paid, the length of repayment, the grace period, forgiveness, cancellation, and deferment opportunities.
- The borrower's option to prepay the Consolidation loan or change the repayment plan, and a statement that borrower benefit programs may vary from lender to lender.
- Tax benefits available to borrowers.
- The availability of the NSLDS, where/how it may be accessed and how the borrower can use the information found there. In addition, a school must ensure that the borrower is provided the NSLDS disclosure form developed by the Department.

The school must also ensure that the borrower is provided a copy of the Department's publication that describes federal student aid programs.

**As of this writing, the Department has not informed the FFELP community which of its publications it intends to use to fulfill the requirements described in the last bullet and the sentence above.*

The *Common Manual* has also been updated to delete redundant text and makes other nonsubstantive changes to provide clarity.

Affected Sections:	4.4.D Exit Counseling
Effective Date:	Exit counseling for Stafford and Grad PLUS borrowers on or after August 14, 2008.
Basis:	HEA §485(b), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN 08-12/FP-08-10.
Policy Information:	1091/157
Guarantor Comments:	None.

Grade Level Changes and Increases in the Stafford Annual Loan Limit

The *Common Manual* has been updated to include clarification found in the 08-09 FSA Handbook concerning increases in the Stafford annual loan limit for students who have experienced a grade level change during an academic year. In a credit-hour program that uses standard terms or nonstandard terms that are substantially equal *and* at least nine weeks of instructional time in length (SE9W), a student who experiences a grade level change within the academic year becomes eligible for the Stafford annual loan limits that are applicable to the new grade level. To provide an increased Stafford loan amount to a student who gains eligibility for a higher Stafford annual loan limit due to a grade level change, a school may request an increase in the amount of the current Stafford loan (see Section 6.20). Alternately, a school may certify a new loan for a loan period that includes only the term(s) during which the student

qualifies for the higher loan limit. The new Stafford loan amount must not exceed the higher grade level annual loan limit, minus the amount of the first Stafford loan. A school may choose instead to cancel an undelivered Stafford loan disbursement(s) from the first loan that is intended for a term(s) in which the student qualifies for a higher Stafford annual loan limit. In that case, the new Stafford loan amount must not exceed the amount of the canceled disbursement(s) plus the additional amount for which the student is eligible due to the grade level change.

A school may not certify the higher annual loan limit associated with the next grade level until the student completes both the minimum number of weeks of instructional time and the minimum number of credit or clock hours in the program's defined academic year if the student is enrolled in any one of the following programs:

- A clock-hour program.
- A non-term-based credit-hour program.
- A credit-hour program with nonstandard terms that are *not* SE9W, i.e., the terms are not substantially equal in length, or each term is not at least nine weeks of instructional time in length.
- A credit-hour program with a combination of standard terms and nonstandard terms that does not qualify to use an SAY.

The glossary definition of "Grade Level" has been revised to clarify that a school must provide the appropriate grade level code (e.g., 01 through 05) on the Federal Stafford Loan School Certification.

Affected Sections:	6.10 Determining the Student's Grade Level 6.11.A Stafford Annual Loan Limits Appendix G
Effective Date:	Publication date of Volume 3 of the 08-09 FSA Handbook, unless implemented earlier by the school on or after November 1, 2007.
Basis:	08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-96 and 3-97.
Policy Information:	1093/157
Guarantor Comments:	None.

Increased Loan Limits and Overawards

The *Common Manual* has been updated to clarify that a borrower must resolve an inadvertent overaward before the school can award the borrower additional Title IV funds, including in circumstances when a Stafford annual or aggregate loan limit is increased.

Affected Sections:	6.11.E Exceeding Loan Limits
Effective Date:	Inadvertent overawards resulting from Stafford loans first disbursed before July 1, 2008, and inadvertent overawards that occur in the future prior to an annual or aggregate loan limit increase.
Basis:	§668.35(d); private guidance from Pam Moran of the Department of Education to the National Council of Higher Education Loan Programs (NCHELP) dated June 26, 2008.
Policy Information:	1094/157
Guarantor Comments:	None.

Reduced Interest Rate for Military Servicemembers

The *Common Manual* has been revised to require the lender to provide a reduced interest rate to some military servicemembers. If the borrower qualifies under Section 207 of the Servicemembers Civil Relief Act (SCRA), the lender is required to charge the borrower an interest rate that does not exceed 6% for the period of the borrower's qualifying military service on or after August 14, 2008. For purposes of this

provision, interest includes service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the loan. A borrower may qualify for the 6% rate if all of the following criteria are met:

- The borrower has an outstanding Stafford, PLUS, or Consolidation loan that was made prior to the date that the servicemember's entered active-duty military service.
- The borrower is the only borrower, a comaker on the loan, or an endorser on an outstanding PLUS loan.
- The borrower, comaker, or endorser requests the reduced interest rate in writing and provides to the lender a copy of his or her initial military orders and any orders that extend military service.
- The borrower provides the request and documentation not later than 180 days following the last date of the borrower's military service.

