

COMMON MANUAL

Unified Student Loan Policy

Chapter 2, 5 and 6

Expansion of the Multi-Year Feature of the Stafford MPN and Origination of PLUS Loans Using the PLUS Application and Master Promissory Note (PLUS MPN)

The *Common Manual* has been updated to incorporate information regarding the eligibility of all schools located in the United States, unless notified otherwise by the Department, to use the multi-year feature of the Stafford Master Promissory Note (Stafford MPN) and the PLUS Application and Master Promissory Note (PLUS MPN). The PLUS MPN may be used to obtain one or more PLUS loans for a dependent student. A parent borrower must complete a separate PLUS MPN for each dependent student for whom he or she wishes to borrow. Before a PLUS loan may be disbursed, the parent borrower must indicate to either the school or the lender the PLUS loan amount that he or she wishes to borrow (the requested loan amount). The student is not required to complete or sign the PLUS MPN.

If the lender determines that the parent has an adverse credit history and an endorser is used, a separate Endorser Addendum is required for each PLUS loan. In any case where an endorser is required, a new PLUS MPN is required for each loan. Any increase in the requested loan amount by the parent borrower must be approved by the endorser and requires a new PLUS MPN and Endorser Addendum.

Affected Sections:

2.2.A, 5.1, 5.1.B, 6.1.C

Effective Date:

For loans made using a Stafford Master Promissory Note (Stafford MPN), loans certified by the school on or after March 1, 2003, regardless of loan period.

The PLUS Application and Master Promissory Note (PLUS MPN) may be used for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003. The PLUS MPN must be used for loan periods beginning on or after July 1, 2004, or for any loan certified on or after July 1, 2004, regardless of the loan period.

Basis:

Dear Colleague Letters GEN-02-10 and GEN-03-03

COMMON MANUAL

Unified Student Loan Policy

Chapter 2 and 5

Multi-year Feature of the Stafford Master Promissory Note (Stafford MPN)

The *Common Manual* has been revised to indicate that all schools located in the United States, unless notified otherwise by the Department, are authorized to offer the multi-year feature of the Stafford Master Promissory Note (Stafford MPN). This extension has a retroactive feature. Schools that are not four-year colleges or graduate or professional schools may certify loans on or after March 1, 2003, regardless of the loan period covered by the loan. Borrowers attending these schools may receive loans for subsequent academic years based on a previously signed Stafford MPN even if the borrower signed that MPN before March 1, 2003. The manual has also been revised to clarify in what instances a new MPN may be required. In addition to the noted policy changes, and based on comments received from the community, the text of chapters 2 and 5 has been reorganized to place the details regarding the MPN origination process in chapter 5 and to refer to that relocated text via cross-reference in chapter 2.

The implementation dates of the initial Stafford MPN are being removed from subsection 2.2.A and will be added to appendix H.

Affected Sections: 2.2.A, 5.1.A

Effective Date: Stafford loans certified by the school on or after March 1, 2003, regardless of the loan period.

Basis: Dear Colleague Letter (DCL) GEN-02-10

COMMON MANUAL

Unified Student Loan Policy

Chapter 3

Recordkeeping Requirements

The *Common Manual* has been revised to clarify that a promissory note that has been signed electronically must be stored and retained electronically by the lender in a retrievable, coherent format.

Affected Sections: 3.4.A
Effective Date: Retroactive to the lender's implementation of electronically signed promissory notes.
Basis: §682.414(a)(5)(ii).

Chapter 3

Eligible Lender Definition

The *Common Manual* has been revised to clarify that loans held in trust by a trustee lender are not considered part of the trustee lender's consumer credit function when determining if a lender meets the definition of an eligible lender as prescribed by federal regulations.

Affected Sections: 3.1
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.200(b).

COMMON MANUAL

Unified Student Loan Policy

Chapter 3, 4, 6 and 11

PLUS Application and Master Promissory Note

The following changes were made to the Common Manual as a result of Dear Colleague Letter GEN-03-03:

Recordkeeping requirements for loans made using the PLUS Application and Master Promissory Note (PLUS MPN) have been updated for schools and lenders.

Records that a *lender* must maintain include:

- Documentation of the process under which either the school or lender obtains the parent borrower's requested loan amount for loans made under the PLUS MPN.
- A record of the parent borrower's requested loan amount for loans made under the PLUS MPN, if the lender is the party responsible for obtaining this information.
- A record of any adjustments that the lender receives to the parent borrower's requested loan amount.

Records that a *school* must maintain include:

- Documentation of the process under which either the school or lender obtains the parent borrower's requested loan amount for loans made under the PLUS MPN.
- A record of the parent borrower's requested loan amount for loans made under a PLUS MPN, if the school is the party responsible for obtaining this information.
- A record of any adjustments that the school receives to the parent borrower's requested loan amount.

A parent borrower must complete a new PLUS MPN if any of the following occur:

- The dependent student transfers to a school that is not eligible to, or chooses not to, participate in the multi-year feature of the PLUS MPN.
- The parent borrowed with an endorser.
- The new school or lender requires the borrower to complete a new PLUS MPN.
- The borrower chooses a new lender.
- The PLUS MPN is no longer valid.

Lenders must ensure that a process is in place to obtain the parent borrower's requested loan amount before each loan is disbursed under a PLUS MPN. Procedures for obtaining the requested loan amount from the parent borrower when using a PLUS MPN has been added to the list of key items that may be included in guarantor on-site school and lender reviews.

