


Sonny Perdue
GOVERNOR



Timothy A. Connell
PRESIDENT

TO: Financial Aid Officers
Student Loan Officers

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

DATE: April 28, 2009

SUBJECT: COMMON MANUAL, *Unified Student Loan Policy Bulletin 117*

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 #1105 – Annual Audit Waiver for Foreign Schools
Reference #1106 – Transfer Students: Loan Periods, Grade Levels, and Stafford Annual Loan Limits
Reference #1107 – Dependency Overrides
Reference #1108 – Required Lender Disclosures before Disbursement
Reference #1109 – Lender Disclosure before Repayment
Reference #1110 – Required Lender Disclosures during Delinquency
Reference #1111 – Rehabilitation of Defaulted FFELP Loans
Reference #1112 – Consumer Credit Reporting after FFELP Loan Rehabilitation
Reference #1113 – Teacher Loan Forgiveness
Reference #1114 – Lender Disclosure – Consolidation Loans
Reference #1115 – Cohort Default Rate – Extended Calculation Period
Reference #1116 – School Cohort Default Rate Challenges
Reference #1117 – Teach-Out Plan for Schools Placed under Limitation, Suspension, Termination, or Emergency Action

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.

Annual Audit Waiver for Foreign Schools

The *Common Manual* has been revised to incorporate provisions of the Higher Education Opportunity Act (HEOA), P.L. 110-315, that permit the Department of Education to waive the annual audit submission requirement for a foreign school that received less than \$500,000 in Title IV loans in the award year preceding the audit period.

Affected Sections:	4.8	Independent Audits
Effective Date:	Annual audits required of foreign schools on or after August 14, 2008.	
Basis:	HEA §487(c), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.	
Policy Information:	1105/158	
Guarantor Comments:	None.	

Transfer Students: Loan Periods, Grade Levels, and Stafford Annual Loan Limits

The *Common Manual* has been revised to incorporate regulatory guidance and information from Volume 3 of the 08-09 FSA Handbook concerning the treatment of students who transfer between schools, students who transfer between programs at the same school, and students who complete one program and begin another program at the same school during an academic year. In addition, these changes clarify minimum Stafford loan periods and grade level increases for such students.

The Manual is also revised to establish a centralized source in Subsection 6.11.A, *Stafford Annual Loan Limits*, under a new subheading, *Transfer Students*, for details about and examples of determining remaining Stafford annual loan limits for a student who transfers during an academic year. Previous Manual text that addressed a mid-year transfer student's remaining Stafford loan eligibility was relocated from Subsection 6.1.B., Section 6.2, and from existing bullets under the subheading *Undergraduate Students* in Subsection 6.11.A.

Minimum Loan Periods for Certain Programs

In 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, or each term is not at least nine weeks of instructional time in length), or a program with a combination of standard and nonstandard terms that does not qualify to use a Scheduled Academic Year (SAY), the minimum period for which a school may certify a loan is:

- The lesser of the length of the student's program at the school, the school's academic year, or the student's final period of study at the school.
- The lesser of the student's final period of study or the remaining portion of the prior school's final academic year if all of the following criteria are met:
 - A student transfers to a new school from a prior school (not a student who transfers between

programs at the same school).

- The new school accepts credit or clock hours from another school (the prior school or a different school) toward completion of the program at the new school.
- The prior school certified a loan for an academic year that overlaps the academic year at the new school.

In this case, the new school may certify a loan for no more than the remaining balance of the Stafford annual loan limit for the student's grade level in the new program. See below for more information about determining remaining Stafford loan eligibility for a student who transfers between schools during an academic year. See Figure 6-4 for more information about Stafford annual loan limits applicable to a student's grade level.

- The remainder of the current academic year for a student who completes one program and begins another program within an academic year at the same school. The school may certify an additional loan for an amount that does not exceed the remaining balance of the Stafford annual loan limit for the student's grade level in the new program (see Subsection 6.11.A) if each of the following criteria are met:
 - The student's last loan to complete that program was for a period of less than an academic year.
 - The student then begins a new program at the same school within the same academic year.

