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## **New PLUS and Revised Stafford NOG Available in May**

On May 31, 2000, Texas Guaranteed Student Loan Corporation (TG) will begin providing a new version of the Federal PLUS Loan Notice of Guarantee/ Disclosure Statement (NOG).

### **Enhancement Highlights**

The following enhancements, which are included in the new version of the PLUS NOG, cover issues related to the 1998 Higher Education Amendments, as well as suggestions from TG customers:

- Instructions for canceling or reducing a loan.
- Notification that laws and regulations may have changed since the signing of the Note and that such information will be disclosed to the borrower on the disclosure or separately.
- Request for reference update.
- Message clarifying that the interest rate is the current rate as of the date of guarantee.
- General message for Repayment Terms.
- Message for borrower to contact lender about deferment interest payment methods.
- TG's name and guarantor identification number added to Borrower Information.
- TG's toll free number.
- Instructions on estimating monthly payments.

Because of the number and length of required disclosures, TG can no longer continue to include a place for lenders to indicate payment information. This may create the need for lenders to modify programs or to develop new procedures.

### **Revised Stafford NOG**

TG made a minor revision to the Federal Stafford Loan NOG as requested by our lending community. The telephone number has been relocated from its current position to appear next to the Loan Number in the Borrower Information Section.

### **Printing NOGs**

To facilitate the printing of the new PLUS NOG and/or the revised Stafford NOG via AdvanTG™, lenders should contact TG's Product Support Group (PSG) on or after May 31, 2000, at (800) 252-9743, ext. 2222, or send an e-mail to [product.support@tgscl.org](mailto:product.support@tgscl.org). PSG will provide lenders with the files and instructions that are appropriate to their existing process.

The NOG forms are also provided in Portable Document Format (PDF) on TG's corporate web site, *TGWorks Online*, at [www.tgscl.org](http://www.tgscl.org), beginning on May 31, 2000.

### **Questions**

For questions about TG's NOGs, contact Kyle Smith in Loan Guarantee Operations, at (800) 252-9743, ext. 4894, or send an e-mail message to [kyle.smith@tgscl.org](mailto:kyle.smith@tgscl.org). ★



## NEWLY REPORTED CLOSURES

TG SCHOOL ID#	SCHOOL NAME	SCHOOL ADDRESS	UNOFFICIAL CLOSURE DATE	ED'S OFFICIAL CLOSURE DATE
023544000	Rickersons Beauty Academy #3	3863 Stagg Dr. Beaumont, TX 77701	N/A	05/06/1991
008140000	Rickersons Beauty Academy #5	1323 Goliad Rd. San Antonio, TX 78250	N/A	01/27/1995

## TG Announces SMTP/POP3 Transmission of CommonLine Files

As of May 15, 2000, Texas Guaranteed Student Loan Corporation (TG) supports the use of encrypted SMTP/POP3 e-mail to transfer CommonLine files. POP3 is the e-mail protocol used in almost every Internet e-mail system today. Encrypted POP3 mail is the standard selected by the National Council of Higher Education Loan Programs (NCHELP) CommonLine committee to replace CompuServe as the accepted standard for transmission of CommonLine files.

TG's implementation of POP3 allows institutions that do not use AdvanTG for their CommonLine data exchanges with TG to move away from CompuServe for the transmission of files. TG's support of POP3 allows schools and other Federal Family Education Loan Program (FFELP) partners who have POP3 capabilities to send CommonLine files to TG via POP3 for processing. This includes institutions that are already using CompuServe to exchange files with TG and those planning to initiate transfers for the first time.

The NCHELP CommonLine committee strongly encourages every FFELP partner currently using CompuServe for transfer of CommonLine files to move to POP3 as soon as possible. CompuServe is also moving to a POP3-based e-mail system but currently supports the transfer of CommonLine files on their older proprietary e-mail system. As CompuServe's resources for support of the old system dwindle, it becomes more and more critical for the FFELP community to migrate to a more permanent solution for file transfers.

### Security of Data Transmission

The NCHELP CommonLine committee has developed standards for POP3 security that use

encryption software to secure the transmission of data over the Internet. Secret Agent by Information Security Corporation, a subsidiary of AT&T, was selected for use as the encryption software for POP3 transfers. This encryption software provides each partner with a pair of keys, a public key and a private key, and uses these keys to encrypt CommonLine files before they are attached to an e-mail message and sent. The keys are simply unique files that allow the encryption software to "lock" and "unlock" a data file. Each institution keeps its private key and gives its public key to other FFELP partners to use in encrypting files they send to that institution.

**School based software packages that support this new POP3 standard also support the generation of public and private keys and the maintenance of the keys of the FFELP partners with which they exchange files. This relieves schools from the burden of developing encryption mechanisms on their own.**

In an exchange of encrypted files, the sending partner uses the receiving partner's public key to encrypt the file and then signs the file using its own private key. When the file is received on the other end, the receiving partner uses its private key to decrypt the file and verifies who sent the file using the public key of the sender. School based software packages that support this new POP3 standard also support the generation of public and private keys and the maintenance of the keys of the FFELP

partners with whom they exchange files. This relieves schools from the burden of developing encryption mechanisms on their own.

**AdvanTG 3.0, scheduled for release in fall 2000, will also provide POP3 support.**

### Getting Started

Setting up a POP3 connection with TG requires only a few simple steps. TG verifies the institution's Department of Education identification number, institution name, and contact information and exchanges public keys with the institution. A brief test period follows to allow TG and the institution to verify that everything is in place and working. After this, the institution can be placed into production and begin exchanging files via POP3.

### POP3 Support in AdvanTG 3.0 Release

AdvanTG 3.0, scheduled for release in fall 2000, will also provide POP3 support. This will enable institutions using AdvanTG to communicate with FFELP partners other than TG who support the new POP3 standard. This support of POP3 in AdvanTG 3.0 will replace the current support of CompuServe for the transmission of CommonLine data files to FFELP partners other than TG.

### Questions

For questions about TG's support of CommonLine POP3 transmissions, contact TG's Product Support Group at (800) 252-9743, ext. 2222. ★

# COMMON MANUAL UPDATES

## INFORMATION ON REVISIONS TO THE COMMON MANUAL

**Note:** Current *Common Manual* Updates and an integrated version of the *Common Manual* are available on *TGWorks Online* under Schools and Lenders. By posting *Common Manual* Updates and the integrated version of the *Common Manual* online, TG's customers can access new policies shortly after the *Common Manual* Governing Board approves them.

If you want to be notified each time *Common Manual* Updates and a revised integrated version of the *Common Manual* are posted online, you can join TG's electronic news service, *TG NetWorks*. To join, go to *TGWorks Online* at [www.tgslc.org](http://www.tgslc.org), click "Subscribe," and complete the online form.

### Reduced-Payment Forbearance

The *Common Manual* has been revised to provide clarification on the use of reduced-payment forbearance. When granting a reduced-payment forbearance, the lender must provide the following information to the borrower:

- Information on the payment amount due during the forbearance.
- The address to which payments must be sent.
- The consequences, if any, of delinquency on payments required during the forbearance.

If a borrower becomes delinquent on required payments during a reduced-payment forbearance, the lender must comply with the terms of the forbearance agreement. Such terms may include the borrower being considered delinquent and ultimately defaulting if the agreed upon reduced payments are not made. Corresponding changes have been made to chapters 8 and <sup>cc1</sup>8 to address delinquency and default during a reduced-payment forbearance.

**Affected Sections:** 7.11, 7.11.A., 8.1.A., 8.1.D., 8.2.A., <sup>cc1</sup> 8.1.A., <sup>cc1</sup> 8.1.D., <sup>cc1</sup> 8.2.A.

