



Sonny Perdue
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 127*

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 #1195 – Qualifying Teaching Service for Teacher Loan Forgiveness Program
Reference #1196 – Revised Inducement Rules
Reference #1197 – Lender Reporting Requirements Relating to Preferred Lender Arrangements
Reference #1198 – 90/10 Rule for Proprietary Schools
Reference #1199 – Private Education Loans
Reference #1200 – Preferred Lender Arrangements and Lists
Reference #1201 – Exiting Counseling
Reference #1202 – Eligible Borrower Reaffirmation
Reference #1203 – New Loan Eligibility after a Total and Permanent Disability Loan Discharge
Reference #1204 – Borrower's Rights and Responsibilities
Reference #1205 – Repayment Disclosures Exception for Invalid Address
Reference #1206 – Total and Permanent Disability – VA
Reference #1207 – Total and Permanent Disability Based on Regular Determinations
Reference #1208 – IBR for FFELP Consolidation of a Defaulted Loan
Reference #1209 – Electronic Notification Package for Cohort Default Rate (eCDR) and Loan Record Detail Report

Reference #1210 – Cohort Default Rate Adjustments and Appeals
Reference #1211 – Definition of “Agent”
Reference #1212 – Administrative Capability Standards

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.

Qualifying Teaching Service for the Teacher Loan Forgiveness Program

The *Common Manual* has been updated to clarify that an eligible borrower may qualify for teacher loan forgiveness only if he or she performed at least one of the 5 years of qualifying teaching service at a qualifying elementary or secondary school after the 1997-1998 academic year. This text was inadvertently removed from the Manual in Policy Proposal 1113 in Batch 158.

Revised policy also adds clarification from the final rules published in the October 29, 2009, *Federal Register*, that permits an eligible borrower who performed some or all of his or her service at an eligible educational service agency to qualify for teacher loan forgiveness only if the 5 years of qualifying teaching service include service at an eligible educational service agency performed after the 2007-2008 academic year.

Affected Sections:	13.9.A	Teacher Loan Forgiveness Program
Effective Date:	Applications received on or after July 1, 2010.	
Basis:	§682.216(a); <i>Federal Register</i> dated October 29, 2009, pp. 55995 and 55996.	
Policy Information:	1195/169	
Guarantor Comments:	None.	

Revised Inducement Rules

The *Common Manual* has been revised to clarify the following:

- The prohibition against offering points, premiums, payments, etc. to any school or employee of the school also applies to any other individual or entity if that offer is made to secure FFELP loan applications.
- Any student who acts as a lender's representative to secure FFELP loan applications must disclose the affiliation with the lender to school administrators and to prospective borrowers.
- The lender may not pay finders fees to another lender or other party – now explicitly defined as a school, a school employee, a school-affiliated organization, or an employee of a school-affiliated organization – in addition to the existing prohibition against referral and processing fees.
- The lender may not compensate a school-affiliated organization or its employee for participation on an advisory board, commission, or group established by the lender, but may reimburse the employee for reasonable expenses incurred in providing the service.
- The lender is permitted to participate in the school's entrance and exit counseling sessions, within certain boundaries and may continue to provide certain support to foreign schools, as directed by the Department.

Also, the provision that permits a lender to provide short-term emergency support to schools is moved to "Permitted Activities" and expanded to explain that such services may not be provided in an effort to secure FFELP loan applications or loan volume.

Affected Sections:	3.4.C	Permitted and Prohibited Activities
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Effective Date: July 1, 2010.
Basis: §682.200(b), definition of *lender*, (5)(i) and (ii); Preamble to the Final Rules as published in the *Federal Register* dated October 29, 2009, p. 55989; *Federal Register* dated October 28, 2009, p. 55632.
Policy Information: 1196/169
Guarantor Comments: None.

Lender Reporting Requirements Relating to Preferred Lender Arrangements

The *Common Manual* has been updated with changes from Final Rules published in the *Federal Register* dated October 28, 2009, that incorporate several new lender reporting requirements relating to preferred lender arrangements.