Transfer Students

If a student borrows Stafford loan funds to attend one school and then transfers to a new school, the new school is not permitted to certify a Stafford loan until it determines whether the student's new academic year will overlap with the final academic year in the program at the prior school. This requires the new school to determine the student's academic year in the prior school's program using either of the following methods:

- Obtain documentation from the prior school about the academic year for the program in which the student was enrolled.
- Make assumptions about the program's academic year at the prior school based on information obtained from the National Student Loan Data System (NSLDS). Schools that use this method must determine that the academic year for the program at the prior school ended on the *later* of the following:
 - 30 weeks after the first day of the most recent loan period listed.
 - The end date of the loan period for all loans made in the academic year.

If the final academic year in the prior school's program does not overlap with the initial academic year in the new school's program, the new school may certify a Stafford loan for no more than the Stafford annual loan limit for the student's grade level in the new program. If the final academic year in the prior school's program *does* overlap with the initial academic year in the new school's program, the new school may certify a Stafford loan for no more than the Stafford annual loan limit for the student's grade level in the new program *minus* the loan amount the student received for the final academic year in the program at the prior school.

These same general principles apply to a student who transfers from one program of study to another program of study within the same school. See below for additional information about determining the Stafford annual loan limit and loan period for a student who transfers from one program to another at the same school, based on the type of program into which the student transfers.

Transfer Students and Grade Level Increases

In a credit-hour program with standard terms or nonstandard terms that are substantially equal in length 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, minus any loan funds already received for that academic year. In 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, or each term is not at least nine weeks of instructional time in length), or a program with a combination of standard and nonstandard terms that does not qualify to use an SAY, the school may not certify the higher loan limit associated with the next grade level until the student successfully completes (i.e., passes) the number of credit or clock hours and completes the weeks of instructional time in the program's defined academic year.

Transfer to a Credit-Hour Program with Standard Terms or Nonstandard Terms That Are SE9W

Transfer Between Schools

Example: A dependent undergraduate student received a subsidized Stafford loan in the amount of \$2,000 as a grade level 3 student at School A for the loan period August 21, 2009, to December 20, 2009. The student then enrolls in School B, where he was classified as grade level 1 in a credit-hour program with standard terms or nonstandard terms that are SE9W. School B wishes to certify a loan from his start date, January 5, 2010.

School B opts to use the “assumption” method of determining the academic year for the program at School A. The most recent loan period at School A began August 21, 2009; the end date of the minimum 30-week academic year, based on that date, would be March 18, 2010. When compared to the end date of School A's loan period, the later of these two dates is March 18, 2010; therefore, the assumed end date of the final academic year in School A's program is March 18, 2010.

Because the academic year in School B's program begins prior to the assumed end date of the final academic year in School A's program, the maximum Stafford loan amount that the dependent student may receive is the grade level 1 Stafford annual loan limit at School B (\$5,500, of which no more than \$3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year of the program at School A (\$2,000 in subsidized Stafford loan funds). School B may initially certify a combined, subsidized and unsubsidized Stafford loan amount that does not exceed \$3,500, of which no more than \$1,500 may consist of subsidized Stafford loan funds. The initial loan period at School B begins on the student's start date, January 5, 2010, and ends no later than the end date of the initial academic year at School B.

For a subsequent term(s) that begins after the end of the final academic year in School A's program, but within the initial academic year of School B's program, School B may certify a subsequent Stafford loan that does not exceed the dependent student's grade level 1 Stafford annual loan limit at School B (\$5,500, of which no more than \$3,500 may consist of subsidized Stafford loan funds), minus the amount the student already received at School B for the initial academic year. If the student advances to a subsequent grade level for the subsequent term(s) that begins after the end of the final academic year in School A's program but within the initial academic year of School B's program, School B may certify a combined, subsidized and unsubsidized Stafford loan amount that does not exceed the higher Stafford annual loan limit for the student's grade level at School B (e.g., \$6,500 for a grade level 2, dependent student), minus the amount the student already received for the initial academic year at School B.

Transfer between Programs at the Same School

The same principles illustrated in the example above apply to a student who transfers from one program to another program at the same school when the program into which the student transfers is a credit-hour program with standard terms or nonstandard terms that are SE9W.

Transfer to a Clock-Hour Program, a Non-Term-Based Credit-Hour Program, or a Credit-Hour

Program with Nonstandard Terms That Are Not SE9W

Note: The following also applies to a student who transfers into a credit-hour program with a combination of standard terms and nonstandard terms that does not qualify to use an SAY.