Affected Sections: 3.4.A, 4.10, 6.1.A, 6.5, 11.3.B

Effective Date: The PLUS Application and Master Promissory Note (PLUS MPN) may be used for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003. The PLUS MPN must be used for loan periods beginning on or after July 1, 2004, or for any loan certified on or after July 1, 2004, regardless of the loan period.

Basis: Dear Colleague Letter GEN-03-03

COMMON MANUAL

Unified Student Loan Policy

Chapter 4

Leave of Absence

The *Common Manual* has been updated to reflect revised regulations regarding leave of absence. The regulations now allow a school to grant multiple leaves of absence as long as the total number of days for all leaves does not exceed 180 days in a 12-month period. The student's request for the leave of absence must include the reason for the leave. A student enrolled in a clock-hour or nonterm credit-hour program who returns from a leave of absence is not required to complete the same coursework she or he began prior to the leave of absence.

Affected Sections: 4.5, Appendix G
Effective Date: For leaves of absence granted by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis: §668.22(d)(1)(vi-vii); §668.22(d)(3)(iii)(B).

Chapter 4

Post-Withdrawal Disbursement and PLUS Loans

The *Common Manual* has been revised to clarify that if the student is eligible for a post-withdrawal disbursement, it must be offered to the student or, in the case of a PLUS loan, the parent, within 30 days of the date of determination of the student's withdrawal.

Affected Sections: 4.6
Effective Date: Post-withdrawal disbursements made by the school on or after October 7, 2000, unless implemented earlier by the school. Schools may implement these provisions no earlier than July 1, 2000.
Basis: §668.22(a)(4)(ii)(A); §668.164(g).

Chapter 4

Late Delivery and Post-Withdrawal Disbursement

The *Common Manual* has been revised to delete redundant late disbursement policy language from the description of aid that could have been disbursed and to clarify that, before making a post-withdrawal disbursement of FFELP funds, the school must determine that the borrower is eligible for a late delivery under the provisions in subsection 6.3.H. If the borrower is determined eligible for a late delivery, the school must offer a post-withdrawal disbursement of FFELP funds and, if accepted, must deliver the funds to the borrower. Revised policy states that a school must make the post-withdrawal disbursement of a credit balance within 120 days of the date the school determined that the student withdrew.

Affected Sections: 4.7.A
Effective Date: Post-withdrawal disbursements made by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement the post-withdrawal determination time frame change no earlier than November 1, 2002.
Basis: §668.164(g).

COMMON MANUAL

Unified Student Loan Policy

Chapter 4

Incentive Compensation

The *Common Manual* has been updated to include the prohibition of a school to provide any commission, bonus, or other incentive payment to any person or entity engaged in student recruiting or admission activities or in making decisions regarding the awarding of Title IV aid, based directly or indirectly on the success of securing enrollments or financial aid. This prohibition does not apply to the recruitment of foreign students residing in foreign countries. In addition, the Department's list of permissible incentives has been added to provide schools with examples of payments a school can make. The list is not intended to be comprehensive, but rather to provide examples of compensation arrangements a school can offer and remain in compliance with federal regulations.

Affected Sections:	4.1.A
Effective Date:	Incentive compensation offered by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis:	§668.14(b)(22)(i) and (ii); <i>Federal Register</i> , dated August 8, 2002, pages 51722-51725.

Chapter 4

Return of Unearned Title IV Funds and Cash Reserve Requirements

The *Common Manual* is revised to incorporate federal regulations that establish clear requirements for returning unearned Title IV program funds and the conditions under which a school must submit a letter of credit if it does not return those funds in a timely manner. Revised policy also provides that if a school can demonstrate exceptional circumstances beyond the school's control, the Department will not hold the school responsible for untimely return of Title IV funds and will not require the school to submit a letter of credit. Specifically, a school is considered to have sufficient cash reserves to make required returns of unearned Title IV funds if the school meets at least one of the following:

- The school satisfies the financial responsibility standards for public schools.
- The school is located in, and is licensed to operate in, a state that has a Department-approved tuition recovery fund to which the school contributes.
- The school demonstrates that it returns in a timely manner unearned Title IV funds for students that withdraw from the school.

Affected Sections:	4.3.C
Effective Date:	None. These provisions will be implemented and enforced by the Department.
Basis:	§668.173.

COMMON MANUAL

Unified Student Loan Policy

Chapter 4

Requirements for Recording Attendance

The *Common Manual* has been revised to clarify, based on the regulatory change to 34 CFR 668.22(b), that a school is required to record attendance if an outside entity requires this activity even for a limited period of time. An exception is made to this requirement, however, if the outside entity requires a school to record attendance for a single event (e.g., a one-day census activity).

Affected Sections: 4.6

Effective Date: For all withdrawal determinations made by the school on or after July 1, 2003, or on or after the date of implementation if implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Basis: §668.22(b).

Chapter 4

Timely Return of Unearned FFELP Funds

The *Common Manual* is revised to provide that unearned FFELP funds are considered returned timely if, no later than 30 days after the date the school determines that the student withdrew, the school does one of the following:

- Deposits or transfers the amount of funds to be returned into an account the school maintains for federal funds (see subsection 6.3.D).
- Initiates an electronic funds transfer (EFT) for the amount of returned funds.
- Initiates an electronic transaction that informs the lender to adjust the borrower's loan account for the amount of returned funds.
- Issues a check for the returned funds. In this case, the school's records must show that the lender's bank endorsed that check no more than 45 days after the date the school determined that the student withdrew.