If a lender has a preferred lender arrangement with a school or an institution-affiliated organization, the lender must report to the Department on an annual basis each of the following:

- Any reasonable expenses for service on a lender advisory board, commission, or group established by a lender or group of lenders that were paid or provided to any agent of a school who is employed in the financial aid office or who has other responsibilities with respect to education loans or other student financial aid at the school.
- Any reasonable expenses paid or provided to any agent of an institution-affiliated organization who is involved in recommending, promoting, or endorsing education loans.

This report must include all of the following each time expenses are paid or provided by a lender:

- The amount of the expenses.
- The name of the agent at the school or institution-affiliated organization.
- The date and a brief description of the activity.

A lender must provide to the school or institution-affiliated organization, as well as to the Department, information regarding each type of FFELP loan the lender plans to offer under the preferred lender arrangement to students or families of students attending that school for the next award year. The specific information the lender must provide will be determined by the Department and the Board of Governors of the Federal Reserve System.

If a lender is participating in one or more preferred lender arrangements, the lender must certify on an annual basis that it is in compliance with the Higher Education Act (HEA). If a lender is required to submit an annual audit, the auditor may provide this certification as part of that audit. If a lender is not required to submit an annual audit, the lender must submit this certification directly to the Department.

Affected Sections: 3.5 Lender Reporting
Effective Date: July 1, 2010.
Basis: HEA §152(b)(1)(B) and (b)(2); HEA §153(b); §601.40(b) - (d).
Policy Information: 1197/169
Guarantor Comments: None.

90/10 Rule for Proprietary Schools

The Manual has been revised to state that if a proprietary school fails to satisfy the 90/10 rule during its most recently completed fiscal year, the school has no more than 45 days after the end of that period to report to the Department and each applicable guarantor that it did not satisfy the 90/10 rule for that period. A proprietary school's certification becomes provisional at the start of a fiscal year after the school fails to

satisfy the 90/10 rule for the preceding fiscal year. The school's provisional certification ends on either of the following:

- The date of the expiration date of the school's program participation agreement, in effect on the date that the school failed to satisfy the 90/10 rule.
- The date the school loses its eligibility to participate in Title IV programs. The school will lose its eligibility on the last day of the second consecutive fiscal year for which the school failed to satisfy the 90/10 rule.

To regain eligibility to participate in Title IV programs, a proprietary school must demonstrate that it has complied with the state licensing, the accreditation, and the financial responsibility requirements for a minimum of two fiscal years after the end of the fiscal year in which the school became ineligible.

Affected Sections:	4.1.A	Establishing Eligibility
	4.1.D	Loss of Eligibility
	4.3.A	General School Financial Responsibility Standards
Effective Date:	July 1, 2010.	
Basis:	§668.13(c)(1)(ii); §668.14(b)(16); §668.23(d)(4); §668.28; <i>Federal Register</i> dated October 29, 2009, pp. 55907 – 55910 and pp. 55936 – 55942; <i>Federal Register</i> dated August 21, 2009, pp. 42388 – 42391; 09-10 FSA Handbook, Volume 2, Chapter 1, p. 2-7.	
Policy Information:	1198/169	
Guarantor Comments:	None.	

Private Education Loans

The *Common Manual* has been updated to include final rule changes published in the October 29, 2009, *Federal Register* and DCL GEN-10-01, that require a school to provide certain disclosures to a student or parent who is a private education loan applicant, and to report to the Department certain aspects of a school agent's activities with respect to a private education loan lender.