Transfer between Schools

Example: A dependent undergraduate student received a subsidized Stafford loan in the amount of \$2,000 as a grade level 3 student at School A for the loan period August 21, 2009, to December 20, 2009. The student then enrolls in School B, where he is classified as a dependent, grade level 1 student in a clock-hour program, a non-term-based credit-hour program, or 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). School B wishes to certify a loan from his start date, January 5, 2010. School B opts to contact School A and determines that the final academic year in School A's program ends May 11, 2010. The student's initial Stafford loan eligibility at School B is dependent upon whether School B accepts credit or clock hours earned at a prior school toward completion of the program in which the student enrolls at School B.

School B Accepts Credit or Clock Hours

School B accepts credit or clock hours earned at another school (School A or a different school) toward completion of the program at School B in which the student enrolls. Because the initial academic year in School B's program begins prior to the end date of the final academic year in School A's program, *and* because School B accepts credit or clock hours in transfer toward requirements of School B's program, the initial loan period at School B is the *lesser* of the following:

- The remainder of the final academic year in School A's program.
- The student's final period of study in School B's program.

If the remainder of the final academic year in School A's program is shorter than the remainder of the student's final period of study in School B's program, the initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the end date of the final academic year in School A's program, May 11, 2010. For this initial loan, the student may receive no more than the grade level 1 Stafford annual loan limit at School B (\$5,500, of which no more than \$3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year in School A's program (\$2,000 in subsidized Stafford loan funds). School B may initially certify a combined subsidized and unsubsidized Stafford loan amount that does not exceed \$3,500, of which no more than \$1,500 may consist of subsidized Stafford loan funds. After the final academic year in School A's program ends on May 11, 2010, the student enters a new academic year for Stafford annual loan limit purposes, and School B may certify a Stafford loan(s) for the next full academic year or for the student's final period of study, if less than a full academic year.

If the student's final period of study in School B's program is shorter than the remainder of the final academic year in School A's program, the initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the date School B expects the student to complete the number of credit or clock hours and weeks of instructional time in the final period of study in School B's program. Because this student is enrolled in an undergraduate program, the student's Stafford annual loan limit at School B must be prorated based on the number of hours that School B expects the student to complete during the final period of study in School B's program at the time School B certifies the loan (see Subsection 6.1.F). School B may certify a Stafford loan amount that does not exceed the *lesser* of the following:

- The grade level 1 Stafford annual loan limit, minus the Stafford loan amount the student received for the final academic year in School A's program.
- The prorated grade level 1 Stafford annual loan limit.

School B Does Not Accept Credit or Clock Hours

School B does not accept credit or clock hours earned at another school (School A or a different school) toward completion of the program at School B in which the student enrolls. Because the initial academic year in School B's program begins prior to the end date of the final academic year in School A's program, *and* because School B does *not* accept credit or clock hours in transfer toward the requirements of School B's program, the initial loan period at School B is the academic year for the program in which the student enrolls at School B. The initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the date that School B expects the student to complete the credit or clock hours and weeks of instructional time in the academic year definition for the student's program. For this initial loan, the student may receive no more than the grade level 1 Stafford annual loan limit at School B (\$5,500, of which no more than \$3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year in School A's program (\$2,000 in subsidized Stafford loan funds). School B may initially certify a combined, subsidized and unsubsidized Stafford loan amount that does not exceed \$3,500, of which no more than \$1,500 may consist of subsidized Stafford loan funds. After the student successfully completes the credit or clock hours and completes the weeks of instructional time in the initial academic year for the program at School B, the student enters a new academic year for annual loan limit purposes. School B may then certify a subsequent loan(s) for the next full academic year or for the student's final period of study, if less than a full academic year.

Transfer between Programs at the Same School

A school may, but is not required to, consider a student who transfers from one program to a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are *not* SE9W, or a credit-hour program with a combination of standard and nonstandard terms that does not qualify to use an SAY to be in the same payment period and loan period if all of the following criteria are met:

- The student is continuously enrolled at the school.
- The coursework in the payment period from which the student is transferring is substantially similar to the coursework the student will take when he or she first transfers into the new program.
- The payment period in the program from which the student is transferring is substantially equal in weeks of instructional time and in credit or clock hours to the payment period into which the student will transfer. The payment periods are substantially equal in weeks of instructional time if neither payment period is more than two weeks of instructional time longer than the other payment period.
- There is little or no change in the institutional charges the school assesses to the student for the payment period.
- The credit or clock hours from the payment period from which the student is transferring are accepted toward the new program.