Policy guidance related to compliance audit findings with respect to the return of Title IV funds and cash reserve requirements is consolidated in subsection 4.3.C.

Affected Sections: 4.7.B

Effective Date: Unearned FFELP funds returned by the school to the lender on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Basis: §668.173(b).

COMMON MANUAL

Unified Student Loan Policy

Chapter 4

Entrance Counseling

The *Common Manual* has been revised to state that a school must ensure that entrance counseling is conducted with each student who is obtaining his or her first Stafford loan for attendance at that school—unless the student previously received a Stafford, SLS, or Federal Direct Stafford loan for attendance at another school. When counseling is conducted by another party or by interactive electronic means, the school remains responsible for ensuring that each student borrower receives the counseling material and participates in and completes entrance counseling. The following entrance counseling requirements have been revised in subsection 4.9.B:

- The likely consequences of default, including adverse credit reports, federal offset, and litigation.
- The obligation to repay the full amount of the Stafford loan, even if the student borrower does not complete the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the student purchased from the school (the school or the school designee must provide this information to all of the school's student borrowers except those who receive a loan made or originated by the school). The student borrower must be provided with sample monthly repayment amounts based on a range of student levels of indebtedness or on the average indebtedness of Stafford loan borrowers at the same school or in the same program of study at the same school.

Affected Sections: 4.9.B

Effective Date: Entrance counseling conducted by or on behalf of the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Basis: §682.604(f).

COMMON MANUAL

Unified Student Loan Policy

Chapter 4

Exit Counseling

The *Common Manual* has been revised to state that a school must ensure that exit counseling is conducted with each Stafford loan borrower shortly before the student borrower ceases enrollment on at least a half-time basis, recognizing that a school may rely on an outside entity to conduct counseling. When exit counseling is conducted by interactive electronic means or by another party, the school remains responsible for ensuring that each student borrower receives the counseling materials and participates in and completes the counseling.

The following exit counseling requirements have been revised or added to those listed in subsection 4.9.C:

- Sample monthly repayment amounts based on a range of levels of student indebtedness or on the average indebtedness of Stafford loan borrowers at the same school or in the same program of study at the same school.
- Available repayment options including standard, graduated, extended, and income-sensitive repayment plans and loan consolidation.
- Debt-management strategies that would facilitate repayment.
- The conditions under which the student may defer or forbear repayment or obtain a full or partial discharge of the loan.
- The seriousness and importance of the repayment obligation that the student has assumed.
- The likely consequences of default, including adverse credit reports, Federal offset, and litigation.
- The availability of the Student Loan Ombudsman's Office.
- The use of the Stafford Master Promissory Note (Stafford MPN).
- The availability of Title IV loan information in the National Student Loan Data System (NSLDS).

Affected Sections: 4.9.C
Effective Date: Exit counseling conducted by or on behalf of the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis: §682.604(g).

COMMON MANUAL

Unified Student Loan Policy

Chapter 4 and 5

12-Hour Rule and Week of Instruction

The *Common Manual* has been revised to include a standard definition of “week of instruction” for all schools, based on the regulatory changes issued in November 2002. A “week of instruction” is defined as any period of 7 consecutive days in which the school provides for at least one day of regularly scheduled instruction, examination, or, after the last day of classes, at least one day of study in preparation for final examination.

Affected Sections: 4.1.C, 5.7.B

Effective Date: Program eligibility determinations made by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Basis: §668.8(b).

COMMON MANUAL

Unified Student Loan Policy

Chapter 5

Correction to Bankruptcy Information

Subsection 5.2.F has been corrected to be consistent with information in section 5.4 regarding the impact of a bankruptcy filing on the PLUS applicant's credit. Section 5.4 has been revised to more clearly state that loans discharged in bankruptcy must be considered adverse credit for purposes of determining a PLUS borrower's creditworthiness. However, the lender may not deny a PLUS loan solely on the basis of any previous or pending bankruptcy filing.

Affected Sections: 5.2.F, 5.4
Effective Date: May 21, 2001.
Basis: *Taylor v. United States of America, Department of Education* (appeal); §682.201(b)(1)(vii).

Chapter 5

Overpayment Tolerance

The *Common Manual* has been revised to incorporate the regulatory change that allows a student to maintain Title IV eligibility despite an overpayment in the Federal Perkins Loan Program or any Title IV grant program of less than \$25. The overpayment amount cannot be the balance of an original overpayment of \$25 or more that is reduced to less than \$25 based on payments received. In this case, even though the remaining balance of the original overpayment is less than \$25, the borrower is still responsible for repaying the overpayment in full or making satisfactory arrangements to repay it before the borrower can regain Title IV eligibility.

Affected Sections: 5.2.E
Effective Date: Loans certified by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis: §668.35(e).

Chapter 5

Ability-to-Benefit (ATB) Tests

The *Common Manual* has been revised to incorporate the regulatory change that eliminates the requirement for a student to take and pass an approved, properly administered ATB test during the 12-month period prior to receiving Title IV aid. A passing score received by the student at any time prior to the student's receipt of Title IV aid is acceptable, provided that the school obtains the test results from the test publisher or assessment center.