The reduced interest rate applies to an endorser if the endorser is an eligible servicemember and the lender is actively collecting the loan from the endorser.

If the lender charges the reduced interest rate based on SCRA provisions, and the loan was first disbursed on or after July 1, 2008, then the lender may determine the applicable special allowance payment based on the loan's actual 6% interest rate. However, if the loan was disbursed prior to July 1, 2008, then the lender must continue to determine the special allowance payment based on the applicable (maximum) interest rate permitted in statute.

Affected Sections: 7.4 Establishing Stafford Loan Interest Rates
7.4.B Reduced Stafford Interest Rates
7.5 Establishing PLUS Loan and SLS Loan Interest Rates
7.5.B Reduced PLUS Interest Rates
10.9.B Reduced Interest Rates
15.3.D Calculating the Interest Rate
A.2 Special Allowance and Excess Interest

Effective Date: Loans for which the lender receives a servicemember's written request for the reduced interest rate that is effective on or after August 14, 2008, for periods of military service ending on or after that date.

Special allowance billings for loans that are first disbursed on or after July 1, 2008, if the lender receives a servicemember's request for the reduced interest rate on or after August 14, 2008.

Basis: HEA §428(d), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; HEA §438(g); DCL GEN-08-12.

Policy Information: 1096/157

Guarantor Comments: None.

Timing of Lender Disclosures Before Repayment

The *Common Manual* has been revised with regard to the time frames in which a lender discloses repayment terms to a borrower prior to the start of the repayment period. The lender must notify a Stafford loan borrower of repayment terms no less than 30 days, and no more than 150 days, before the first payment due date. The lender must notify a PLUS loan borrower of repayment terms no less than 30 days, and no more than 150 days, before the first payment due date.

Affected Sections: 10.7.A Time Frame for Disclosure

Effective Date: Effective for loans first disbursed on or after August 14, 2008.

Basis: HEA §433(b) as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

Policy Information: 1097/157
Guarantor Comments: None.

Economic Hardship Deferment

The *Common Manual* has been revised to add a definition of "family size" as it pertains to the economic hardship deferment. The Manual has also been revised to delete the two eligibility criteria based on a federal debt-to-income ratio.

Affected Sections: 11.4 Economic Hardship Deferment
11.4.A Eligibility Criteria—Economic Hardship
11.4.B Deferment Documentation—Economic Hardship

Effective Date: Elimination of the debt-to-income provisions is effective for economic hardship deferments granted on or after July 1, 2009, that begin on or after July 1, 2009.

The definition of family size is effective for economic hardship deferments granted on or after July 1, 2009.

Basis: §682.210(s)(6)(iii)(b) and (s)(6)(ix).
Policy Information: 1098/157
Guarantor Comments: None.

Post-Active Duty Student Deferment

The *Common Manual* has been revised to incorporate regulatory changes to the military active duty student deferment that were part of the Final Rules dated October 23, 2008. These changes include revising the name of the deferment to "post-active duty student deferment" and clarifying that a borrower's eligible military service must begin on or after October 1, 2007, or include that date. Figure 11-1, "Deferment Eligibility Chart," is also revised to reflect these changes and to clarify that there is no limit to the number of post-active duty student deferments an eligible borrower may receive; however, each individual deferment is limited to 13 months.

Affected Sections: 11.8 Military Active Duty Student Deferment
11.9 Military Service Deferment
11.10 National Oceanic and Atmospheric Administration Corps Deferment
11.11 Parental Leave Deferment
11.12 Peace Corps Deferment
Figure 11-1 Deferment Eligibility Chart

Effective Date: Post-active duty student deferment requests received on or after July 1, 2009, unless implemented earlier by the lender on after October 23, 2008.

Basis: §682.210(u).
Policy Information: 1099/157
Guarantor Comments: None.

Military Service Deferment

The *Common Manual* currently states that a military service 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 date on which the borrower's qualifying service is certified to end or actually ends. The Manual is revised to add that without supporting documentation, a lender may grant a military service deferment to an otherwise eligible borrower for a period not to exceed the initial 12 months from the date the qualifying eligible service began based on a request from the borrower or the borrower's representative.

Affected Sections: 11.9.C Length of Deferment—Military Service

Effective Date: Military service deferment requests received by the lender on or after July 1, 2009, unless implemented earlier by the lender on or after October 23, 2008.