**Effective Date:** Effective for forbearances granted by the lender on or after May 1, 2000, unless implemented earlier by the guarantor

**Basis:** HEA 428(c)(3); §682.211(a) – (c); §682.411; §682, Appendix D, section I.A.; *Dear Colleague Letter* 88-G-138, Cure Questions and Answers Set #5, dated April 6, 1989, Q & A #4; *Federal Register*, dated June 29, 1994, page 33589, comment 47;

Private letter dated October 19, 1988, issued by Chief, GLS Division of Policy and Program Development, Department of Education

**Policy Information:** Reference #397

**Guarantor Comments:** None

### Recall of Default Claims When Delinquency Is Reduced

A lender must now recall a default claim if the loan is reduced to 210 or fewer days delinquent before the guarantor pays the claim. This new time frame, which adds 90 days to the current *Common Manual* policy, accommodates the Higher Education Amendments of 1998 which redefined the date of default from the 180<sup>th</sup> to the 270<sup>th</sup> day of delinquency.

Guarantors agree that a reduction in delinquency of 60 days or more indicates a willingness by the borrower to repay the debt and avoid default. To help such borrowers avert default, guarantors require lenders to recall default claims whenever the debt is brought 210 or fewer days delinquent based on a delinquency date of October 7, 1998, or after.

**Affected Sections:** 8.5, <sup>cc1</sup>8.5

**Effective Date:** For loans on which the delinquency is reduced to 210 or fewer days delinquent on or after July 1, 2000, in cases where the lender has filed a claim based on the 270th day of delinquency but the guarantor has not yet paid the claim. This change may have been implemented on or after October 7, 1998, by the guarantor

**Basis:** None

**Policy Information:** Reference #409

**Guarantor Comments:** None

### Repurchase of Default Claims When Delinquency Is Reduced

A lender must repurchase a default claim if a delay occurred in the processing of a deferment that begins prior to the date of default. Borrowers have a statutory entitlement to any deferment period for which they otherwise qualify so long as that period of deferment begins prior to the date the loan defaults.

**Affected Sections:** 8.7, <sup>cc1</sup>8.7

**Effective Date:** Deferment documentation processed by the lender on or after July 1, 2000, unless implemented earlier by the guarantor

**Basis:** None

**Policy Information:** Reference #410

**Guarantor Comments:** None

### Capitalization Rules Change

The *Common Manual* has been updated to reflect the following changes in which lenders are permitted to capitalize interest on Stafford loans:

- For subsidized and unsubsidized Stafford loans first disbursed on or after July 1, 2000, the lender may capitalize interest only when the loan enters repayment, when a deferment ends, when a forbearance ends, and when the loan defaults.
- For unsubsidized Stafford loans first disbursed from October 7, 1998, to June 30, 2000, inclusive, the lender may capitalize interest when the loan enters repayment, when the grace period ends, when a deferment ends, when a forbearance ends, or when the loan defaults.

For all other Stafford, PLUS, and Consolidation loans, lenders may continue to capitalize interest no more frequently than quarterly, as currently reflected in subsection 7.7.B.

The manual has also been revised to reflect that capitalized interest does not count toward annual loan limits for borrowers.

**Affected Sections:** 5.7.H., 7.7.B.

**Effective Date:** Loans first disbursed on or after October 7, 1998, and prior to July 1, 2000, with respect to the provisions of capitalization of interest solely on unsubsidized Stafford loans. Stafford loans first disbursed on or after July 1, 2000, with respect to provisions limiting capitalization solely to the point at which the loan enters or reenters repayment or defaults

**Basis:** HEA 428H(e)(2); §682.202(b)(2)(ii) & (b)(4)(i) & (ii) – as updated in the *Federal Register* dated November 1, 1999

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**Policy Information:** Reference #302

**Guarantor Comments:** None

### Lenders Now Required to Inform Borrowers of Guarantor and Ombudsman Information

The *Common Manual* has been updated to include two new requirements included in final regulations published October 29, 1999:

- If a borrower disputes the terms of a loan in writing, and the lender does not resolve the dispute, the lender must inform the borrower of an appropriate guarantor contact for the resolution of the dispute.
- In at least one of the collection activities required of lenders under §682.411, the lender must inform the borrower of the availability of the Department's Student Loan Ombudsman's office.

**Affected Sections:** 3.4, 7.6.F (new subsection), 8.1.D., <sup>cc</sup>8.1.D.

**Effective Date:** Provisions requiring the lender to provide information to a borrower who disputes the terms of the loan in writing are effective for borrower disputes received by the lender on or after July 1, 2000. Requirements to include information in at least one collection activity regarding the availability of the Student Loan Ombudsman's office are effective for loans with a first day of delinquency on the oldest outstanding due date on or after July 1, 2000

**Basis:** §682.208(c)(3)(i) & §682.411(b)(3) – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #431

**Guarantor Comments:** None

### Lender of Last Resort Program Requirements Revised

The *Common Manual* has been updated to incorporate revised Lender of Last Resort (LLR) provisions. A student may request assistance under the LLR program if the student is eligible to participate in the FFELP and meets all of the following conditions:

- The student qualifies for interest benefits.

- The student is eligible for a combined subsidized and unsubsidized Stafford loan amount of at least \$200.
- The student is otherwise unable to obtain loans from another eligible lender for the same period of enrollment or is attending a school that has been designated an LLR school.

A student who meets these conditions is entitled to receive Stafford loans under the LLR program. In addition, an LLR may offer unsubsidized Stafford loans and PLUS loans through LLR programs to eligible borrowers who have been otherwise unable to obtain those loans from another eligible lender. An eligible student who requests assistance under the LLR program may be referred to the designated guarantor in the student's state of residence or to the designated guarantor in the state where the student is attending school.

Within 60 days of receiving a student's original, complete application for an LLR loan, the guarantor must respond to the student with an approval or denial. If the LLR loan is approved, the guarantor will either serve as the lender or designate an eligible lender to make the LLR loan.

**Affected Sections:** 3.7.A., 3.7.C., Appendix G

**Effective Date:** Loan applications received by the LLR on or after July 1, 2000

**Basis:** HEA 428(j) & §682.401(c) – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #432

**Guarantor Comments:** None

### Return of Title IV Funds

Current *Common Manual* policy reflects how schools were to calculate refunds based upon the requirements in effect prior to the enactment of the Higher Education Amendments of 1998 on October 7, 1998. *Common Manual* policy is being revised to reflect the new method of calculating refunds, called the "return of Title IV funds." *Common Manual* policy is being further revised for other changes to the granting of leaves of absence, determination of withdrawal dates, and the order in which funds are to be returned to the Title IV aid programs. The Amendments provided a two-year period for schools to implement these changes.

Federal regulations effective July 1, 2000, provide for implementation of these changes, as described in §668.22, on or before October 7, 2000. All sections of §668.22 must be implemented at the same time. Once they are implemented, the school may not return to the previous methods and requirements.

**Due to the number of changes made in this proposal, the Common Bulletin language mirrors the majority of the Common Manual language except in those instances where "refund" terminology has been changed to variations of "funds returned" in order to provide language alignment with the return of Title IV funds provisions (e.g. "school refunds" will now be "funds returned by the school").**

### Leave of Absence

Section 4.5, Leave of Absence, has been revised to state that a student on an approved leave of absence is considered enrolled. A leave of absence is an approved leave if the following conditions are met:

- The school has a written policy regarding leaves of absence that is publicized to students and that requires a written, signed, and dated request from the student prior to the leave of absence.
- The student has requested the leave of absence according to the school's policy, and the school has approved the leave. As part of its approval, the school must determine that there is a reasonable expectation that the student will return to school.
- The leave of absence does not involve additional charges by the school to the student.
- Upon return, the student is permitted to complete the coursework he or she began prior to the leave of absence.
- The leave of absence does not exceed 180 days in any 12-month period. The 12-month period begins on the first day of the student's leave of absence (or initial leave of absence, if applicable).
- Prior to granting the leave, the school explains to the student the effects that the student's failure to return from a leave of absence may

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have on repayment of the student's loans, including the depletion of some or all of the student's grace period.

In any 12-month period, the school should grant no more than one leave of absence to each student, except in the following situations:

- One subsequent leave of absence may be granted if the leave of absence does not exceed 30 days and the school determines that it is necessary due to unforeseen circumstances.
- Subsequent leaves of absence may be granted for jury duty, military reasons, or circumstances covered under the Family and Medical Leave Act of 1993. The school must document the reason for each subsequent leave of absence.