Private Education Loan Applicant Self-Certification Form

As a condition of a school's Program Participation Agreement, a school must provide to an enrolled or admitted student, or to the parent of an enrolled or admitted student, including a student or parent who is an applicant for a private education loan made by the school, all of the following:

- The Private Education Loan Applicant Self-Certification form in paper or electronic format. A school must provide the self-certification form upon the applicant's request by posting the form on its Website or the school may provide the form directly to the applicant through the school's financial aid office or another designated office at the school. The school must provide the form to an applicant who requests it even if the private education loan for which the applicant is applying will be made by the school.
- Information that is necessary for the applicant to complete the form, if the school possesses the information, includes all of the following:
 - The student's cost of attendance (COA).
 - The amount of estimated financial assistance (EFA) that the school expects the student to receive, including amounts used to replace the expected family contribution (EFC).
 - The amount that is the difference between the student's COA and EFA (i.e., unmet financial need).

A school is not required to update the information necessary for the applicant to complete the form in a case when the information later changes. A school may, but is not required to, provide the self-certification form and the information necessary to complete the form to the private education loan lender.

In addition, at the request of a private education loan applicant, the school must discuss the availability of federal, state, and institutional financial aid.

Reasonable Reimbursements a School Agent Receives for Service on a Private Lender's Advisory Board

A school must annually report to the Department the amount of any reasonable expenses that were paid or provided by a private education loan lender or group of lenders to an agent of the school with responsibilities for financial aid. The school must report all of the following:

- The amount for each specific instance of reasonable expenses paid or provided. See Subsection 4.1.E for more information about the standards for determining reasonable expenses.
- The name of the agent with responsibilities for financial aid to whom the expenses were paid or provided.
- The dates of each activity for which the expenses were paid or provided.
- A brief description of each activity for which the expenses were paid or provided.

The aforementioned reimbursements arise from reasonable expenses incurred by a school agent who has responsibilities for education loans or financial aid for that agent's service on an advisory board or commission established by a private education loan lender or group of lenders. This permissible activity, and the definition of reasonable expenses incurred by a school's agent for this purpose, are addressed separately in Subsection 4.1.E as updated by policy proposal 1176 in Batch 167.

Private Education Loan Information

A school or an institution-affiliated organization that provides information regarding a private education loan from a lender to a prospective borrower must provide all of the following disclosures to the prospective borrower, regardless of whether the school or the institution-affiliated organization participates in a preferred lender arrangement:

- The information the Federal Reserve System requires to be disclosed under the Truth in Lending Act (TILA). A school may rely upon the information it obtains from a private education loan lender on the Private Loan Application and Solicitation Model form approved by the Federal Reserve System or in another format that contains the same information as on the model disclosure form to meet this requirement. For more information about the Private Loan Application and Solicitation Model form, see the final rules published by the Federal Reserve Board in the *Federal Register* dated August 14, 2009, Vol. 74, No. 156, pp. 41237 and 41238.
- A statement that the prospective borrower may qualify for Title IV loan or grant funds.
- A statement that the terms and conditions of Title IV loan may be more favorable than the provisions of private education loans.

In addition, a school or an institution-affiliated organization must ensure that information regarding private education loans is presented in such a manner as to be distinct from information regarding Title IV loans.

Affected Sections: 4.1.A Establishing Eligibility
4.2 Administrative Capability Standards
4.4 Providing Information to Students

Effective Date: For administrative capability standards, August 14, 2008.
Private education loan information provided by a school on or after July 1, 2010.

Borrower requests for private education loan eligibility information received by a school on or after February 14, 2010.

Basis: §601.11; §668.14(b)(29); §668.16(d)(1) and (2); *Federal Register* dated July 28, 2009, p. 37445; *Federal Register* dated August 14, 2009, pp. 41226-41227; *Federal Register* dated October 28, 2009, pp. 55630-55631 and 55648; DCL GEN-10-01.

Policy Information: 1199/169

Guarantor Comments: None.

Preferred Lender Arrangements and Lists

The *Common Manual* has been updated with clarifications from Final Rules published in the October 29, 2009, *Federal Register* concerning preferred lender arrangements and preferred lender lists. The updated section defines a “preferred lender arrangement,” addresses a preferred lender list of private education loan lenders, and adds new information about acceptable alternatives to providing a preferred lender list. In conjunction with the addition of new information about preferred lender arrangements, revised policy reorganizes the section about preferred lender lists to clarify the requirements for creating a preferred lender list, the disclosures that a school must include on such a list, and other disclosures required of a school that participates in a preferred lender arrangement.

