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GOVERNOR



Georgia Student Finance Commission
Georgia Student Finance Authority
Georgia Higher Education Assistance Corporation
GAcollege411

TO: Financial Aid Officers
Student Loan Officers

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

DATE: May 3, 2010

SUBJECT: COMMON MANUAL, *Unified Student Loan Policy Bulletin 126*

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 #1182 – Requirements for a Teach-Out Plan
Reference #1183 – Baccalaureate Liberal Arts Programs Offered by Proprietary Institutions
Reference #1184 – Additional Location as the Result of a Teach-Out
Reference #1185 – Student Consumer Information
Reference #1186 – Entrance Counseling
Reference #1187 – Student Eligibility after Drug-Related Offenses
Reference #1188 – Correspondence and Distance Education Courses
Reference #1189 – Multiple Disbursements and Low Cohort Default Rate Exemptions
Reference #1190 – Income-Based Repayment (IBR) Schedule
Reference #1191 – Lender Disclosures During Repayment
Reference #1192 – Disclosure When Granting a Deferment on Unsubsidized Stafford and PLUS Loans
Reference #1158 – Economic Hardship Deferment Eligibility
Reference #1193 – Lender Disclosure During Delinquency
Reference #1194 – Lender Disclosures – Consolidation Loans

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 the *Common Manual's* website at www.commonmanual.org. Please carefully note the effective date of each policy change.

Requirements for a Teach-Out Plan

The *Common Manual* has been revised to incorporate the requirements within the Program Participation Agreement for the preparation and submission of a teach-out plan by a school to its accrediting agency or association if any of the following occurs:

- The Department initiates a limitation, suspension, termination, or emergency action (see Section 18.1).
- The school's accrediting agency acts to withdraw, terminate, or suspend the accreditation or preaccreditation of the school.
- The school's state licensing or authorizing agency revokes the school's license or legal authorization to provide an educational program.
- The school intends to close a location that provides 100% of at least one program.
- The school otherwise intends to cease operations.

Affected Sections:	4.1.A	Establishing Eligibility
Effective Date:	July 1, 2010.	
Basis:	§668.14(b)(31); <i>Federal Register</i> dated October 29, 2009, pp. 55924 and 55934; <i>Federal Register</i> dated August 21, 2009, pp. 42384 and 42430.	
Policy Information:	1182/168	
Guarantor Comments:	None.	

Baccalaureate Liberal Arts Programs Offered by Proprietary Institutions

The *Common Manual* has been revised to incorporate a program leading to a baccalaureate degree in liberal arts as an eligible program for a proprietary institution of higher education if the school has provided the program continuously since January 1, 2009, and the school has been continuously accredited by a recognized regional accrediting agency or association since October 1, 2007, or earlier. A baccalaureate degree in liberal arts must be a regular program that the school's recognized regional accreditation agency or organization determined to be a general instructional program in the liberal arts subjects, the humanities disciplines, or the general curriculum, falling within one or more of the following instructional categories:

- A program that is a structured combination of the arts, biological and physical sciences, social sciences, and humanities that emphasize a breadth of study.
- An undifferentiated program that includes instruction in the general arts or general science.
- A program that focuses on combined studies and research in the humanities emphasizing languages, literatures, art, music, philosophy, and religion.

- Any single instructional program in liberal arts and sciences, general studies, and humanities not listed above.

Independently-designed, individualized, and unstructured programs and studies in the liberal arts offered by proprietary schools are excluded from eligibility.

Affected Sections: 4.1.C Maintaining Eligibility
Effective Date: July 1, 2010.
Basis: §600.5(e); §668.8(d) (4); DCL GEN-08-12; *Federal Register* dated October 29, 2009, pp. 55904 and 55933; *Federal Register* dated August 21, 2009, pp. 42383, 42428, and 42429.
Policy Information: 1183/168
Guarantor Comments: None.

Additional Location as the Result of a Teach-Out

The *Common Manual* has been revised to incorporate the requirements by which a school that conducts a teach-out may establish a permanent additional location at a closed school if the Department took a limitation, suspension, and termination (LS&T), or emergency action against the school before or after its closing. The school providing the teach-out is not required to satisfy the proprietary and postsecondary vocational school requirement of being in existence for 2 years. If the closed school and teach-out schools are not related parties and do not have common ownership or management, the school providing the teach-out is neither responsible for any liabilities of the closed school nor will the default rate of the closed school be included in the calculation of the teach-out school's default rate. However, as a condition for approving the additional location, the Department may require that any payment(s) from the school conducting the teach-out to the owners or related parties of the closed school be used to satisfy the liabilities owed by the closed school.