The total number of days of all leaves of absence may never exceed 180 days in any 12-month period.

Unforeseen circumstances may prevent a student from providing a written request prior to the leave of absence. In such cases, the school may grant the student's request for a leave of absence if it documents its decision and collects the student's written request at a later date.

The last date of attendance for students who fail to return from an approved leave of absence is based upon whether the school is required to take attendance. For schools required to take attendance, the last date of attendance is the last date of academic attendance reflected in the school's attendance records. For schools not required to take attendance, the last date of attendance is the date the student began the leave of absence.

*Requirements for granting an approved leave of absence and for determining withdrawal dates are included in the regulations governing the return of Title IV funds. These regulations apply to any student who withdraws on or after October 7, 2000. If a school chooses to implement these regulations prior to October 7, 2000, it must implement them in their entirety.*

[§668.22(d); §668.167(b); §682.604(c)(4)]

**The title of section 4.6 has changed to "Withdrawal Dates." This section has been broken down under three subheadings as follows:**

### **Withdrawal Dates**

A student who leaves school or fails to return to school as expected is considered to have withdrawn.

The school must determine the withdrawal date and report that date to the lender or guarantor.

For purposes of reporting enrollment status and deferment information, if a student does not return for the next scheduled term following a summer break or a period of summer bridge deferment (including periods during which classes are offered but attendance is not required), the school must determine the student's withdrawal date within 30 days after the first day of the next scheduled term.

### **Determining Withdrawal Dates at Schools Required to Take Attendance**

Some accrediting agencies, state regulatory agencies, and other outside entities require schools to take attendance for some or all of their students. For any student on whom the school is required to take attendance, the withdrawal date is the student's last recorded date of academic attendance, as determined by the school from its attendance records. If such a student does not resume attendance by the end of an approved leave of absence at the school, or takes a leave of absence that is not approved by the school, the withdrawal date is the student's last recorded date of academic attendance. The school must maintain documentation of the withdrawal date, beginning on the date the school determines that the student withdrew.

[668.22(b)]

### **Determining Withdrawal Dates at Schools Not Required to Take Attendance**

A school that is not required to take attendance must describe its withdrawal process to students and designate the persons or offices the student must contact to provide official notification of withdrawal.

If the student provides notice of his or her intent to withdraw, the withdrawal date is the earlier of the following:

- The date the student began the school's withdrawal process.
- The date the student provided official notification to the school, in writing or orally, of his or her intent to withdraw. "Official notification to the school" is a notice of intent to withdraw that a student provides to an office or employee designated

by the school. If the student creates more than one withdrawal date by multiple official notifications of his or her intent to withdraw, the earliest date must be used.

If the student does not initiate the withdrawal process, the withdrawal date is one of the following:

- The midpoint of the payment period (or period of enrollment if applicable).
- The date the student began a leave of absence if the student fails to return from an approved leave of absence or takes an unapproved leave of absence.

As an alternative to the preceding dates, the school may use one of the following as a withdrawal date when a student does not initiate the withdrawal process:

- The last date of participation by the student in an academically-related activity as documented by the school. "Academically related activities" include, but are not limited to, exams, tutorials, computer-assisted instruction, academic counseling, turning in class assignments, or attending study groups assigned by the school.
- The school's documentation of such activities must contain confirmation that the student participated.
- The date the school determines that circumstances beyond the student's control, such as illness, accident, or grievous personal loss, prevented him or her from providing official notification to the school.

If the student does not provide official notice of his or her intent to withdraw to a school that is not required to take attendance, the school must determine the student's withdrawal date within 30 days after the last day of the earliest of:

- The period of enrollment for which the student has been charged.
- The academic year during which the student withdrew.
- The educational program from which the student withdrew.

The school may allow a student to rescind his or her official notification to withdraw one time if the student signs a written statement that he or she is

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continuing to participate in academically related activities and intends to complete the payment period or period of enrollment, as applicable.

If the student subsequently ceases attending without completing the payment period or period of enrollment, the student's withdrawal date is the original date of notification of intent to withdraw, unless the school documents a later date on which the student participated in an academically related activity. The school must maintain documentation of the withdrawal date as of the date the school determines that the student withdrew.

The school must report the withdrawal date to the lender. This date determines the beginning of the student's grace period. A withdrawal date must consist of a month, day, and year. [§668.22(c); §682.605(b) and (c)]

### **Date of Determination of a Student's Withdrawal Date**

The date of determination (i.e., the date on which the school makes the determination that the student has withdrawn) is one of the following:

- For a student who provides official notification of his or her withdrawal, the date of determination is the later of:
  - The student's withdrawal date as determined by a school that is not required to take attendance.
  - The date the student notified the school that he or she withdrew.
- For a student who did not provide notification of his or her withdrawal to the school, the date of determination is the date on which the school becomes aware that the student ceased attendance.
- For a student who does not return from an approved leave of absence, the date of determination is the earlier of:
  - The date the leave of absence ends.
  - The date the student notifies the school that he or she will not be returning.
- For a student who rescinds his or her official notification of withdrawal and subsequently does not complete the payment period or period of enrollment, the date of determination

is the date the school becomes aware that the student did not or will not complete the payment period or period of enrollment.

- For a student who takes an unapproved leave of absence, the date of determination is the date that the student begins the leave of absence.

A school must return Title IV program funds no later than 30 days after the date of determination. If the student is eligible for a post-withdrawal disbursement, it must be offered to the student within 30 days of the date of determination.

*Requirements for determining withdrawal dates and granting approved leaves of absence are included in the regulations governing the return of Title IV funds. These regulations apply to any student who withdraws on or after October 7, 2000. If a school chooses to implement these regulations prior to October 7, 2000, it must implement them in their entirety.*

The title of section 4.7 has been renamed "Return of Title IV Funds." References to determining the amount of a refund have been deleted from this section and it now reads:

### **Return of Title IV Funds**

For each Title IV aid recipient who withdraws, the school must calculate the amount of Title IV assistance the student has earned. This amount is based upon the length of time the student was enrolled. The school must return any portion of unearned Title IV funds for which the school is responsible. The school must also advise the student of the amount of unearned Title IV grant aid that he or she must return, if applicable. The student (or parent, in the case of a PLUS loan) must repay any unearned funds that the school did not return according to the normal terms of the loan. To assist schools, the Department has provided Return of Title IV Funds worksheets.

The school must provide to enrolled and prospective students a copy of any refund policy with which the school is required to comply and that addresses the return of unearned tuition and fees or other refundable costs paid by the student. The written policy must include the requirements and procedures a student should follow to officially withdraw from the school. The school must also

provide a summary of the federal requirements for the return of Title IV funds (34 CFR 668.22). [§668.43]

In the event of a school's closing, termination, suspension of operations, or change in ownership, the school or the school's new owners must continue to comply with the requirements for the return of Title IV funds for any Title IV recipient who withdraws.

[§668.26(b)(7)]

Subsection 4.7.A. has been renamed "Return Amounts for Title IV Grant and Loan Programs." Information regarding refunds and Pro-Rata refunds has been deleted and the following text inserted:

### **Return Amounts for Title IV Grant and Loan Programs**

If a student has completed more than 60% of the payment period, he or she is considered to have earned 100% of the Title IV grant and loan aid received for the payment period. In this case, no funds need to be returned to the Title IV aid programs.

However, if a student withdraws before completing more than 60% of the payment period or period of enrollment, the amount of any Title IV loan and grant aid the student received for the payment period (or period of enrollment) must be recalculated to reflect the portion of the payment period that he or she completed prior to withdrawal. The unearned Title IV loan and grant aid for the percentage of the payment period not completed must be returned to the applicable Title IV aid programs.

### **Determining the Percentage of Payment Period/Period of Enrollment Completed**

#### *Term Based Programs with Semester, Trimesters, or Quarters*

Calculations for the return of Title IV funds must be based upon the payment period.