Affected Sections: 4.4.A Recommended Lender Lists

Effective Date: July 1, 2010.

Basis: §601.2(b); §668.14(b)(28); §668.16(d)(1) and (2)(i)(A)-(D); *Federal Register* dated October 28, 2009, pp. 55629 and 55630; DCL GEN-08-06.

Policy Information: 1200/169

Guarantor Comments: None.

Exit Counseling

The *Common Manual* has been revised to clarify information that a borrower must receive during exit counseling:

- The terms and conditions of a Title IV loan (e.g., deferment, forbearance, and cancellation).
- The forgiveness and discharge benefits available to a FFELP borrower who consolidates his or her loan(s) into the FDLP.
- That the borrower must repay the loan(s) even if he or she does not complete the program within the regular time for program completion.

Revised policy also explicitly states that the school may provide either a printed or electronic copy of the Department’s publication that describes the federal student aid programs.

Affected Sections: 4.4.D Exit Counseling

Effective Date: Exit counseling provided by the school on or after August 14, 2008, for:

- The terms and conditions of a Title IV loan (e.g., deferment, forbearance, and cancellation).
- The forgiveness and discharge benefits available to a FFELP borrower who consolidates his or her loan(s) into the FDLP.

Exit counseling provided by the school on or after July 1, 2010, for:

- Information about the borrower’s obligation to repay the loan(s) even if he or she does not complete the program within the regular time frame for program completion.
- The school’s ability to provide the Department’s publication that describes the federal student aid programs in a printed or an electronic format.

Basis: §485(b) of the Higher Education Act as amended by the Higher Education Opportunity Act (HEOA) (P.L. 110-315); §682.604(g); *Federal Register* dated October 28, 2009, p. 55640; DCL GEN-08-12/FP-08-10.
Policy Information: 1201/169
Guarantor Comments: None.

Eligible Borrower Reaffirmation

The *Common Manual* has been updated to incorporate provisions of the Final Rules published in the *Federal Register* dated October 29, 2009. For the purpose of reaffirmation of a loan, the reaffirmed amount includes attorney fees and the term “legal costs” has been changed to “court costs.”

Affected Sections: 5.3 Prior Loan Written Off
Appendix G
Effective Date: Discharge applications received by the holder on or after July 1, 2010.
Basis: §682.201(a)(4)(i); *Federal Register* dated October 29, 2009, p. 55990.
Policy Information: 1202/169
Guarantor Comments: None.

New Loan Eligibility after a Total and Permanent Disability Loan Discharge

The *Common Manual* has been updated to comply with Final Rules published October 29, 2009, DCL GEN-09-07/FP-09-05, and the 09-10 FSA Handbook, Volume 1, Chapter 3, p. 1-51. These revisions:

- Add that a borrower whose prior federal student loan or TEACH grant recipient’s service obligation received a final discharge and the grant recipient is placed in a 3-year post-discharge monitoring period based on a determination that the borrower is totally and permanently disabled must meet the same requirements as those placed in a 3-year conditional period before he or she may receive new loan funds.
- Add the provision that, for a TEACH grant service obligation that received a final discharge and is in the 3-year post-discharge monitoring period, the borrower must acknowledge that he or she is once again subject to the terms of the TEACH grant agreement.
- Remove the requirement that in order to receive a new federal student loan after a prior loan was discharged, a borrower had to reaffirm any loan that had been discharged based on a determination of total and permanent disability on or after July 1, 2001, but before July 1, 2002, if the borrower applies for a new loan within 3 years from the date the borrower became totally and permanently disabled, as certified by a physician.
- State that for a borrower who requests a new federal student loan or TEACH grant after a prior federal student loan or TEACH Grant service obligation was granted a final discharge and if applicable, the borrower completed a 3-year post-discharge monitoring period, the borrower must obtain the physician certification only once and the school should keep a copy of it in the borrower’s file. However, the school must collect a new borrower acknowledgment statement from the borrower for each new federal student loan he or she requests.
- Clarify that a loan that is discharged based on a determination of total and permanent disability by the U.S. Department of Veterans Affairs is not placed in a 3-year conditional discharge or 3-year post-discharge monitoring period.
- Add to the glossary the definition of “substantial gainful activity” as a level of work performed for pay or profit that involves doing significant physical or mental activities, or a combination of both. “For profit” covers a self-employed individual who is not paid by an employer and does not refer to income from sources other than employment. Non-employment income will not be considered when determining whether a borrower is capable of substantial gainful activity.