A school may be required to adjust the original loan period end date or a second or subsequent disbursement date(s) if, as a result of the program transfer, the school expects the student to successfully complete the credit or clock hours and complete the weeks of instructional time in the payment period or academic year on a different date. See Subsections 6.1.B and 6.4.B.

In all other cases, a school must place a student in a new payment period and a new loan period when, during an academic year, the student transfers from one program to a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are *not* SE9W, or a credit-hour program with a combination of standard and nonstandard terms that does not qualify to use an SAY. The school may be required to establish a withdrawal date (see Section 9.4) and perform a return of Title IV funds calculation based on the student's withdrawal from the prior program during a payment period or, as applicable, period of enrollment. (See Subsection 9.4.B for more information about calculating a return

of Title IV funds on a payment period or period of enrollment basis). The school must also cancel any undelivered disbursement(s) from the original loan for which the student is ineligible. The new loan period for the new program begins on the student's start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the program's academic year. The school may certify an initial Stafford loan for the new program that does not exceed the Stafford annual loan limit for the student's grade level in the new program minus the loan amount the student received during the prior program's final academic year.

If a student transfers to a new program at the same school to complete a final period of study of less than one academic year, the new loan period for the new program begins on the student's start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the program's final period of study. In this situation, if the new program is an undergraduate program, the student's Stafford annual loan limit must be prorated based on the number of hours that the school expects the student to complete during the final period of study in the new program (see Subsection 6.1.F). If an overlap exists with the prior program's academic year, the school may certify a Stafford loan amount that does not exceed the *lesser* of the following:

- The Stafford annual loan limit for the student's grade level in the new program, minus the Stafford loan amount the student received for the prior program's final academic year.
- The prorated Stafford annual loan limit for the student's grade level in the new program (see Subsection 6.11.F).

Completing a Program and Beginning Another Program at the Same School during an Academic Year

A school may certify a loan for the remainder of an academic year for a student who completes a program and begins a new program at the same school if the following criteria are met:

- The student's last loan to complete the prior program was for a period of less than an academic year.
- The student then begins a new program at the same school within the same academic year.

The new loan for the new program begins on the date that the student starts the new program and ends on the date that the school expects the student to complete the number of credit or clock hours and weeks of instructional time in the prior program's academic year. For this initial loan in the new program, the school may certify a Stafford loan amount that does not exceed the Stafford annual loan limit for the student's grade level in the new program, minus the loan amount the student received during the prior program's final academic year.

Affected Sections

6.1.B Academic Year Categories
6.2 Determining the Loan Period
6.11.A Stafford Annual Loan Limits

Effective Date:

Loans certified on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007, for determining the minimum loan period for a student who transfers between schools and enrolls in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W.

For increases in the additional unsubsidized Stafford annual loan limit, Stafford loans first disbursed on or after July 1, 2008.

Publication date of Volume 3 of the 08-09 FSA Handbook for determining remaining Stafford loan eligibility for students who transfer to:

- Credit-hour programs with nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W).
- Clock-hour programs, non-term-based credit-hour

programs, credit-hour programs with nonstandard terms that are not SE9W, and programs with a combination of standard and nonstandard terms that are not qualified to use a Scheduled Academic Year (SAY).

Basis: Ensuring Continued Access to Student Loans Act (ECASLA) of 2008, P.L. 110-227; §668.4(g)(1)(ii); §668.4(g)(3); §682.603(f)(1); §682.603(g); preamble to the *Federal Register* dated August 8, 2007, pp. 44632 and 44633; *Federal Register* dated November 1, 2007, pp. 62020, 62021, 62026, and 62031; 08-09 FSA Handbook, Volume 3, pp. 3-86 to 3-89.

Policy Information: 1106/158

Guarantor Comments: None.

Dependency Overrides

The *Common Manual* is being revised to incorporate a statutory change made through the College Cost Reduction and Access Act (CCRAA) of 2007 that allows a financial aid administrator (FAA) to make a dependency override for a student based on the dependency override for that same student made by another FAA at a prior school without gathering supporting documentation. The dependency override of the prior FAA must be within the same award year. For subsequent award years, the FAA must make his/her own dependency override determination. As is currently the case when making a dependency override, the FAA who makes the dependency override must prepare a written statement regarding the dependency determination, including the identification of the specific unusual circumstances upon which the determination is based, and must maintain the statement and supporting documentation used. The school that uses the dependency override of another school must retain the SAR/ISIR that was used as the basis for continuing the dependency override.