Affected Sections: 5.2.H
Effective Date: Official notification of a student's ability to benefit accepted by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis: §668.32(e)(2); §668.151(a)(2).

COMMON MANUAL

Unified Student Loan Policy

Chapter 5

Requesting a Reduced Academic Year

The *Common Manual* has been revised to reflect changes in regulation regarding a school's request for a reduced academic year. In addition to existing requirements that the reduced academic year be not less than 26 weeks and that students completing the program obtain a two-year associate or four-year bachelor's degree, new regulations require that the school meet the additional criteria:

- The school must demonstrate good cause for requesting the reduction.
- The school's accrediting agency and state licensing agency must approve the request.

The reduced academic year approval terminates when the school's Program Participation Agreement expires. The school may request an extension of the approval as part of the re-certification process. The provisions of this policy are based solely on interactions between the Department and the school.

Affected Sections: 5.7.A
Effective Date: None. This provision is implemented and enforced by the Department.
Basis: §668.3(c)..

Chapter 5

Applying Stafford Annual Loan Limits

The *Common Manual* has been revised to reflect clarifications made in the November 2002 final regulations regarding applicable loan limits for undergraduate students. Specifically, the revised policy provides that, generally, the length of the program of study or academic year in which the student is currently enrolled determines the annual loan limit, regardless of the length of time it takes the student to complete the program or academic year of the program, as applicable. In addition, the revised policy language clarifies that the provisions apply to all undergraduate students, including transfer students and students who have completed programs of study at other schools. Finally, the revised policy adds language to specifically state that a school may not link separate, stand-alone programs of study to allow a student to qualify for higher annual loan limits than the student would otherwise be eligible to receive based on the length of the program.

Affected Sections: 5.7.H
Effective Date: Stafford loan amounts certified by the school on or after July 1, 2003, unless implemented earlier by the school.
Basis: §682.204(a)–(d)..

COMMON MANUAL

Unified Student Loan Policy

Chapter 5

Students Returning to a Non-Term Credit-Hour or Clock-Hour Program after a Withdrawal

The *Common Manual* has been revised to reflect changes in regulation regarding action required of a non-term, credit-hour or clock-hour school for students who withdraw from a program but re-enter the same program (within 180 days or after 180 days) or enter a new program or school. If a student withdraws from a program but re-enters the same program within 180 days, the school is required to place the student in the same payment period in which he or she was enrolled when the withdrawal occurred. If, however, a student returns to the same program *after* 180 days or, at any time, either transfers into a different program at the same school or enrolls in another school, the applicable school must calculate a new payment period for the remainder of the student's program based on how program progress is measured. For purposes of calculating payment periods only, the length of the program is the number of credit hours and the number of weeks, or the number of clock hours, that the student has remaining in the program he or she entered or re-entered. If the remaining hours (and weeks, if applicable) constitute one half of an academic year or less, the remaining hours constitute one payment period.

Affected Sections: 5.8.D
Effective Date: Eligibility determinations made by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis: §668.4(e) and (f).

Chapter 5

Payment Period

The *Common Manual* has been revised to reflect changes in regulation regarding payment periods for credit-hour programs. The payment period for an eligible credit-hour program that offers academic terms (standard or nonstandard) is simply the academic term. The definition of payment period for a credit-hour program that does not have academic terms is amended by stating that the first payment period is the period of time when the student completes half the number of credit hours *and* half the number of weeks in the program. The definition of payment period for clock-hour programs is moved to a new section as it no longer mirrors the non-term-based credit-hour program definition. Also, the paragraph that explains determining the number of payment periods is moved so it is clear it applies to both non-term-based credit-hour programs and clock-hour programs.

Affected Sections: 5.8.D
Effective Date: Payment periods established by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.
Basis: §668.4(a)–(c).

COMMON MANUAL

Unified Student Loan Policy

Chapter 5 and 6

Multiple Disbursement and Delayed Delivery Exemptions

The *Common Manual* has been revised to eliminate references to the statutory exemptions authorized in HEA 428G(a)(3) and (b)(1). These exceptions waive, for schools with low cohort default rates, the multiple disbursement requirement for a single term loan and the 30-day delayed delivery requirement for a first-year undergraduate student who is a first-time borrower. The statutory authority for these exemptions expired on September 30, 2002. The information being deleted will be incorporated into appendix H of the manual.

Affected Sections: 5.8.D, 6.2.B, 6.3.E, 6.3.I

Effective Date: For loans certified on or after October 1, 2002.

Basis: HEA 428G(a)(3) and (b)(1); Dear Colleague Letter (DCL) GEN-02-06.

COMMON MANUAL

Unified Student Loan Policy

Chapter 6

Organizational Changes to Text

The *Common Manual* has been revised to eliminate information related to guarantor processing. The *Common Manual* was established to provide information regarding guarantor policies related to school and lender requirements and does not provide information related to guarantor services, processing, or those policies related to the guarantors' administrative issues. The manual has also been revised to combine related information from two subsections into one.

Affected Sections: 6.1.B, 6.1.G
Effective Date: July 1, 2003.
Basis: None.