Affected Sections: 4.1.C Maintaining Eligibility
Effective Date: Effective July 1, 2010, unless implemented earlier by the school on or after November 1, 2009.
Basis: §600.32(d); *Federal Register* dated October 29, 2009, pp. 55905 and 55933; *Federal Register* dated August 21, 2009, pp. 42383 – 42384 and 42429; 09-10 FSA Handbook, Volume 2, Chapter 5, p. 2-63.
Policy Information: 1184/168
Guarantor Comments: None.

Student Consumer Information

The *Common Manual* has been updated to provide a high-level description of the student consumer information that a school must make available, as distinguished from consumer information that a school must directly distribute, and reorganizes the student consumer information disclosure items addressed in Manual text accordingly.

Revised policy includes additional information and clarification from Final Rule changes about student consumer information disclosures that were initially mandated by the Higher Education Opportunity Act of 2008 (HEOA), and expands the high-level summary of existing annual security report requirements in order to provide a similar level of detail.

Revised policy also corrects existing Manual text by stating that, in the case of a prospective student, the requirement to provide student consumer information to the student before he or she enrolls or enters into a financial obligation with the school only applies to the disclosure of completion rates, if applicable; transfer-out rates; and retention rates—not to all student consumer information disclosures provided to prospective students.

Affected Sections: 4.4.B Consumer Information
Effective Date: Student consumer information disclosures made available by a school on or after July 1, 2010, with the following exceptions:

- For the emergency evacuation and response policies and procedures, effective for the annual security report that a school must distribute by October 1, 2010.
- For policies and procedures, effective for the fire safety report that a school must distribute by October 1, 2010. If the fire safety report is included in the annual security report, effective for the annual security report that a school must distribute by October 1, 2010.
- For annual security report provisions, retroactive to the implementation of the *Common Manual*.

Basis: §668.41(a), (d), and (e); §668.43(a)(5)(iv); §668.43(a)(10) and (11); §668.45; §668.46(a); §668.46(b)(13) and (14); §668.46(g) and (h); §668.49; *Federal Register* dated August 21, 2009, pp. 42391 and 42397; *Federal Register* dated October 29, 2009, pp. 55910 to 55914, and 55943 to 55947.

Policy Information: 1185/168
Guarantor Comments: None.

Entrance Counseling

The *Common Manual* has been updated to include regulatory changes and citations resulting from final rules published in the October 29, 2009, *Federal Register*. Revised policy expands entrance counseling delivery methods to include both online and interactive electronic means, and encourages the use of methods that test the borrower's understanding of the terms and conditions of his or her loans.

Affected Sections: 4.4.C Entrance Counseling
Effective Date: Entrance counseling provided by the school on or after July 1, 2010, unless implemented earlier by the school.
Basis: §682.604(f); *Federal Register* dated October 28, 2009, pp. 55639-55640.
Policy Information: 1186/168
Guarantor Comments: None.

Student Eligibility after Drug-Related Offenses

The *Common Manual* has been updated to include statutory changes resulting from the Higher Education Opportunity Act. Revised policy expands eligibility reinstatement after a drug-related conviction of a student who was enrolled in school and receiving Title IV aid when the conviction occurred to include the successful passing of two unannounced drug tests conducted by an approved drug rehabilitation program. A student may regain eligibility for Title IV aid on the date that the student successfully completes an approved drug rehabilitation program or on the date the student successfully passes two unannounced drug tests conducted by an approved drug rehabilitation program. In this case, the student may regain eligibility prior to actually completing the rehabilitation program.

Affected Sections: 5.8 Effect of Drug Conviction on Eligibility
Effective Date: Reinstatement of Title IV eligibility on or after July 1, 2010.
Basis: HEA §484(r) (2) (B), as amended by the Higher Education Opportunity Act (HEOA), Public Law 110-315.
Policy Information: 1187/168
Guarantor Comments: None.

Correspondence and Distance Education Courses

The *Common Manual* has been revised to incorporate provisions of the Higher Education Opportunity Act of 2008 (HEOA) and final rules published in the October 27, 2009, *Federal Register* that replace the term "telecommunications" with "distance education." A program of study offered principally through distance

education is an eligible Title IV program. “Distance education” is defined in the glossary as education that uses one or more technologies to deliver instruction to a student who is separated from the instructor and to support regular and substantive interaction between the student and the instructor, either simultaneously or at different times. Any of the following are permissible distance education technologies:

- The Internet.
- One-way and two-way transmissions through open broadcast, closed circuit, cable, microwave, broadband lines, fiber optics, satellite, or wireless communications devices.
- Audio conferencing.