Affected Sections: 6.8 Determining the Student's Dependency Status

Effective Date: Dependency overrides made by the school on or after July 1, 2009.

Basis: HEA §480(d)(2); *Summary of Changes for the Application Processing System 2009-2010*, p. 6.

Policy Information: 1107/158

Guarantor Comments: None.

Required Lender Disclosures before Disbursement

The *Common Manual* has been revised by adding the following required initial disclosures by lenders:

- A statement prominently and clearly displayed and in bold print that the borrower is receiving a loan that must be repaid.
- For a borrower of an unsubsidized Stafford loan or Grad PLUS loan, an explanation that the borrower has the option to pay the interest that accrues while the borrower is enrolled in school at least half time and an explanation of the frequency of interest capitalization should the borrower not pay the interest that accrues during the in-school period.
- For a borrower of a parent PLUS loan, an explanation that the borrower has the option to defer payment while the student is enrolled in school at least half time and an explanation of the frequency of interest capitalization should the borrower not pay the interest that accrues during the in-school deferment period.
- For a borrower of a parent PLUS loan, an explanation that the borrower may be eligible for a deferment while enrolled in school at least half time.
- A description of the types of repayment plans that are available for the loan.
- A statement summarizing the circumstances under which a borrower may obtain a forbearance.

- A description of the options available for and requirements of loan forgiveness.

The text in the Manual has been updated to clarify the following with regard to initial lender disclosures:

- The information on the up-front fees, including the federal origination fee and federal default fee, requires an explanation of whether the charges will be collected by the lender before or at the time of each disbursement, deducted from the loan proceeds, paid separately by the borrower, or paid by the lender.
- The statement on the cumulative outstanding balance requires inclusion of the loan being disbursed as opposed to the loan for which the borrower is applying.
- The explanation of costs to the borrower refers to charges during repayment, e.g. late fees, as opposed to charges during the “making” of the loan and to charges in the collection of the loan.

The statutory requirement for a lender to provide an explanation of how accepting the loan may affect the student’s eligibility for other financial aid was deleted from the required initial disclosures. The HEOA has moved this requirement to school responsibility in conjunction with entrance loan counseling.

Affected Sections:	7.6.A	General Initial Disclosure Requirements
Effective Date:	August 14, 2008.	
Basis:	HEA §433(a), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.	
Policy Information:	1108/158	
Guarantor Comments:	None.	

Lender Disclosure before Repayment

The *Common Manual* has been updated to include revisions to the information that the lender is required to disclose when providing FFELP Stafford and PLUS loan repayment disclosures. In addition to existing repayment disclosure requirements, the lender is now required to disclose:

- The servicer's name and the address to which correspondence and payments should be sent, if applicable.
- The date the deferment period is to end, if applicable.
- The estimated balance, including the estimated amount of interest to be capitalized as of the date the deferment period is to end, if applicable.
- Information on any special repayment benefits that the lender offers for the loan(s) including:
 - Eligibility for an interest rate reduction if the borrower repays the loan by automatic payroll or checking account deduction or if the borrower makes a specified number of on-time payments, and any other loan repayment benefits that could reduce the amount of repayment or the length of the repayment period.
 - Any limitations on the special loan repayment benefit, including, but not limited to:
 - (1) Explicit information on the reasons a borrower may lose eligibility for the benefit.
 - (2) For an interest rate reduction benefit, examples of the impact the interest rate reduction has on the length of the borrower's repayment period and the total repayment amount, and upon request of the borrower, the effect the change would have with respect to the borrower’s total payoff amount and length of the

repayment period.

(3) Whether and how the borrower can regain eligibility for a loan repayment benefit if the borrower loses the benefit.