Chapter 6

Reissuing a Loan Disbursement

The *Common Manual* has been revised to provide an explanation of the circumstances under which a lender may reissue a disbursement. A lender may reissue a loan disbursement if the original disbursement was made according to the school's disbursement schedule, the loan was canceled or not consummated, and the school subsequently determines that the student should have received the disbursement.

Affected Sections: 6.2.G
Effective Date: July 1, 2003.
Basis: None.

Chapter 6

Reissuing a Loan Disbursement

A school may request that a lender reissue a loan disbursement for a variety of reasons, such as when a check is lost. The *Common Manual* policy for the reissue of disbursements has been revised to state that, upon the receipt of a school's request, the lender may reissue a disbursement no later than 120 days after the earlier of the last day of the period of enrollment for which the loan is intended or the student's last date of at least half-time enrollment. For proceeds originally disbursed as a late disbursement, the lender must reissue a disbursement no later than 120 days after the date on which the original late disbursement was made.

In exceptional cases, the lender may reissue a loan disbursement more than 120 days after the last date of the student's eligible enrollment or more than 120 days after the date on which the original late disbursement was made, so that the student will not be harmed by circumstances beyond his or her control. The request for reissue under this exception should come from both the student and the school, and the lender should document the exceptional circumstances.

Affected Sections: 6.2.G
Effective Date: Disbursements reissued by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.
Basis: None. Coordinates with 34 CFR 668.164(g) and private letter to the Student Loan Marketing Association from the Department, dated July 15, 1994.

COMMON MANUAL

Unified Student Loan Policy

Chapter 6

Late Delivery of Loan Proceeds by the School

The *Common Manual* has been updated to reflect the regulatory changes applicable to some of the requirements for the late delivery of loan proceeds by the school, including:

1. Except in the case of a PLUS loan, the Department must have *processed* a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official expected family contribution (EFC) before the student became ineligible. The requirement that the school *receive* a valid SAR or ISIR prior to the date the student became ineligible is eliminated.
2. In the case of a second or subsequent disbursement, the student graduated or successfully completed the period of enrollment for which the loan was intended. In this circumstance, the school must offer the borrower the amount of Stafford or PLUS funds the student (or parent) was eligible to receive while the student was enrolled at the school.. The school may credit the student's account to pay for current and allowable charges (as currently described in subsection 6.3.E of the manual), but must pay or offer any remaining amount to the student or, in the case of a PLUS loan, to the parent.
3. The time frame in which the school may deliver the funds is extended from 90 days to 120 days from the date the school determines the student has withdrawn. If the student has not withdrawn, the school may make a late delivery of loan funds up to 120 days after the earlier of the end of the loan period or the date on which the student ceased to be enrolled at least half time.
4. On an exception basis, and with the approval of the Department, the school may make a late delivery of loan funds after the applicable 120-day period, if the reason the late delivery was not made within the 120-day period was not the fault of the student.

A comprehensive summary of all the criteria that must be met in order for the school to make a late delivery of loan proceeds is provided in subsection 6.3.H of the manual.

Affected Sections: 6.3.E, 6.3.H

Effective Date: Late delivery of FFELP loan proceeds by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Basis: §668.164(g).

COMMON MANUAL

Unified Student Loan Policy

Chapter 6

Elimination of Confirmation Requirement for Electronic Notice

Current common policy states that the school must notify the student or parent borrower if the school credits a student's school account with Stafford or PLUS loan proceeds. This notice must be issued no earlier than 30 days before and no later than 30 days after the school credits the student's account and must include:

- The date and amount of the disbursement.
- For proceeds disbursed by EFT or master check, a statement explaining the student or parent borrower's right to cancel all or a portion of the loan or loan disbursement and have the proceeds returned to the lender.
- The method and date by which the student or parent borrower must notify the school that he or she wishes to cancel all or a portion of the loan or loan disbursement.

To incorporate regulatory changes, the *Common Manual* is revised to eliminate the requirement that a school confirm and document the student or parent borrower's receipt of this notice if the school issued the notice via an electronic transmission.

Affected Sections:

6.3.C

Effective Date:

Notices issued by the school on or after July 1, 2003, to inform a student or parent borrower in the event that the school credits a student's school account with Stafford or PLUS loan proceeds, unless implemented earlier by the school. Schools may implement this provision no earlier than November 1, 2002.

Basis:

§668.165(a)(3).

Chapter 6

Lender MPN Loan Origination

The *Common Manual* has been updated to incorporate information regarding the expiration of the ability of a lender to make new loans under a Master Promissory Note (MPN). In addition to the current revocation guidance, a lender may elect not to make subsequent loans under an existing MPN. The lender's decision may be based on any number of circumstances—for instance, if there is a change in the borrower's circumstances (such as bankruptcy or delinquency), or because the loan is being requested under a Lender of Last Resort Program.

Affected Sections:

6.1.A, 6.2.I

Effective Date:

Exercise of a lender's option to discontinue making loans under an existing Stafford Master Promissory Note (Stafford MPN) on or after July 1, 1999.

The PLUS Loan Application and Master Promissory Note (PLUS MPN) may be used for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003. The PLUS MPN must be used for loan periods beginning on or after July 1, 2004, or for any loan certified on or after July 1, 2004, regardless of the loan period.

Basis:

Dear Colleague Letter (DCL) GEN-98-25; DCL GEN-03-03.