Affected Sections:	5.4.A	Conditional Discharge of a Prior Loan Due to Total and Permanent Disability
	5.4.B	Final Discharge of a Prior Loan Due to Total and Permanent Disability
	Figure 5-1	
	6.15	School Certification of the Loan
	8.7	Delivering Loan Funds
	Appendix G	
Effective Date:	Total and permanent disability loan discharge applications received on or after July 1, 2010. Upon publication of the 09-10 FSA Handbook, Volume 1, for the purpose of determining the borrower's eligibility for a new federal student loan after a prior loan is discharged due to total and permanent disability.	
Basis:	§682.200(b) definition of "substantial gainful activity"; §682.201(a)(6) and (7); <i>Federal Register</i> dated July 23, 2009, p. 36559; <i>Federal Register</i> dated October 29, 2009, pp. 55990-55991; DCL GEN-09-07/FP-09-05; 09-10 <i>FSA Handbook</i> , Volume 1, Chapter 3, p.1-51.	
Policy Information:	1203/169	
Guarantor Comments:	None.	

Borrower's Rights and Responsibilities

The *Common Manual* has been updated to include in the initial lender disclosure requirements language previously removed from the Manual that states a lender must provide a borrower an explanation of the possible effects of accepting a loan on the student's eligibility for other forms of financial aid.

The most recent versions of the Stafford and PLUS Master Promissory Notes (MPNs) were revised after the passage of the Higher Education Opportunity Act (HEOA) of 2008 to incorporate all the general initial loan disclosures into the Borrower's Rights and Responsibilities statement as well as the Plain Language Disclosure. The Manual has been updated to clearly identify the loan- and lender-specific disclosures that must be provided to a borrower at or before first disbursement of a loan, separate from the Borrower's Rights and Responsibilities statement or Plain Language Disclosure.

Affected Sections:	7.6.A	General Initial Disclosure Requirements
Effective Date:	Initial disclosure information provided on or after July 1, 2010.	
Basis:	§682.205(a)(2)(xvii).	
Policy Information:	1204/169	
Guarantor Comments:	None.	

Repayment Disclosures Exception for Invalid Address

The *Common Manual* has been revised to add an exception to the requirement that a lender send certain disclosures during repayment. The lender is exempt from sending the required disclosures if the lender does not have a valid address for the borrower. However, the policy stipulates that if the lender receives a valid address for the borrower before the borrower's loan becomes 241 days delinquent, the lender must resume sending the required bill or statement (the lender is not required to resend previously undeliverable bills or statements), as well as any other disclosure information not previously provided.

Affected Sections:	10.7	Disclosing Repayment Terms
	10.12	Lender Disclosures During Repayment
	12.1.A	Lender Disclosure Requirements
Effective Date:	Invalid borrower address identified by a lender on or after July 1, 2010.	
Basis:	§682.205(j); Final Rules as published in the <i>Federal Register</i> dated October 29, 2009, p. 55993.	
Policy Information:	1205/169	

Guarantor Comments: None.

Total and Permanent Disability - VA

The *Common Manual* has been updated to add the separate standards and procedures for processing total and permanent disability discharge requests for borrowers who had been determined by the U.S. Department of Veteran Affairs (VA) to be unemployable due to a service-connected condition.