Videocassettes, DVDs, and CD-ROMs may also be used in conjunction with any of the technologies listed above.

The Manual definition of “correspondence course” has been revised to clarify that this is typically a self-paced course for which the school provides instructional materials by mail or electronic transmission, including examinations on the materials, to a student who is separated from the instructor. Interaction between the instructor and student is limited, is not regular and substantive, and is primarily initiated by the student. A correspondence course is not distance education. Revised policy also clarifies permissible costs of attendance for a student enrolled in a correspondence study.

The glossary definition of “telecommunications course” has been deleted. Additional references to a telecommunications course or program throughout the Manual will be corrected to refer to “distance education” via a separate technical edit process.

Affected Sections:	5.12 5.12.A 6.5.B Appendix G	Use of Telecommunications and Correspondence in Programs of Study Telecommunications Program of Study COA Exceptions for Correspondence and Telecommunications Study
Effective Date:	August 14, 2008, for distance education courses. July 1, 2010, for correspondence courses.	
Basis:	HEA §103(7); §600.2 Definition of correspondence course; §600.2 Definition of Distance Education; <i>Federal Register</i> dated October 27, 2009, pp. 55425 and 55426; DCL GEN-08-12.	
Policy Information:	1188/168	
Guarantor Comments:	None.	

Multiple Disbursements and Low Cohort Default Rate Exemptions

The *Common Manual* has been updated with guidance found in Volume 3 of the 09-10 FSA Handbook. A school may disburse a Stafford or PLUS loan in a single disbursement if the school has a cohort default rate of less than 10% for each of the three most recent fiscal years for which data are available, and any one of the following conditions applies:

- The loan is certified for a period of enrollment that is not more than one semester, trimester, or quarter.
- In a nonstandard term-based program with terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W), the loan is certified for a period of enrollment that is not more than one nonstandard term. However, a school must schedule at least two disbursements of a loan made for a single, nonstandard term that is SE9W but that is more than 4 months in length.
- In a nonstandard term-based program with terms that are not SE9W — i.e., the terms are not substantially equal or each term is not at least 9 weeks of instructional time in length — or in a non-term-based program, the loan is certified for a period of enrollment that is not more than 4 months.

Affected Sections: 6.4.A Multiple Disbursements and Exceptions
Effective Date: Publication date of Volume 3 of the 09-10 FSA Handbook.
Basis: 09-10 FSA Handbook, Volume 3, p. 3-18.
Policy Information: 1189/168
Guarantor Comments: None.

Income-Based Repayment (IBR) Schedule

The *Common Manual* has been revised to include a borrower's selection of the IBR plan as a reason why a lender would need to adjust the borrower's repayment terms. The Manual has also been revised to include the revised definition of partial financial hardship (PFH) for the purpose of determining a borrower's eligibility for the IBR plan. The revised definition specifies that the lender must use the greater of the amount owed on the eligible loans when the borrower initially entered repayment or the amount owed when the borrower selects the IBR plan for determining whether a borrower has a PFH. The definition of partial financial hardship contained in the glossary of the Manual has also been revised.

Finally, the Manual has been revised to include the new requirement that when calculating whether a borrower who files a joint tax return and whose spouse also has eligible loans, has a PFH, the lender must determine each borrower's payment amount by multiplying the total calculated payment amount by the borrower's percentage of the couple's total loan debt. This step must be done before performing any proration for the borrower's loans held by multiple loan holders and applying the PFH payment amount rules.

Affected Sections: 10.6.E Adjusting the Borrower's Repayment Terms
10.8.D Income-Based Repayment Schedule
Appendix G
Effective Date: Income-based repayment (IBR) plan requests or renewals processed by the lender on or after July 1, 2010.
Basis: §682.215(a) and (b)(1); Final Rules published in the *Federal Register* dated October 29, 2009, p. 55995.
Policy Information: 1190/168
Guarantor Comments: None.

Lender Disclosures during Repayment

The *Common Manual* has been revised to incorporate final rule clarifications to several of the disclosures a lender must provide to a borrower in repayment, which state:

- The total amount of interest paid on the loan provided to a borrower must be since the last bill or statement.
- The aggregate amounts provided to a borrower identifying the interest and fees paid on the loan and the amount paid against the balance must all be disclosed separately. The aggregate balance provided to the borrower must be the principal balance.
- A lender's or loan servicer's address and toll-free phone number must also be provided to a borrower for repayment options.

The Manual has also been revised to incorporate guidance contained in the preamble to the NPRM that states that these disclosures may be provided to a borrower based on the lender's or loan servicer's current system methodology and, therefore, may be disclosed at the loan, account, or borrower level.