Basis: §682.210(t)(9).

Policy Information: 1100/157

Guarantor Comments: None.

Mandatory Forbearance for Post-Active Duty Student Deferment

The *Common Manual* has been revised to incorporate the mandatory forbearance that must be granted to a borrower who is a member of the National Guard and is serving on active military state duty and qualifies for the post-active duty student deferment, but who does not qualify for the military service deferment or other deferment. This type of forbearance is granted in yearly increments (or for a lesser period of time that is equal to the period for which the borrower is eligible) while the eligible borrower is engaged in active military state duty for a period of more than 30 consecutive days. The forbearance begins on the day after the grace period expires for a Stafford loan that has not entered repayment, or begins on the day after the end of the in-school deferment for a FFELP loan in repayment.

For purposes of this deferment, *active duty* means serving in full-time duty in the active military service of the United States for at least 30 consecutive days, including active state duty for members of the National Guard, for either of the following:

- Activities authorized by the governor, and approved by the president or Secretary of Defense, that are supported by federal funds.
- Activities authorized by the governor based on state statute or policy that are supported by state funds.

Active duty does not include:

- Training or attendance at a service school.
- Employment in a full-time, permanent position in the National Guard unless that position is reassigned as part of a Title 32 call to state active duty service.

Figure 11-2, "Forbearance Eligibility Chart," is also being revised to incorporate this forbearance type.

Affected Sections: 11.24.C National Service, Loan Forgiveness, or Department of Defense Repayment
 Figure 11-2 Forbearance Eligibility Chart

Effective Date: Requests received by a lender on or after July 1, 2009, unless implemented earlier by the lender on or after October 23, 2008.

Basis: §682.211(h)(2)(iii).

Policy Information: 1101/157

Guarantor Comments: None.

Additional Documentation Requirements for Subrogated Loans

The *Common Manual* has been updated with information and documentation that a guarantor may require a lender to provide for a loan that is subrogated to the Department or upon request of the guarantor. This information includes a record of the lender's disbursement of Stafford and/or PLUS loan proceeds to the school for delivery to the borrower, and the name and location of the entity in possession of the original electronically signed promissory note. Revised policy also creates a new subsection to specifically address additional documentation requested by a guarantor.

Affected Sections: 13.1.D Claim File Documentation

Effective Date: 13.1.G Additional Documentation Requested by the Guarantor
Requests for loan disbursement information and electronic signature documents received from the guarantor on or after July 1, 2008.

Basis: §682.409(c)(4)(vii) and (viii).

Policy Information: 1102/157

Guarantor Comments: None.

Repayment Options on Rehabilitated Loans

The *Common Manual* has been updated to include that upon purchase of a rehabilitated loan, a lender must immediately establish a repayment period with the borrower that meets the requirements applicable to other FFELP loans of the same type as the rehabilitated loan and must allow the borrower to choose any repayment schedule that is available for that specific loan type. The rehabilitation lender is no longer required to ensure that the repayment schedule on the rehabilitated loan has initial payments that are equal to or greater than the nine monthly payments that the borrower made to the guarantor during the rehabilitation period.

Affected Sections: 13.7 Rehabilitation of Defaulted FFELP Loans

Effective Date: Rehabilitated FFELP loans purchased by a lender on or after July 1, 2009.

Basis: §682.405(b)(4).

Policy Information: 1103/157

Guarantor Comments: None.

Consolidating to Obtain Direct Loan Benefits

The *Common Manual* has been updated to reflect that a FFELP borrower may consolidate into the Federal Direct Loan Program for the purposes of using the Public Service Loan Forgiveness Program and the no accrual of interest for active duty service members benefits. Also, a FFELP borrower may consolidate into the FDLP if the loan holder has requested default aversion assistance from the guarantor, or if the loan is already in default and the borrower is seeking an income-based repayment schedule.

Affected Sections: 15.2 Borrower Eligibility and Underlying Loan Holder Requirements

Effective Date: Direct Consolidation loans disbursed on or after October 1, 2008, for purposes of using the no accrual of interest benefits for active duty service members.

Direct Consolidation loans disbursed on or after July 1, 2009:

- to obtain an income-based repayment plan (if the loan has been submitted for default aversion or is already in default).
- for purposes of using the Public Service Loan Forgiveness Program.

Basis: HEA §428C(a)(3)(B)(i)(V)(aa), (bb), and (cc) and §455(o) as amended by the Higher Education Opportunity Act (HEOA), P.L.110-315; §682.201(e)(5); DCL GEN-08-12/FP-08-10.

Policy Information: 1104/157

Guarantor Comments: None.