Affected Sections: 13.1.D Claim File Documentation
13.2 Claim Returns
13.3 Claim Purchase or Discharge Payment
13.8.G Total and Permanent Disability
Appendix G

Effective Date: Total and Permanent Disability - VA applications received by the lender on or after July 1, 2010, for the change in the guarantor's timeframe for claim processing.
Total and Permanent Disability - VA applications received by the lender on or after August 14, 2008, for all other provisions.

Basis: §682.402(c)(1)(iii); §682.402(c)(8); DCL GEN-09-07/FP-09-05; *Federal Register* dated October 29, 2009, p. 55997 and pp. 55999 - 56000.

Policy Information: 1206/169

Guarantor Comments: None.

Total and Permanent Disability Loan Discharge Based on Regular Determinations

The *Common Manual* is being updated to reflect preamble language of the proposed rules published in the *Federal Register* on July 23, 2009, and Final Rules published in the *Federal Register* on October 20, 2009. The policy states that a borrower, comaker, or endorser is considered totally and permanently disabled if he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that meets any one of the following criteria:

- Can be expected to result in death.
- Has lasted for a continuous period of not less than 60 months.
- Is expected to last for a continuous period of not less than 60 months.

The policy states that "substantial gainful activity" is defined as a level of work performed for pay or profit that involves doing significant physical or mental activities, or combination of both. "For profit" is intended to cover self-employed individuals who are not paid by an employer. It does not refer to income from sources other than employment. Non-employment income will not be considered when determining whether a borrower is capable of substantial gainful activity.

Also, the policy states that as part of the Department's review of the borrower's discharge application, the Department may arrange for an additional review of the borrower's condition by an independent physician at no expense to the borrower. If the Department makes a determination that the borrower, comaker, or endorser is totally and permanently disabled, the loan(s) is discharged and the borrower, comaker, or endorser is placed in a discharge monitoring period that will last for 3 years after the date the Department grants the discharge. If a borrower, comaker, or endorser received a TEACH grant or Title IV loan prior to the date the physician certified the borrower's discharge application and a disbursement of that loan or grant is made during the period from the date of the physician's certification until the date the Department grants a discharge, the processing of the borrower's loan discharge request will be suspended until the borrower ensures that the full amount of the disbursement has been returned to the loan holder or to the Department, as applicable. The policy describes the conditions that must be met by the borrower, comaker, or endorser during the 3-year monitoring period to maintain the discharged status of the loan(s) and information about reinstatement of the loan(s) if those conditions aren't met.

The glossary definition of “disability” has been deleted and the definition of “temporarily totally disabled” as been added.

Affected Sections: 13.8.G Total and Permanent Disability
Appendix G

Effective Date: Total and permanent disability discharge applications received by the lender on or after July 1, 2010.

Basis: §682.200(b), definition of substantial gainful activity; §682.200(b) definition of totally and permanently disabled; §682.402(c)(2)-(7); *Federal Register* dated July, 23, 2010, p. 36559; *Federal Register* dated October 29, 2010, p. 55990 and pp. 55997-55999.

Policy Information: 1207/169

Guarantor Comments: None.

IBR for FFELP Consolidation of a Defaulted Loan

The *Common Manual* has been revised to add requesting to pay under the income-based repayment schedule as a means by which a borrower with a defaulted loan may become eligible for a FFELP Consolidation loan.

Affected Sections: 15.2 Borrower Eligibility and Underlying Loan Holder Requirements

Effective Date: Consolidation requests received by the lender on or after July 1, 2009.

Basis: *Federal Register* dated October 29, 2009, p. 55990.

Policy Information: 1208/169

Guarantor Comments: None.