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### Nonterm Based Programs and Nonstandard Term Based Programs

Calculations for the return of Title IV funds may be based upon the period of enrollment, rather than the payment period. Schools must consistently use either the payment period or the period of enrollment as the basis for all calculations for the return of Title IV funds for the following categories of students:

- Students who have attended an educational program from the beginning of the period of enrollment or payment period.
- Students who re-enter the school during a period of enrollment or payment period.
- Students who transfer into the school during a period of enrollment or a payment period. [§668.22(e)(5)]

### Disbursed Aid

Disbursed aid consists of funds that have been credited to the student's account or have been disbursed to the student. Disbursed aid is determined as of the date the school becomes aware that the student withdrew. It is possible for disbursed aid to include funds that were credited to the student's account prior to the school's knowing that the student had withdrawn or ceased attending, but after the student's last date of attendance.

### Aid Types To Be Excluded from the Return Calculations

When calculating the return of Title IV funds, the school must exclude the following amounts from the refund calculations, as applicable:

- Any Federal Work Study funds that the student earned.
- The non-federal share of an FSEOG award if the school meets its matching share by the individual recipient method or the aggregate method.

If the state LEAP (formerly SSIG) program in which the school participates contains any federal funds, the grant is considered as LEAP grant funds and the entire amount must be included in the calculations for the earned and/or unearned amounts of Title IV aid. For more information, consult the preamble to the Student Assistance General

Provisions final rules published by the Department on November 1, 1999. [§668.22(a)]

### Percentage of Title IV Aid Earned

For programs measured in credit hours (see appendix F, "Treatment of Title IV Funds When a Student Withdraws from a Credit Hour Program"), the total number of calendar days the student completed is divided by the total number of calendar days in the payment period or period of enrollment:

$$\frac{\text{Total \# of calendar days completed}}{\text{Total \# of calendar days in the payment period/period of enrollment}}$$

"Calendar days" includes all days within the period, except that scheduled breaks of at least five consecutive days must be excluded from both numbers in the equation. The total number of days in the period does not include days during which the student was on an approved leave of absence.

For programs measured in clock hours (see appendix F, "Treatment of Title IV Funds When a Student Withdraws from a Clock Hour Program"), the total number of clock hours the student completed is divided by the total number of clock hours in the payment period or period of enrollment:

$$\frac{\text{Total \# of clock hours completed}}{\text{Total \# of clock hours in the payment period/period of enrollment}}$$

The school must use the number of clock hours the student actually completed to determine whether the student attended more than 60% of the payment period or period of enrollment. The numerator may be the number of hours scheduled to be completed by the student as of the student's withdrawal date, provided that the student attended at least 70% of the hours scheduled to be completed as of his or her withdrawal date. For more information on withdrawal dates, see section 4.6.

### Determining the Amount of Unearned Aid to be Returned

The calculated percentage of the payment period or period of enrollment completed becomes the percentage of the Title IV aid that the student has earned. The total Title IV aid disbursed to the student, or that could have been disbursed to the

student (i.e. disburseable aid) minus the amount of Title IV aid earned by the student yields the amount of Title IV loan and grant aid that is unearned and that must be returned:

[§668.22(e)]

Total Title IV Disburseable aid

–

Title IV aid earned

=

### Title IV loan and grant aid to be returned

For most calculations, figures should be rounded to the third decimal place. For example, 0.4486 would be rounded to 0.449, yielding 44.9%. Monetary amounts may be rounded normally, to the nearest penny. Return amounts, for both the school and the student/borrower, may be rounded to the nearest dollar.

When calculating the amount of loan funds to be returned to the lender, the school should use the net amount that was received from the lender (the gross amount minus the guarantee and origination fees) as the basis. The lender will adjust the guarantee and origination fees.

The school is responsible for returning the lesser of the following amounts to applicable Title IV programs:

- The total amount of unearned aid.
- The amount that is equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of unearned aid.

The charges incurred by the student may include tuition, fees, room and board, and other educationally related charges assessed by the school.

The school should calculate the return of Title IV funds based upon the period for which it is charging. If a school chooses to calculate the amount of Title IV assistance on a payment period basis, for a nonterm program or for a nonstandard term program, but the school charges for a period of enrollment longer than the payment period, the total charges incurred by the student is the greater of the following:

- The prorated amount of charges for the longer period.

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## COMMON MANUAL (Continued from page 7)

- The amount of Title IV aid retained for charges as of the student's withdrawal date.

If the amount of unearned aid exceeds what the school must return, the student is responsible for returning unearned Title IV loan and grant aid. If funds must be repaid to a Title IV loan program, the student (or parent, in the case of a PLUS loan) returns those funds by normal repayment of the loan according to the terms and conditions of the promissory note. If funds must be repaid to a Title IV grant program, the student is obligated to return only one-half of the unearned grant amount. [§668.22(h)]

### Post-Withdrawal Disbursements

A post-withdrawal disbursement is a disbursement made to a student who has withdrawn, but who has earned more aid than has been disbursed. If the student has earned more Title IV aid than has been disbursed and is otherwise eligible to receive funds, the school must make a post-withdrawal disbursement to the student (or parent, in the case of a PLUS loan). No return of funds is required when the student is eligible to receive a post-withdrawal disbursement. The school may credit all or a portion of the post-withdrawal disbursement to the student's account, up to the amount of outstanding charges. To assist schools, the Department has provided a Post-Withdrawal Disbursement Tracking Sheet (see appendix F).

A post-withdrawal disbursement is different from a late disbursement (as described in subsection 6.3.H.) in the following ways:

- The school is required to offer an eligible borrower a post-withdrawal disbursement, and if accepted to make the post-withdrawal disbursement.
- The post-withdrawal disbursement must be made from available Title IV grant funds before available loan funds.
- The 90-day period for the school to disburse the post-withdrawal disbursement is calculated from the date of the school's determination that the student withdrew rather than from the student's withdrawal date.

If any amount of a post-withdrawal disbursement remains after the student's charges are paid, the school must offer that amount to the borrower within 30 days of determining that the student withdrew. The school must provide a written notice to the borrower indicating the following:

- The type and amount of aid that has been credited to the student's account.
- That the borrower has the right to cancel all or a portion of a post-withdrawal disbursement of loan funds.
- The amount of the post-withdrawal disbursement(s) that will be applied to charges and the amount that will be provided to the student (or parent) as a credit balance, if applicable.
- That the school may not make the post-withdrawal disbursement of the credit balance, if applicable, if the borrower does not respond within 14 days of the date the school sends the notice.

If the borrower responds to the notice within 14 days and instructs the school to make all or a portion of the post-withdrawal disbursement, the school must make the post-withdrawal disbursement of the credit balance within 90 days of determining that the student withdrew and in the manner specified by the borrower. If the borrower does not respond to the notice, the post-withdrawal disbursement of the credit balance cannot be made. If the borrower responds to the school's notice after the 14 days have expired, the school may, but is not required to, make the post-withdrawal disbursement of the credit balance to the borrower. If the school chooses not to make the post-withdrawal disbursement of the credit balance, it must provide written or electronic notice to the borrower of the outcome of his or her post-withdrawal disbursement request.

The school must have written permission from the student or parent borrower to automatically apply a post-withdrawal disbursement to charges other than current institutional charges or minor prior-year charges. Permission obtained from the borrower while the student was enrolled

is acceptable, or the school may obtain the permission with the post-withdrawal disbursement notice.

[668.22(a)]

Subsection 4.7.C. has been redesignated as 4.7.B. and is now titled, "Processing Returned Funds." The term "refund" in this subsection has been changed to now refer to the "return of funds." The statement regarding refunds being calculated based on the student's last day of attendance has been removed. This policy has also been revised to include the requirement that returned funds must be paid to the lender no later than 30 days after the date the school determines the student withdrew. In addition, the school must provide written notice to the borrower of the return of funds to the borrower's loan(s). Evidence of this written notice should be documented in the student's file.

Refunds allocable to FFELP loans because of policies that the school must follow for non-Title IV aid programs or for regulatory agencies, such as an accrediting agency, must also be made within the prescribed time frames.

A school may be assessed financial liability for the late return of Title IV funds or willful nonpayment of applicable refunds. A school must ensure that all funds that must be returned for Stafford or PLUS loans are paid to lenders within the required time frame.