COMMON MANUAL

Unified Student Loan Policy

Chapter 7

Economic Hardship Deferment

The *Common Manual* has been revised to coordinate the policy language related to the determination of the borrower's Title IV debt burden with federal regulations and with the requirements of the Economic Hardship Deferment Request form issued in Dear Colleague Letter GEN 02-08. The revised policy specifies that the lender must include defaulted loans when determining the borrower's Title IV debt burden for the purposes of an economic hardship deferment if the borrower provides documentation that he or she has made repayment arrangements satisfactory to the holder of the defaulted loans.

Affected Sections: 7.10.P
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: 34 CFR 682.210(s); Economic Hardship Deferment Request form, issued in Dear Colleague Letter GEN-02-08.

Chapter 7

Next Due Dates for PLUS and SLS Loans

When establishing the next payment due date on a PLUS or SLS loan following a period of forbearance, deferment, or post-deferment grace, the lender may provide the borrower a due date that is no later than 60 days after the end of the forbearance, deferment, or post-deferment grace period. The due date may be later than 60 days if the borrower makes a prepayment during the period that advances the due date. Previous policy required the lender to establish the next payment due date no later than 45 days after the end of the applicable period.

Affected Sections: 7.4.B, 7.4.C
Effective Date: Next payment due dates for PLUS and SLS loans established by the lender on or after November 1, 2002.
Basis: None.

Chapter 7

First and Next Payment Due Dates for Stafford Loans

The *Common Manual* has been revised to reflect revised regulations regarding Stafford loan first payment due dates and next payment due dates following periods of forbearance, deferment, and post-deferment grace. Lenders are required to establish a Stafford borrower's first payment due date no later than 60 days, not 45 days as previously required, after the repayment start date. Lenders also are required to establish the due date following a period of forbearance, deferment, or post-deferment grace no later than 60 days, not 45 days as previously required, after the end of that period.

Previously, lenders were required to establish the first payment due date on a Stafford loan no later than 45 days after the repayment start date and the next payment due date no later than 45 days after a period of forbearance, deferment or post-deferment grace.

Affected Sections: 7.4.B, 7.9.G, 7.10.B, 7.11.K
Effective Date: First payment due dates and next payment due dates established by the lender on or after November 1, 2002.
Basis: 34 CFR 682.209(a)(3)(ii).

COMMON MANUAL

Unified Student Loan Policy

Chapter 7

Requesting an Extension of the Repayment Period

The *Common Manual* has been updated to remove the requirement that the borrower request in writing an extension of the repayment period if the borrower's repayment is scheduled for less than 5 years. The borrower still must request the repayment extension but no longer needs to supply a written request.

Affected Sections: 7.6.B
Effective Date: Borrower requests received by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.
Basis: §682.209(a)(8)(iv).

Chapter 7

Changes in Unemployment Deferment Requirements

Federal regulations published in November 2002 amend the unemployment documentation requirements and the time frames for which a lender may process an unemployment deferment. Based on final rules, borrowers may provide evidence of eligibility for unemployment benefits or may certify that they are currently seeking full-time employment and making all required attempts to obtain full-time employment. Borrowers are no longer required to provide information regarding potential employers contacted during the job search or to document the employment agency with which they are registered. Borrowers must certify—in writing or in a format approved by the Department—that they are registered with an employment agency if one is available within 50 miles of their current address, and that they have made six diligent attempts in the preceding 6-month period to find full-time employment. Borrowers applying for an initial period of unemployment deferment are not required to certify that they have made attempts to obtain full-time employment.

Lenders should also note changes to the permissible unemployment deferment time frames. An initial period of unemployment deferment based on the borrower's self-certification may be back dated up to 6 months prior to the date the lender receives the necessary documentation from the borrower, and must be scheduled to end not later than 6 months after the date the lender receives required documentation. An extension to an unemployment deferment and any unemployment deferment based on the borrower's eligibility for unemployment benefits is not subject to the 6-month backdating limitation. An extension of a deferment may be granted for up to 6 months following the date the borrower provides the lender with evidence or certification of deferment eligibility.

Affected Sections: 7.10.E
Effective Date: Borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.
Basis: §682.210(h)(2)(i) and (h)(4).

COMMON MANUAL

Unified Student Loan Policy

Chapter 7

Changes to Economic Hardship Deferment Eligibility Calculation

Federal regulations revise the calculations to determine a borrower's eligibility for economic hardship deferment. If the borrower's loans are scheduled to be repaid in 10 years or less, the lender must use the actual repayment amount in determining the borrower's federal postsecondary education debt burden. If the borrower's loans are scheduled to be repaid in more than 10 years, the lender must use the monthly payment amounts that would have been owed on federal postsecondary education loans based on a 10-year repayment schedule. As always, lenders must count a proportional share of any payments due—or that would have been due—less frequently than monthly, and must include payments due on a defaulted loan if the borrower has made repayment arrangements satisfactory to the holder of the defaulted loan.

Affected Sections: 7.10.P
Effective Date: Borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.
Basis: §682.210(s)(6)(vii).

Chapter 7

Verbal Forbearance Agreements

New federal regulations remove the requirement that the forbearance agreement between a borrower or endorser and a lender for a discretionary forbearance be in writing. Regulations permit the lender to negotiate a verbal agreement with the borrower or endorser. If the forbearance agreement is verbal, the lender is required to send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the agreement. The lender must document the borrower's request for forbearance, the reason for the forbearance, and the terms of the forbearance agreement.