Affected Sections: 10.12 Lender Disclosures during Repayment
Effective Date: Loans with first payments due on or after July 1, 2010.

Basis: §682.205(c)(3), *Federal Register* dated October 29, 2009, p. 55993; Preamble to Notice of Proposed Rulemaking (NPRM) *Federal Register* dated July 23, 2009, pp. 36571-36572.
Policy Information: 1191/168
Guarantor Comments: None.

Disclosure When Granting a Deferment on Unsubsidized Stafford and PLUS Loans

The *Common Manual* has been revised to clarify the deferment disclosure requirement. Before or at the time a lender grants a deferment on an unsubsidized Stafford or PLUS loan, a lender must provide general information, including an example, to the borrower to assist the borrower in understanding the impact of the capitalization of interest on the loan principal and the total amount of interest to be paid over the life of the loan. In addition, the lender must notify an unsubsidized Stafford or PLUS borrower of the option to pay the accruing interest or cancel the deferment and continue to make monthly payments on the loan.

These disclosure requirements have been incorporated into all federally-approved deferment forms with a May 2012 expiration date, and are currently being incorporated into the Military Deferment form.

Affected Sections: 11.1.J Disclosure When Granting a Deferment on an Unsubsidized Stafford Loan
Effective Date: Deferments granted on or after July 1, 2010.
Basis: §682.210(a)(3)(ii), Final Rules published in the *Federal Register* dated October 29, 2009, pp. 55977 and 55994.
Policy Information: 1192/168
Guarantor Comments: None.

Economic Hardship Deferment Eligibility

The *Common Manual* has been updated to remove the ability of a borrower to qualify for an economic hardship deferment based solely on being unemployed, incarcerated, disabled, or on a temporary leave of absence from work, if the condition begins on or after July 1, 2009.

In addition, the Manual is revised to reflect that for a borrower not residing in a state that is identified in the poverty guidelines (i.e., a borrower living abroad), deferment eligibility is based on the poverty guideline for the 48 contiguous states.

Finally, the definition of “economic hardship” contained in Appendix G has been revised to remove the debt-to-income ratio eligibility criterion and to refer the reader to Subsection 11.4.A for a complete list of the eligibility criteria for the deferment.

Affected Sections: 11.4.A Eligibility Criteria—Economic Hardship
Appendix G
Effective Date: Economic hardship deferments granted on or after July 1, 2009, that begin on or after July 1, 2009.
Basis: §682.210(s)(6); preamble to the *Federal Register* published October 23, 2008, page 63235.
Policy Information: 1158/168 (originally distributed in Batch 163)
Guarantor Comments: None.

Lender Disclosures during Delinquency

The *Common Manual* has been revised to incorporate Final Rule clarifications to two of the disclosures a lender must provide to a borrower who is 60 days delinquent. These clarifications state that:

- The minimum payment to avoid default disclosed to a borrower must be as of the date of the lender’s notice, and must include the payment amount needed to either bring the loan current or to pay the

loan in full.

- A lender must provide resources of which it is aware where the borrower may receive *additional* advice and assistance on loan repayment.

Revised policy also incorporates guidance that states a lender must send this disclosure notice to a borrower within five days of the date the borrower becomes 60 days delinquent, unless the lender has sent a similar notice to that borrower within the preceding 120 days.

Affected Sections: 12.1.A Lender Disclosure Requirements
Effective Date: Loans that become delinquent on or after July 1, 2010.
Basis: *Federal Register* dated October 29, 2009, p. 55993.
Policy Information: 1193/168
Guarantor Comments: None.

Lender Disclosures – Consolidation Loans

The *Common Manual* has been revised to incorporate a Final Rule clarification that states that in disclosing the potential loss of loan benefits to a prospective Consolidation loan borrower, these benefits include, *but are not limited to*, loan forgiveness, cancellation, deferment, and a reduced interest rate.

Revised policy also incorporates an additional disclosure requirement in which a lender must disclose to a borrower the process and deadline for canceling a Consolidation loan. After receiving all information necessary to make a Consolidation loan and prior to making any payments to the holder(s) of the underlying loans, the lender must notify the borrower of his or her option to cancel the Consolidation loan. The lender must provide the borrower a deadline of at least 10 days from the date of the notice to cancel the loan and may not disburse the loan until that deadline has passed without an indication from the borrower of the intent to cancel.

Affected Sections: 15.3.A Providing Consolidation Loan Information
15.4 Disbursement
Effective Date: Loan applications distributed on or after July 1, 2010.
Basis: §682.205(i); §682.206(f); *Federal Register* dated October 29, 2009, p. 55993.
Policy Information: 1194/168
Guarantor Comments: None.