[§668.173(b)]

The order in which unearned funds must be returned has been changed. Schools must ensure that returned funds are applied to eliminate outstanding balances on loans and grants for the payment period, or period of enrollment, in the following order:

- Unsubsidized Stafford loans.
- Subsidized Stafford loans.
- Direct Unsubsidized Stafford loans.
- Direct Subsidized Stafford loans.
- Federal Perkins Loans.
- PLUS loans received on behalf of the student.
- Direct PLUS loans received on behalf of the student.

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- Federal Pell Grants.
- Federal SEOG Program aid.
- Other Title IV grant or loan assistance.

The school may calculate and make refunds for non-Title IV federal, state, private, or institutional student assistance programs according to the applicable policies. [§668.22(i)]

When returning loan funds to the lender, the school should return the net amount that was received from the lender (the gross amount minus the guarantee and origination fees). The lender will adjust the guarantee and origination fees.

**Affected Sections:** 4.5, 4.6, 4.7, 4.7.A., 4.7.B., 4.7.C.

**Effective Date:** Title IV recipients who withdraw on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999

**Basis:** §668.22 & §668.92(b)(2) – as updated in the *Federal Register*, dated November 1, 1999

**Policy Information:** Reference #433

**Guarantor Comments:** None

### Consumer Information Distributed by Schools

The *Common Manual* has been revised to incorporate regulatory changes regarding consumer information that schools must provide to current and prospective students and current and prospective employees. Revised policy stipulates that consumer information be provided on an annual basis. This consumer information must adhere to regulatory requirements, as outlined in Subpart D (Institutional and Financial Assistance Information for Students) of the Student Assistance General Provisions. Schools should refer to 34 CFR 668.41 through 668.48.

Consumer information must be made available prior to the student's enrolling or entering into any financial obligation with the school. An Intranet website, which is accessible only to persons within the school, may not be used to provide information to prospective students. Information may be provided on an Internet website accessible to the general public.

When providing the required information for student athletes, schools should follow the requirements of 34 CFR 668.48. Information provided to these students must also be provided by report to the Department by July 1 each year. Substantially comparable data, as determined by the Department, provided by a national collegiate athletic association of which the school is a member, may fulfill these requirements. Schools should refer to 34 CFR 668.41(b) and (f) and 668.48 for information on disclosure requirements for student athletes.

A school's student consumer information must include a description of student rights and responsibilities specifically addressing financial assistance under the Title IV programs. Revised policy specifies that financial assistance information should be available to enrolled and prospective students. The description of the student rights and responsibilities now clarifies that schools also provide additional consumer information during entrance and exit counseling sessions. The information that schools must furnish regarding provisions for cancellation, deferment, or forgiveness of the FFELP loans must now indicate that deferment for service in the Peace Corps, under the Domestic Volunteer Service Act of 1973, or comparable volunteer service for a tax-exempt organization, is available.

Upon request, a school must make readily available to current and prospective students information on the following characteristics regarding the school and its administration and academic standards. (in addition to those already listed in subsection 4.9.A. under the heading "Additional Student Consumer Information"):

- Any additional costs for a particular program in which a student is enrolled or expresses an interest.
- Any refund policy with which the school is required to comply for the return of unearned tuition and fees or other refundable charges paid to the school.
- The requirements and procedures for officially withdrawing from the school.

- A summary of the requirements under 34 CFR 668.22 for the return of Title IV loan or grant assistance.
- The names and qualifications of the school's non-faculty instructional personnel (such information is already required for faculty).
- School personnel that are available on a full-time basis to assist students and prospective students in obtaining consumer information about the school.
- The school's annual security report containing the school's security policies and crime statistics.

**Affected Sections:** 4.9.A.

**Effective Date:** Consumer information provided by the school on or after July 1, 2000

**Basis:** §668.41 to §668.48 – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #434

**Guarantor Comments:** None

### Applying for a Stafford Loan

Revisions to the *Common Manual* have deleted references to the common application and promissory note for Stafford loans. This application will be discontinued on July 1, 2000, when use of the Federal Stafford Loan Master Promissory Note becomes mandatory.

**Affected Sections:** 2.2.A., 5.1, 5.2.E., 5.7.E.

**Effective Date:** Stafford loans certified by the school for any period of enrollment beginning on or after July 1, 2000, and for any loan certified on or after July 1, 2000, regardless of the loan period begin date

**Basis:** HEA 432(m)(1)(C); §682.102(a) – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #435

**Guarantor Comments:** None

**See COMMON MANUAL on page 10.**

**COMMON MANUAL (Continued from page 9)**

**Proportional Proration**

The *Common Manual* has been updated to reflect new requirements regarding how Stafford annual loan limits must be prorated for programs of less

than an academic year in length. The Stafford Annual Loan Limits table in chapter 5 of the manual has been updated as follows:

First-Year Undergraduates	Length of Program or Final Enrollment Period		
	Program of study of at least a full academic year in length	One-year program of study with less than a full academic year remaining	Program of study with less than 1 academic year
Base Stafford eligibility (subsidized and unsubsidized)	\$2,625	Proportional Proration Calculation #1	Proportional Proration Calculation #2
Additional unsubsidized Stafford eligibility	\$4,000	Proportional Proration Calculation #1	Proportional Proration Calculation #2

Undergraduates, Second-Year and above	Length of Program or Final Enrollment Period	
	Program of study of at least a full academic year in length	Program of study with less than 1 academic year remaining
<b>Second-Year Undergraduates</b>		
Base Stafford eligibility (subsidized and unsubsidized)	\$3,500	Proportional Proration Calculation #1
Additional unsubsidized Stafford eligibility	\$4,000	Proportional Proration Calculation #1
<b>Third-, Fourth-, and Fifth-Year Undergraduates</b>		
Base Stafford eligibility (subsidized and unsubsidized)	\$5,500	Proportional Proration Calculation #1
Additional unsubsidized Stafford eligibility	\$5,000	Proportional Proration Calculation #1

**Proportional Proration Calculation #1**

Multiply the following ratio by the applicable annual loan limit for a full academic year:

$$\frac{\text{Number of semester, trimester, quarter, or clock hours enrolled}}{\text{Number of semester, trimester, quarter, or clock hours in academic year}}$$

**Proportional Proration Calculation #2**

Multiply the lesser of the following ratios by \$2,625 for base Stafford prorated loan limit and by \$4,000 for additional unsubsidized Stafford prorated loan limit:

$$\frac{\text{Number of semester, trimester, quarter, or clock hours enrolled}}{\text{Number of semester, trimester, quarter, or clock hours in academic year}}$$

or

$$\frac{\text{Number of weeks in program}}{\text{Number of weeks in academic year}}$$

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## COMMON MANUAL (Continued from page 10)

In addition, the glossary definition of Proportional Proration has been revised as follows: A required calculation performed to determine the applicable annual Stafford loan limit for an undergraduate student whose program of study is less than an academic year, or whose remaining program of study is less than an academic year.

**Affected Sections:** 5.7.H., Appendix G

**Effective Date:** Stafford loans certified on or after July 1, 2000, unless implemented earlier by the school

**Basis:** §682.204 – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #436

**Guarantor Comments:** None

### Exceptions to Multiple Disbursement and Delayed Delivery Requirements

The Common Manual now specifies that a school must cease certifying loans based on exemptions to the multiple disbursement and delayed delivery requirements no later than 30 days after receiving notice from the Department of a FFELP cohort default rate, FDLP cohort rate, or weighted average cohort rate that causes the school to no longer meet the necessary qualifications for these exemptions.

Subsection 6.3.E. has also been revised to reflect that eligible foreign schools are exempt from the requirement to delay delivery of funds to first-year undergraduate students who are first-time borrowers.

**Affected Sections:** 6.2.B., 6.3.E.

**Effective Date:** Loans certified on or after July 1, 2000, by schools that have received notice from the Department that a cohort default rate causes the school to no longer meet the necessary qualifications

**Basis:** §682.603(g) & §682.604(c) – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #437

**Guarantor Comments:** None

### Due Diligence in Disbursing a Loan

The *Common Manual* has been revised to incorporate new provisions with respect to lender due diligence when disbursing a loan. Revised policy

permits a lender, if requested by the school, to make disbursements after a disbursement has been returned, unless the lender or school has information that the student is no longer enrolled.