- A description of all repayment plans that are available to the borrower and a statement that the borrower may change from one plan to another during the repayment period.
- The number, amount, and frequency of required payments based on a standard repayment plan or the plan selected by the borrower. In the disclosure to a PLUS or an unsubsidized Stafford loan borrower, the lender may provide, in lieu of projected monthly payment amounts, sample projections of monthly payment amounts that assume different levels of borrowing and interest accrued during the student's in-school status. If the lender provides sample projections, the disclosure must also include the borrower's cost if the borrower authorizes the lender to capitalize the accrued interest or if the borrower pays the interest as it accrues.
- The amount of interest already paid, if applicable, unless, for PLUS and unsubsidized Stafford loans, the lender has previously provided projected monthly payment amounts to the borrower.
- A description of options to avoid default or bring a loan out of default, including any fees associated with the option.
- Additional resources, of which the lender is aware, where borrowers may receive advice and assistance on loan repayment. Examples of such resources are nonprofit organizations, advocates, and counselors (including the Department's Student Loan Ombudsman).

Affected Sections: 10.7 Disclosing Repayment Terms
Effective Date: Loans first disbursed on or after August 14, 2008
Basis: HEA §433(b) and (d), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.
Policy Information: 1109/158
Guarantor Comments: None.

Required Lender Disclosures during Delinquency

The *Common Manual* has been revised by adding the requirement that a lender must provide to a borrower who is 60 days delinquent a notice that is in simple and understandable terms and contains all of the following information:

- The date on which the loan will default if no payment is made.
- The minimum payment the borrower must make to avoid default.
- A description of borrower options to avoid default, including a description of, and the requirements for obtaining a deferment or a forbearance and an explanation of any relevant fees or costs associated with such options.
- Loan discharge options for which the borrower may be eligible.
- Additional resources of which the lender is aware, including nonprofit organizations, advocates, and counselors (including the Department's Student Loan Ombudsman) where the borrower may receive advice and assistance on loan repayment.

Affected Sections: 12.1 Collection Philosophies, Goals, and Minimum Standards
Effective Date: Loans that become delinquent on or after July 1, 2009.
Basis: HEA §433(e)(3), as amended by the Higher Education Opportunity Act

(HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

Policy Information: 1110/158

Guarantor Comments: None.

Rehabilitation of Defaulted FFELP Loans

The *Common Manual* has been updated to reflect changes to the rehabilitation program that were made in the Higher Education Opportunity Act (HEOA), P.L. 110-315. These changes specify that a loan may be rehabilitated only once. A borrower may include in a rehabilitation agreement another defaulted loan that has not previously been rehabilitated on or after August 14, 2008.

Affected Sections: 13.7 Rehabilitation of Defaulted FFELP Loans

Effective Date: Loans rehabilitated on or after August 14, 2008.

Basis: HEA §428F(a)(5), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

Policy Information: 1111/158

Guarantor Comments: None.

Consumer Credit Reporting after FFELP Loan Rehabilitation

The *Common Manual* has been updated to reflect the changes to the rehabilitation program that were made in the Higher Education Opportunity Act (HEOA), P.L. 110-315. These changes specify that upon successful rehabilitation of a loan, the guarantor or any other holder that reported the loan as a default must request the consumer reporting agency to which the default was reported remove the record of the default from the borrower's credit history. The Manual's glossary has also been update to include the definition of Consumer Reporting Agency.

Affected Sections: 13.7 Rehabilitation of Defaulted FFELP Loans

Appendix G

Effective Date: Loan rehabilitation sales to eligible lenders that take place on or after August 14, 2008.

Basis: HEA §428F(a)(1)(A), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

Policy Information: 1112/158

Guarantor Comments: None.

Teacher Loan Forgiveness

The *Common Manual* has been updated with provisions of the Higher Education Opportunity Act (HEOA), P.L. 110-315. The information for teacher loan forgiveness has been revised to add that an otherwise eligible borrower may qualify for forgiveness if the borrower has performed qualifying teaching service at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Department, in consultation with the state, to be eligible locations for this purpose. An educational service agency is a regional public multi-service agency authorized by state statute to develop, manage, and provide services or programs to local educational agencies. Also, the chief administrative officer of an educational service agency may certify a borrower's eligibility for teacher loan forgiveness for a borrower who performs his or her qualifying teaching service as an employee of such an agency.

The Manual has also been updated to add that a borrower who receives a teacher loan forgiveness benefit under the FFELP or Federal Direct Loan Program may not receive, for the same qualifying period of teaching service, benefits under the Public Service Loan Forgiveness Program or the Loan Forgiveness Program for Service in Areas of National Need.