Affected Sections: 7.8.C, 7.9.E, 7.11.A, 7.11.B, 7.11.F, 7.11.G
Effective Date: Borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.
Basis: §682.211(b).

COMMON MANUAL

Unified Student Loan Policy

Chapter 7

New Administrative Forbearance Provisions

Previously, lenders were permitted to grant forbearance to a borrower or endorser who requested forbearance due to the borrower being adversely affected by a natural disaster. New federal regulations expand the lender's options to grant an administrative forbearance based solely on the lender's determination that the borrower's or endorser's ability to make payments has been adversely affected by a natural disaster, a local or national emergency (declared by the appropriate government agency), or a military mobilization. The lender may grant the administrative forbearance for a 3-month period and must document in the borrower's loan file the reason for the forbearance. To grant an extension of the administrative forbearance for the same situation, the lender must document an agreement with the borrower or endorser and obtain documentation supporting the borrower's reason for extending the forbearance period.

Affected Sections: 7.11.B
Effective Date: Administrative forbearance granted by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.
Basis: §682.211(f)(11).

Chapter 7

Forbearance Contact

New federal regulations eliminate the 3-month forbearance contact requirement and replace it with new forbearance contact provisions. If the lender grants a forbearance that involves postponing all payments on the loan, the lender must contact the borrower or endorser at least once every 6 months during the forbearance period. The lender must inform the borrower or endorser of all the following information in each such contact:

- The obligation to repay the loan.
- The outstanding balance of principal and interest on the loan.
- That interest will accrue on the loan for the entire forbearance period.
- That the borrower or endorser may opt to discontinue the forbearance at any time.

This notification requirement does not apply for postponement of interest payments during a deferment period, a period of forbearance for an internship or residency, or a period of mandatory administrative forbearance.

Affected Sections: 7.11.G
Effective Date: Borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.
Basis: §682.211(e).

COMMON MANUAL

Unified Student Loan Policy

Chapter 7

New Borrower Deferment Eligibility Updates

The *Common Manual* has been revised to clarify borrower eligibility for certain deferments. Based on the revised and updated deferment forms recently published by the Department, "new borrower" definitions throughout the manual have been updated to coincide with the new, more inclusive deferment form text. The two general categories of "new borrowers" are defined as follows:

A "new borrower" from July 1, 1987 to June 30, 1993, is defined as a borrower whose first FFELP loan was made on or after July 1, 1987, and before July 1, 1993, or who had an outstanding balance on a loan obtained on or after July 1, 1987, and before July 1, 1993, when he or she obtained a loan after July 1, 1993; or a borrower who had no outstanding balance on a Federal Consolidation loan that was made before July 1, 1993, that repaid a loan first disbursed before July 1, 1987.

A "new borrower" on or after July 1, 1993, is defined as a borrower whose outstanding FFELP loans were all made on or after July 1, 1993, and when his or her first FFELP loan was made on or after July 1, 1993, had no outstanding FFELP loans that were made before July 1, 1993.

Affected Sections: 7.9.A, 7.10.A, 7.10.F, 7.10.G, 7.10.H, 7.10.I, 7.10.J, 7.10.K, 7.10.L, 7.10.M, 7.10.N, 7.10.O, 7.10.P, 7.10.Q

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

Basis: §682.210(b)(7); §682.210(s)(1); Dear Colleague Letter (DCL) GEN 02-08, published October 2002. Additional clarification is provided in the newly approved deferment forms from the Department of Education.

Chapter 7

Reduced-Payment Forbearance Agreements

New federal regulations remove the requirement that the forbearance agreement between a borrower or endorser and a lender for a discretionary forbearance be in writing. Although reduced-payment forbearance is based on guarantor policy, the policy has been amended to permit a lender to negotiate a reduced-payment forbearance with a borrower via a verbal agreement, consistent with regulatory changes applicable to other discretionary forbearances. If the forbearance agreement is verbal, the lender must document the borrower's request for forbearance, the reason for the forbearance, and the terms of the forbearance agreement.

To further ensure consistency, if the forbearance agreement is verbal, the lender is required to send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the agreement. In addition to the information required for other verbal discretionary forbearances, if the lender negotiates a reduced-payment forbearance with a borrower, the lender's notice to the borrower must include all of the following information:

1. The required payment amount during the reduced-payment forbearance.
2. The address to which payments must be sent.
3. The consequences, if any, of delinquency on the payments required during the forbearance period.

Affected Sections: 7.11.A

Effective Date: Borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

Basis: §682.211(b) and (c).

COMMON MANUAL

Unified Student Loan Policy

Chapter 8

Claim Purchase and Claim Returns

The *Common Manual* has been revised to reflect changes in federal regulations regarding the time frame in which the guarantor must purchase an approved total and permanent disability claim or return the claim. Guarantors are required to purchase an approved total and permanent disability claim or return the claim not later than 90 days after the claim was received by the guarantor. Previously, guarantors were required to purchase an approved total and permanent disability claim or return the claim not later than 45 days after receiving the claim from the lender.

Affected Sections: 8.4, ^{CCI}8.4, 8.6, ^{CCI}8.6
Effective Date: Total and permanent disability claims received by the guarantor on or after July 1, 2003, unless implemented earlier by the guarantor.
Basis: 34 CFR 682.402(h).