**Affected Sections:** 6.2.F., 6.3.G.

**Effective Date:** School requests for disbursement received by the lender on or after July 1, 2000

**Basis:** §682.207(b)(1)(vii) – as updated in the October 29, 1999 *Federal Register*

**Policy Information:** Reference # 438

**Guarantor Comments:** None

### Lender Application of Title IV Funds Returned by Schools

The *Common Manual* has been revised to incorporate recent regulatory changes to the return of Title IV funds process. Instead of referring to “school refunds” received by the lender, the wording now refers to “funds returned by the school” to the lender. A lender must ensure that all payments made by a borrower and any funds returned by the school are posted accurately and promptly to the borrower’s loan in accordance with the requirements of this section.

**Affected Sections:** 7.8 and 7.8.E.

**Effective Date:** Title IV recipients who withdraw on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999

**Basis:** §682.209(i) & §682.202(c) – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #439

**Guarantor Comments:** None

### Administrative Forbearance to Cover Preexisting Delinquency

A lender may grant an administrative forbearance to resolve an outstanding delinquency that precedes an administrative forbearance granted for a natural disaster, and that precedes a mandatory administrative forbearance granted for military mobilization, local or national emergency, or a designated disaster.

**Affected Sections:** 7.11.B., 7.11.E.

**Effective Date:** Disaster-related administrative forbearance and mandatory administrative

forbearance granted for military mobilization, local or national emergency, or a designated disaster area on or after July 1, 2000

**Basis:** §682.211(f)(2) – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #440

**Guarantor Comments:** None

### Unpaid Refund Discharges

The *Common Manual* has been revised to incorporate provisions authorizing administrative forbearances for unpaid refund discharges.

The lender must grant, on any affected loan, an administrative forbearance for payments of principal and interest that are delinquent or that would be due during all of the following periods.

- The period beginning on the date the lender or guarantor sends the borrower an unpaid refund discharge request and ending on either of the following:
  - The date the lender receives the guarantor’s determination, if the borrower returns the request within 60 days from the date the lender sent the request.
  - The 60th day, if the borrower does not return the request within 60 days from the date the lender sent the request.
- The period beginning on the date the lender receives notification from the guarantor of the borrower’s request for a review of a denial determination and ending on the date that the lender receives the guarantor’s determination.

This type of forbearance does not require the written request of the borrower. The lender must notify the borrower or endorser that such a forbearance was granted.

**Affected Sections:** 7.11.D.

**Effective Date:** Requests for unpaid refund discharges sent to the borrower on or after July 1, 2000, unless implemented earlier by the lender

**Basis:** §682.402(1) – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #441

**Guarantor Comments:** None

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## COMMON MANUAL (Continued from page 11)

### New Due Diligence Requirements

The *Common Manual* has been revised to incorporate the following expanded due diligence requirements for lenders:

- The lender must continue due diligence efforts, urging the borrower to make the required loan payments between the 181st and 270th days of delinquency (between the 241st and 330th days of delinquency for loans payable in installments less frequent than monthly). Efforts made after the final demand letter has been sent must support the final demand, although these efforts are no longer restricted to diligent efforts to contact the borrower by telephone.
- The lender must mail the final demand letter when the loan becomes 241 or more days delinquent (301 or more days delinquent for loans payable in installments less frequent than monthly).

**Affected Sections:** 8.1.D., <sup>cc</sup>8.1.D.

**Effective Date:** Loans for which the first day of delinquency on the oldest outstanding due date is on or after July 1, 2000, unless implemented earlier by the guarantor

**Basis:** §682.411(e)(f)(h) & (i) – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #442

**Guarantor Comments:** None

### Deletion of Preclaim Assistance Time Frames Chart

The Preclaim Assistance Time Frame charts in chapter 8 and <sup>cc</sup>chapter 8 of the *Common Manual* have been replaced with a statement advising lenders to contact individual guarantors for information on additional default aversion assistance requirements and time frames. This change is made in response to newly standardized time frames for submission of default aversion assistance requests. In addition, it is anticipated that industry initiatives will achieve consensus regarding other default aversion assistance time frames.

**Affected Sections:** 8.1.J., <sup>cc</sup> 8.1.J.

**Effective Date:** Loans for which the first day of delinquency on the oldest outstanding due date is

on or after July 1, 2000, unless implemented earlier by the guarantor

**Basis:** §682.404(a)(2) & (k) and §682.411(i) – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference 443

**Guarantor Comments:** None

### Cohort Default Rates Amended

Chapter 10 of the *Common Manual* has been revised to incorporate the following new requirements relating to the calculation of a school's FFELP cohort default rate, FDLP cohort default rate, or weighted average cohort rate:

- A school may become ineligible to participate in the Federal Pell Grant program as a result of ineligibility to participate in the FFELP or FDLP due to excessive cohort default rates.
- When the Department notifies a school of its draft cohort default rate, it will also provide a school with a draft cohort default rate of 10% or more a copy of the supporting data used in calculating its draft rate. Previously, if the school's rate was 20% or less the school had to request the supporting data.
- If a school is planning a challenge to its draft cohort default rate, the school now has 45 calendar days (instead of 30 calendar days) to provide information to the guarantor(s) supporting its challenge. However, if the school is planning to challenge the anticipated loss of participation in the FFELP based on a draft cohort rate of 25% or more for the three most recent years, the school has 30 calendar days, after the date on which the school received its draft cohort rate information from the Department, to challenge the data based on exceptional mitigating circumstances.
- If the school continues to participate in the FFELP during an appeal and the appeal is unsuccessful, the school is required to pay to the Department, the amount of interest, special allowance, reinsurance, and any related payments made by the Department with respect to loans that the school certified and delivered more than 30 calendar days after

the date the school received notification of the rate from the Department. The Department will exclude any amount attributable to funds delivered by the school more than 45 calendar days after the date the school submitted its complete appeal. The school must pay the Department within 45 calendar days of the date it is notified that the appeal is unsuccessful unless the school files an appeal under 34 CFR 668, Part H, or is permitted a longer repayment period by the Department.

In addition, the manual has been updated to reflect new regulatory requirements under which the Department may determine that a school's appeal is valid under exceptional mitigating circumstances. In this case a school's appeal must generally be based on one of the following situations.

### Participation Rate Index

- In addition to an appeal based on a school's participation rate index or economically disadvantaged population, an appeal due to mitigating circumstances may also be filed if the total number of a school's borrowers entering repayment in the three most recent fiscal years for which data is available is 30 or less, or if at least two of the three rates upon which a school's loss of participation is based are calculated as "average" rates and would be less than 25% if calculated using data specific to each fiscal year.
- Regulations limit the groups of students for whom placement and completion rates are calculated to include only students who are enrolled in programs eligible for Title IV aid.

### Economically Disadvantaged Population

- For a school to appeal its cohort default rate based on serving an economically disadvantaged population, the school must now demonstrate that two-thirds (instead of 70%) of its students are economically disadvantaged.
- The criteria for determining groups of students who are economically disadvantaged has also

**See COMMON MANUAL on page 13.**

## COMMON MANUAL (Continued from page 12)

been redefined. A student is considered economically disadvantaged if 1) the student is eligible to receive a Federal Pell Grant award that is at least equal to one-half the maximum Federal Pell Grant award for which the student would be eligible based on the student's enrollment status or 2) the student has an adjusted gross income that, when combined with the adjusted gross income of the parent (if applicable), is less than the poverty level as determined by the U. S. Department of Health and Human Services. A previous criterion considered a student with an EFC of zero to be economically disadvantaged.

- For purposes of calculating completion and placement rates, a student is considered to have completed a program or to have been placed if the student enters the active duty of the U.S. Armed Forces within one year after his or her last date of attendance at the school.