Affected Sections: 13.9.B Teacher Loan Forgiveness Program

Effective Date: Teacher Loan Forgiveness Applications and Teacher Loan Forgiveness

Forbearance Request forms received by the lender on or after August 14, 2008.

Basis: HEA §428J(c)(3) and (g)(2), and §481(f), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

Policy Information: 1113/158

Guarantor Comments: None.

Lender Disclosure - Consolidation Loans

The *Common Manual* has been revised to include required disclosures that a lender is required to make to a prospective Consolidation loan borrower, in simple and understandable terms, at the time the lender provides a loan application, including all of the following:

- Whether consolidation would result in loss of benefits under the FFELP or the Federal Direct Loan Program (e.g., loan forgiveness, cancellation, deferment), or under the Federal Perkins Loan Program (e.g., interest-free periods, deferment, cancellation).
- Available repayment plans.
- Options to prepay (e.g., request a shorter repayment period, change repayment plans).
- That benefit programs may vary among lenders.
- The consequences of default.
- That applying for the Consolidation does not obligate the borrower to take the Consolidation loan.

Affected Sections: 15.3.A Providing Consolidation Loan Information

Effective Date: Consolidation loan applications provided to potential borrowers on or after August 14, 2008.

Basis: HEA §428C(b)(1)(F), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

Policy Information: 1114/158

Guarantor Comments: None.

Cohort Default Rate - Extended Calculation Period

The *Common Manual* has been updated to incorporate the provision from the Higher Education Opportunity Act (HEOA), P.L. 110-315, related to the extended period for calculating a school's cohort default rate. The information for cohort default rate calculations has been revised to add that beginning with fiscal year 2009, the cohort default rate will be defined as the percentage of a school's student borrowers who enter repayment during a specific fiscal year on certain FFELP and FDLP loans and who default on those loans before the end of the *second* fiscal year following the fiscal year in which the borrower entered repayment. A new Figure 16-2, "Cohort Default Rate Formulas Beginning with Fiscal Year 2009," has also been added to reflect the change in the cohort default rate calculation. The current Figure 16-2, "Summary: Challenges, Adjustments, and Appeals," has been re-numbered as Figure 16-3.

Affected Sections: 16.1 Overview of Cohort Default Rates and Terminology
 16.2 Calculation of School Cohort Default Rates
 Figure 16-1 Cohort Default Rate Formulas
 Figure 16-2 Summary: Challenges, Adjustments, and Appeals

Effective Date: Cohort default rate calculations beginning with fiscal year 2009 and thereafter.

Basis: HEA §435(m), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

Policy Information: 1115/158
Guarantor Comments: None.

School Cohort Default Rate Challenges

The *Common Manual* has been revised to clarify the time frame that a school must follow when challenging its draft cohort default rate. Any challenge must be submitted within 45 days of the time frame begin date. For domestic schools, the time frame begin date is defined as the sixth business day after the Department officially releases the draft cohort default rates. For foreign schools, the time frame begin date is the day after the school's official cohort default rate notification is received.

Affected Sections: 16.3 School Draft Cohort Default Rates and Challenges
Effective Date: Cohort default rate challenges submitted by the school on or after the publication date of the August 2006 *Cohort Default Rate Guide*.
Basis: *Cohort Default Rate Guide* p. 4.1-1, dated August 2006.
Policy Information: 1116/158
Guarantor Comments: None.

Teach-Out Plan for Schools Placed under Limitation, Suspension, Termination, or Emergency Action

The *Common Manual* has been updated to incorporate provisions from the Higher Education Opportunity Act (HEOA), P.L. 110-315. A school that is placed on a limitation, suspension, termination, or emergency action must prepare a teach-out plan and provide it to the school's accrediting agency or association. A "teach-out plan" is a written plan that provides for equitable treatment of students if a school ceases to operate before all students have completed their program of study; the plan may include, if required by the school's accrediting agency, an agreement between schools for a teach-out plan. The teach-out plan must be prepared in accordance with HEA §496(c)(3) (see Title I—General Provisions, Accreditation, and Operating Procedures) and any applicable Title IV regulations or accrediting agency standards.

Affected Sections: 18.1 Actions to Limit, Suspend, or Terminate Participation
Effective Date: Limitation, suspension, termination, or emergency actions placed on a school on or after August 14, 2008.
Basis: HEA §487(f), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.
Policy Information: 1117/158
Guarantor Comments: None.