Chapter 8

Claim Purchase Time Frames

The *Common Manual* has been updated to clarify that for an unpaid refund discharge request for a closed school, the guarantor is required to purchase an approved discharge request or return the request to the lender within 45 days. For an unpaid refund discharge request for an open school, the guarantor may take up to 120 days to resolve the unpaid refund with the school. The guarantor is required to purchase an approved discharge request or return it to the lender within 45 days from the date the eligibility determination is made. A cross reference to subsection 8.2.I has been added.

Affected Sections: 8.6, ^{CCI}8.6
Effective Date: Unpaid refund discharges granted on or after July 1, 2000, for loans disbursed, in whole or in part, on or after January 1, 1986.
Basis: 34 CFR 682.402(l)(2)(ii); 34 CFR 682.402(n)(1).

COMMON MANUAL

Unified Student Loan Policy

Chapter 8

Establishing Payment Due Dates Following Claim Activities

Recent regulatory changes extend the first payment due date and next payment due date parameters to permit a lender to establish first due dates no later than 60 days after a Stafford borrower's grace period end date, and no later than 60 days after the end date of a forbearance, deferment, and post-deferment grace period. Based on these changes, guarantors have reassessed current common policy related to establishing due dates following a lender's reconversion of loans when certain claim-type activity is involved. Please note the following changes:

- When notified that a bankruptcy action has concluded on a loan that was not eligible for bankruptcy claim payment, a lender must establish a next payment due date that is no later than 60 days after the date the lender receives that notification.
- When the lender receives a full payment or a signed repayment agreement on a loan that has lost its guarantee, the lender must establish a next payment due date that is no later than 60 days after the date that payment or signed repayment agreement is received.

Affected Sections: 8.2.D, 8.8.F, 8.8.J, ^{CCI}8.2.D, ^{CCI}8.8.F, ^{CCI}8.8.J

Effective Date: Next payment due dates established by the lender on or after November 1, 2002.

Basis: None.

Chapter 8

Claim Purchase and Claim Returns

The *Common Manual* has been revised to reflect changes in the regulations regarding the portion of a joint Consolidation loan that is attributable to a disabled borrower. If a Consolidation loan is made jointly to a married couple as comakers, and one of the borrowers becomes totally and permanently disabled, the portion of the Consolidation loan attributable to the disabled borrower may be discharged. However, both borrowers remain jointly and severally liable for any remaining balance after the discharge.

Affected Sections: 8.2.C, ^{CCI}8.2.C

Effective Date: Total and permanent disability discharge claims filed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

Basis: §682.402(a).

COMMON MANUAL

Unified Student Loan Policy

Chapter 8

Claim Filing Documentation Requirements

The *Common Manual* has been revised to reflect changes in the regulations regarding claim filing documentation requirements. Previously, if a copy of the promissory note was provided in the claim file, the lender was required to certify that the copy was “true and exact.” Revised policy no longer requires lenders to provide the “true and exact” certification.

Affected Sections: 8.2.G, ^{CCI}8.2.G, 8.2.H, ^{CCI}8.2.H, 8.3.B, ^{CCI}8.3.B
Effective Date: Claims filed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.
Basis: §682.402(g)(1)(i).

Chapter 8

Rehabilitation of Defaulted Loans

The *Common Manual* has been revised to reflect changes in the regulations regarding the rehabilitation of a defaulted loan for which a judgment has been obtained. A borrower who has a defaulted loan for which a judgment has been obtained is no longer permitted to include that loan in a guarantor’s rehabilitation program.

Affected Sections: 8.10, ^{CCI}8.10
Effective Date: Requests for loan rehabilitation received by the guarantor on or after July 1, 2003, unless implemented earlier by the guarantor. Guarantors may not implement these provisions earlier than November 1, 2002.
Basis: §682.405(a)(1).

Chapter 8

Reinstatement of Borrower Eligibility after a Default Claim Is Purchased

The *Common Manual* has been revised to reflect the regulatory emphasis regarding borrowers who have previously defaulted and who reestablish eligibility for Title IV aid. Borrowers who have defaulted loans, or defaulted loans for which a judgment has been obtained, may reestablish Title IV eligibility under these provisions only once.

Affected Sections: 8.9, ^{CCI}8.9
Effective Date: Borrower requests for reinstatement on or after July 1, 2003.
Basis: §668.35(a)–(c).

COMMON MANUAL

Unified Student Loan Policy

Appendix G

Definition of Master Promissory Note

The definition of “Master Promissory Note (MPN)” has been revised to provide a succinct definition of an MPN. The definition has been further revised by changing “period of enrollment” to “academic year.” The revised definition now reads:

Master Promissory Note: (MPN) A promissory note under which the borrower may receive loans for either a single academic year or multiple academic years. See section 5.1. The MPN forms, developed by FFELP participants and approved by the Department, are the Stafford Master Promissory Note (Stafford MPN) and the PLUS Application and Master Promissory Note (PLUS MPN).

Affected Sections:

Appendix G

Effective Date:

Disbursements made from a Stafford Master Promissory Note (Stafford MPN) on or after July 1, 2001, unless implemented earlier by the guarantor, and disbursements made from a PLUS Application and Master Promissory Note (PLUS MPN) on or after July 1, 2003.

Basis:

Federal Register dated June 29, 2001.