**Affected Sections:** 10.1, 10.2, 10.4, 10.5, 10.5.A., 10.5.C.

**Effective Date:** Cohort default rates issued by the Department on or after July 1, 2000

**Basis:** HEA 435; §600.2 & §668.17 – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #444

**Guarantor Comments:** None

### Glossary Terms Regarding the Return of Title IV Funds

Final regulations published November 1, 1999, revised federal requirements for the return of Title IV funds when a student withdraws or ceases attending during a payment period or period of enrollment. As a result, the following definitions have been revised:

**Leave of Absence:** An approved leave of absence is a break in enrollment, not including a semester or spring break, that is requested by the student and approved by the school based upon the school's published leave of absence policy. An approved leave of absence may be no longer than 180 days. With limited exceptions, the student may be granted no more than one approved leave of absence during

a 12-month period. The total number of days of all approved leaves of absence may never exceed 180 days in any 12-month period.

**Refund:** The difference between the amount the student paid toward institutional charges and the amount the school can retain under the appropriate (e.g., institutional, state, or accrediting agency) refund policy.

**Withdrawal Date:** The date the student withdraws, as determined by the school. The requirements that the school must follow for determining the student's withdrawal date depend upon whether the school is required to take attendance.

In addition, the following two new terms have been added:

**Post-Withdrawal Disbursement:** A disbursement made when the calculations for the school's return of Title IV funds result in the student being eligible to receive more Title IV aid than was disbursed or delivered prior to his or her withdrawal. A post-withdrawal disbursement must meet certain conditions for late disbursement.

**Return of Title IV Funds:** The federally mandated process by which a school calculates the amount of federal funds to be returned for a Title IV aid recipient who withdraws or who ceases attendance during a payment period or period of enrollment. The calculations may result in a reduction of the student's Title IV loan and grant aid to reflect the percentage of the payment period or period of enrollment that the student attended, if he or she attended 60 percent or less of the period. Based on these calculations, the school, and the student may be required to return any "unearned" federal assistance.

**Affected Sections:** Appendix G

**Effective Date:** Title IV aid recipients who withdraw on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999

**Basis:** §668.22 – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #445

**Guarantor Comments:** None

### Unpaid Refund Discharges

The *Common Manual* has been revised to incorporate provisions regarding the granting of administrative forbearance periods for unpaid refund discharges.

If the lender receives the borrower's unpaid refund discharge request more than 60 days from the date on which the lender sent the request to the borrower, the lender may grant an additional administrative forbearance on any affected loan. This forbearance may cover the period from the end of the initial 60-day mandatory administrative forbearance to the receipt of the completed discharge request. In addition, after the discharge request is received by the lender, the lender may grant another administrative forbearance to cover the period needed by the guarantor to determine the borrower's eligibility for an unpaid refund discharge.

**Affected Sections:** 7.11.B.

**Effective Date:** Requests for unpaid refund discharges sent to the borrower on or after July 1, 2000, unless implemented earlier by the lender

**Basis:** Guarantor policy change prompted by Final Rules published in the *Federal Register* on November 1, 1999

**Policy Information:** Reference #446

**Guarantor Comments:** None

### Forbearance for Documentation Collection and Processing

The *Common Manual* currently permits a lender to grant an administrative forbearance for a period not to exceed 60 days if the lender determines that it is warranted in order to collect or process supporting documentation following a borrower's request for a deferment, forbearance, change in repayment plan, or loan consolidation. However, the requirement that the lender resume servicing activities on the 61st day if such supporting documentation is not received within this period has been deleted from the manual. In addition, the lender may now grant a new administrative forbearance period for each occurrence.

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## COMMON MANUAL (Continued from page 13)

The lender must document the reasons for granting each forbearance of this type in the borrower's loan history.

**Affected Sections:** 7.11.B.

**Effective Date:** Subsequent administrative forbearances granted in order to collect and process supporting documentation following a borrower's request for a deferment, forbearance, change in repayment plan, or loan consolidation on or after July 1, 2000

**Basis:** None

**Policy Information:** Reference #447

**Guarantor Comments:** None

### Branch Campus as an Eligible Institution

*Common Manual* section 4.1 and subsection 4.1.C. have been revised to incorporate regulatory changes clarifying school eligibility. Revised policy adds that a branch campus may apply for participation as a main campus or a freestanding institution if the branch campus of an eligible school has been in existence for at least two years following its certification by the Department as a branch campus.

**Affected Sections:** 4.1, 4.1.C.

**Effective Date:** A branch campus that applies for designation as a main campus or a freestanding institution on or after July 1, 2000, unless implemented earlier by the school

**Basis:** §600.8 – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #398

**Guarantor Comments:** None

### Conditions for Loss of School Eligibility Modified

*Common Manual* subsection 4.1.D. has been revised to incorporate changes made to the regulations based on negotiated rulemaking. This subsection now states that a school ceases to satisfy the definition of an eligible institution if the percentage of regularly enrolled students who are incarcerated is more than 25%, or if the percentage of regularly enrolled students who do not have a high school diploma or its equivalent is more than 50%. The Department may offer a waiver of the limit on the percentage of incarcerated students if

the school is a nonprofit institution that provides 2-year or 4-year educational programs for which it awards an associate degree, bachelor's degree, or postsecondary diploma.

**Affected Sections:** 4.1.D.

**Effective Date:** School compliance with the definition of an eligible institution on or after July 1, 2000

**Basis:** §600.7(a), (c), & (d) – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #399

**Guarantor Comments:** None

### Unpaid Refund Discharges

The *Common Manual* has been revised, through the addition of subsections 4.7.D. and 8.2.I., and the revisions of subsections 8.2, 8.3.B., 8.6, and A.1.B. (as well as the corresponding CCI subsections), to include provisions regarding unpaid refund discharges. The Higher Education Act provides relief for borrowers who are entitled to, but did not receive, refunds from their respective schools. Borrowers who meet the criteria outlined in this subsection may be eligible to have a loan discharged, in full or in part.

If the lender learns that an open school did not pay a required refund, the lender must provide the borrower a discharge request form and an explanation of the qualifications and procedures for obtaining a discharge. The lender must also promptly suspend any collection activities on the loan for at least 60 days or until the lender receives the guarantor's determination, whichever is earlier.

In some cases, the guarantor will send the request form to the lender. The lender will then forward the form to the borrower. In other cases, the guarantor may mail the form directly to potentially eligible borrowers and notify the lender of this action. In such cases, the guarantor also may have the borrower return the form directly to the guarantor for a determination of eligibility. The guarantor will notify the lender of the borrower's eligibility or ineligibility for discharge of the loan.

To qualify for an unpaid refund discharge, a borrower must complete, certify, and submit to his or her lender or guarantor a written request

and a sworn statement (notarization is not required), made under penalty of perjury, that declares the following:

- The borrower (or the student for whom a parent obtained a PLUS loan) received, on or after January 1, 1986, the proceeds of a FFELP loan to attend a school.
- The borrower (or the student), within a time frame that entitled the borrower to a refund, withdrew from, was terminated from, or did not attend the school.
- The borrower (or the student) did not receive the benefit of a refund to which the borrower was entitled either from the school or from a third party, such as a holder of a performance bond or a tuition recovery program.

The borrower's request must also include the following:

- A statement of whether the borrower has any other request for discharge pending for this loan, in full or in part.
- A statement that the borrower agrees to provide, upon request by the Department or Department's designee other documentation reasonably available to the borrower demonstrating that the borrower meets the qualifications for an unpaid refund discharge.
- A statement that the borrower agrees to cooperate with the Department or the Department's designee in enforcement actions and to transfer to the Department any right to recovery against a third party.
- A statement that the information provided on the request is true and accurate.

The guarantor may, with the Department's consent, grant an unpaid refund discharge without a borrower's request if the guarantor determines, based on information in the guarantor's possession, that the borrower qualifies for a discharge.

When the borrower submits the discharge request to the lender, the lender must review the request to determine whether it appears to be complete. If the request appears to be complete, the lender must provide the request and all pertinent information related to the borrower's qualification for discharge to the guarantor, including the borrower's

**See COMMON MANUAL on page 15.**

## COMMON MANUAL (Continued from page 14)

(or student's, as applicable) last date of attendance, if it is available.

If the lender determines that information contained in its files conflicts with the information provided by the borrower, the lender must notify the guarantor. The guarantor will use the most reliable information available to determine eligibility and the appropriate payment of the refund amount.