Electronic Notification Package for Cohort Default Rate (eCDR) and Loan Record Detail Report Request

The *Common Manual* has been revised to incorporate provisions of the Final Rules published in the October 29, 2009, *Federal Register* that outlines the electronic cohort default rate (eCDR) process used by the Department to deliver cohort default rate information to schools. The eCDR package automatically includes a school’s loan record detail report, eliminating the need for a school to request a copy of the report, and the associated 15-day timeline. The timeline for submitting a challenge, adjustment, or appeal begins on the sixth business day following the successful transmission date of the eCDR package as posted on the Department’s Website, and lasts for 45 days. If a school reports a transmission problem within 5 business days following the transmission, and the Department agrees that the problem was not caused by the school, then the timeline for challenge, adjustment, or appeal is extended to account for retransmission of the eCDR notification package once the technical problem is resolved. The school’s 45-day timeline for submitting a challenge, adjustment, or appeal begins when the school receives the notification package, and all guarantors are notified of the school’s new timeline. If the school does not notify the Department of a transmission problem within the 5 business days following the transmission date of the eCDR package, the Department does not extend the timeline for submitting a challenge, adjustment, or appeal.

Revised policy includes clarification that beginning with the FY 2008 official cohort default rate cycle in September 2010, the Department will exclusively transmit CDR notifications to foreign schools electronically through the eCDR process.

The Manual has also been revised to add a glossary definition for “Electronic Cohort Default Rate (eCDR) Notification Package” that explains that this is the electronic process the Department uses to notify a domestic school of its cohort default rates. A glossary definition for “Loan Record Detail Report (LRDR)” has also been added. The LRDR is the report that the Department issues to schools that contains the detailed data used to calculate the school’s draft and official cohort default rates.

Affected Sections: 16.1 Overview of Cohort Default Rates and Terminology
 16.3 School Draft Cohort Default Rates and Challenges
 16.4 School Official Cohort Default Rates, Adjustments, and Appeals
 16.4.B School Appeals
 Appendix G

Effective Date: July 1, 2010.

Basis: §668.185; §668.186; §668.204; §600.205; *Federal Register* dated July 28, 2009, pp. 37447-37448; private guidance from Donna Bellflower of the Department, dated January 27, 2010; *Federal Student Aid Newsletter, FY 2008 Draft Cohort Default Rate*, dated February 2010.

Policy Information: 1209/169

Guarantor Comments: None.

Cohort Default Rate Adjustments and Appeals

The *Common Manual* has been updated to specify that when the Department approves a request for adjustment based on uncorrected or new data, or an erroneous data appeal, it will recalculate the school's cohort default rate and electronically correct the rate that is publicly released. When the Department approves an improper servicing appeal, it will use a statistically valid methodology to exclude the corresponding percentage of borrowers from both the numerator and denominator of the calculation of the school's cohort default rate and electronically correct the rate that is publicly released. Finally, if the Department approves an average rate appeal, the school will not lose its Title IV eligibility.

Affected Sections: 16.4.A School Requests for Adjustment
 16.4.B School Appeals

Effective Date: July 1, 2010, for two-year cohort default rates calculated for fiscal years 2008 through 2011.

Basis: §668.191(c); §668.192(c); §668.193(f); §668.196(c); *Federal Register* dated October 28, 2009, p. 55633.

Policy Information: 1210/169

Guarantor Comments: None.

Definition of "Agent"

The *Common Manual* has been updated to provide a glossary definition of "agent." For the purposes of a school's code of conduct and preferred lender arrangements, an "agent" is defined as an officer or employee of the school or an institution-affiliated organization.

Affected Sections: Appendix G

Effective Date: July 1, 2010.

Basis: §601.2(b) definition of *agent*; *Federal Register* dated July 28, 2009, pp. 37435 and 37433; *Federal Register* dated October 28, 2009, p. 55644.

Policy Information: 1211/169

Guarantor Comments: None.

Administrative Capability Standards

The *Common Manual* has been revised to include the long-standing administrative capability standard requiring a school to establish and maintain records required under 34 CFR Part 668 (General Provisions) and as required for each Title IV program.

Affected Sections: 4.2 Administrative Capability Standards

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

Basis: §668.16(d)(1).

Policy Information: 1212/169
Guarantor Comments: None.