If the lender receives the borrower's completed discharge request within 60 days of the date on which the lender sent the request to the borrower, the lender must extend its suspension of collection activities until the date the lender receives a response from the guarantor denying the discharge or paying the unpaid refund amount. If the request is denied, the lender must resume collection activities and grant a forbearance for the period during which collection activities were suspended. Any interest accrued and not paid during this period may be capitalized.

If the lender does not receive the borrower's completed discharge request within 60 days of the date on which the lender sent the request to the borrower, the lender must resume collection activities and grant a forbearance for the period when collection activities were suspended. Any interest accrued and not paid during this period may be capitalized.

The *Common Manual* has also been revised to state that the guarantor will notify the lender and the school if it receives an unpaid refund allegation. The notice will include all pertinent facts available to the guarantor regarding the allegation. Within 60 days of receiving the allegation notice from the guarantor, the school must do one of the following:

- Make the required refund to the lender.
- Provide documentation to the guarantor to substantiate that the refund was already paid to the lender.
- Provide documentation to the guarantor to substantiate that the refund was not required.

If the school does not comply with one of the preceding requirements, relief will be provided to the borrower if the guarantor determines that the relief is appropriate. If the guarantor provides relief to the borrower, the guarantor will report to the Department the school's failure to pay the refund.

If a school has closed, the guarantor will discharge a borrower's (and any endorser's) obligation to repay an amount equal to the amount of the unpaid refund, including any accrued interest and other charges (late charges, collection costs, origination fees, and guarantee fees) associated with the unpaid refund that should have been made by the school.

If a school remains open, the guarantor will discharge a borrower's (and any endorser's) obligation to repay an amount equal to the amount of the unpaid refund, including any accrued interest and other charges (late charges, collection costs, origination fees, and guarantee fees) associated with the unpaid refund that should have been made by the school, if both of the following criteria are met:

- The borrower (or the student) has ceased to attend the school that owes the refund.
- The guarantor receives documentation regarding the refund, and the borrower and the guarantor have been unable to resolve the unpaid refund with the school within 120 days from the date the borrower submits a completed request.

The lender or guarantor must ensure that the discharge is reported to all credit bureaus that the lender or guarantor had previously reported information on the loan, such that any adverse credit history associated with the amount discharged is removed.

If the discharge results in a paid-in-full status on the loan and the lender subsequently receives a payment on that loan, the lender must promptly return those funds to the sender. At the same time, the lender must notify the borrower or the borrower's representative that there is no further obligation to repay the loan. If the borrower, or the borrower's representative, continues to send payments after the notice is given, all of those payments must be forwarded to the Department. In the case of a tuition recovery fund where the sender is required to make payment, those payments must be forwarded to the Department. If the discharge does not result in a paid-in-full status, any payments received must be applied to the remaining debt.

If the guarantor denies a borrower's request for an unpaid refund discharge, the guarantor or the lender must notify the borrower in writing, within 30 days

of the guarantor's determination, of the reason for the determination and of the borrower's right to request a review of the determination. If the guarantor notifies the borrower, the guarantor will inform the lender.

The lender must resume collection activities and grant a forbearance for the period when collection activities were suspended. Any interest accrued and not paid during this period may be capitalized.

If the borrower later submits additional supporting documentation that was not considered in any prior determination, the guarantor will notify the lender to suspend collection activities until the date the lender receives a response from the guarantor either denying the discharge or paying the unpaid refund amount. The guarantor will review the additional documentation and make a determination of the borrower's eligibility for discharge within 30 days of receiving the additional documentation.

If the guarantor upholds its decision to deny the discharge, the guarantor or the lender must again notify the borrower in writing, within 30 days of the determination, of the reason for the determination and of the borrower's right to request a review of the determination. The lender must again resume collection activities and grant a forbearance for the period when collection activities were suspended. Any interest accrued and not paid during this period may be capitalized.

The unpaid refund discharge was added as a type of discharge request that a lender may submit. The *Common Manual* also has been revised to provide information on the documentation requirements for the new unpaid refund discharge. Guidance regarding the time frame a guarantor has to pay an unpaid refund discharge has also been added.

In addition, the *Common Manual* has been revised to incorporate provisions regarding the ending dates for the Department's obligation to pay federal interest benefits for unpaid refund discharges. A lender may not bill for federal interest benefits after an otherwise eligible borrower is determined to be eligible for discharge of a loan under the unpaid refund provisions. If only a portion of the loan is discharged, the remaining portion of the loan remains eligible for interest benefits.

**See COMMON MANUAL on page 16.**

## COMMON MANUAL (Continued from page 15)

When a borrower receives a discharge under the unpaid refund provisions, the discharge amount will include other costs associated with the portion of the loan discharged (including accrued interest, late charges, collection costs, origination fees, and guarantee fees). If the total discharge amount exceeds the current outstanding balance of the loan, the lender must refund that excess amount to the borrower.

**Affected Sections:** 4.7.D., 8.2, 8.2.I., 8.3.B., 8.6, <sup>cc</sup>8.2, <sup>cc</sup>8.2.I., <sup>cc</sup>8.3.B., <sup>cc</sup>8.6, A.1.B.

**Effective Date:** The effective date for the provisions found in subsection 4.7.D. is unpaid refund discharge allegations received by the school on or after July 1, 2000. All other provisions in this bulletin article are effective for completed unpaid refund discharge requests received by the lender or guarantor on or after July 1, 2000  
**Basis:** §682.402(a)(1) and §682.402(l) through (q) – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #400, 405, 406, and 408

**Guarantor Comments:** For questions regarding unpaid refund discharges, contact TG Compliance Administrative Operations at (800) 252-9743, ext. 4759

### In-School Period End Date for Correspondence Students

The *Common Manual* has been revised to reflect the new method for determining the in-school period end date for students enrolled in correspondence programs of study. The in-school period end date is the earliest of a) the date the student borrower completes the program; b) the date of withdrawal or c) 60 days from the last day for completing the program, as established by the school. Revised policy deletes the one-time provision by which a school was allowed to restore the student's in-school status if the student failed to submit an assignment.

**Affected Sections:** 7.1

**Effective Date:** In-school period end dates determined by the school on or after July 1, 2000

**Basis:** §682.209(a)(4) – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #401

**Guarantor Comments:** None

### Revised Definition of "State"

*Common Manual* subsection 7.10.E. and the definition of a "State" in the Glossary (appendix G) have been revised to incorporate changes made to the regulations based on negotiated rulemaking. The revised policy for unemployment deferments deletes the reference to the Trust Territory of the Pacific Islands and adds the Freely Associated States when referring to borrowers residing in and seeking employment in a "State." The Freely Associated States are the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. Revised policy also adds the definition of the Freely Associated States to the Glossary and revises the definition of "State" in the Glossary to include the Freely Associated States.

**Affected Sections:** 7.10.E., Appendix G

**Effective Date:** Effective for deferments granted on or after July 1, 2000, unless implemented earlier by the lender

**Basis:** §600.2 – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #402

**Guarantor Comments:** None

### Receipt of Updated Telephone Information

The *Common Manual* has been updated to incorporate revised provisions regarding receipt of an updated telephone number. A lender is not required to continue attempts to call the borrower unless updated telephone information is received before the 211th day of delinquency. Although telephone calls are not specifically required on or after the 121st day of delinquency, if updated telephone information is received, lenders must continue to ensure that no gap of more than 45 days occurs.

**Affected Sections:** 8.1.H., <sup>cc</sup>8.1.H.

**Effective Date:** Loans with a first delinquency date on or after July 1, 2000

**Basis:** §682.411(g) & §682.411(m)(2) – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #403

**Guarantor Comments:** None

### Supplemental Preclaim Assistance Information Removed

Due to the new default aversion assistance provisions, all regulations regarding supplemental preclaims assistance have been deleted by the Department. To reflect this change, all references to supplemental preclaims assistance have been removed from the *Common Manual*.

**Affected Sections:** 8.1.K., 8.11, <sup>cc</sup>8.1.K., <sup>cc</sup>8.11

**Effective Date:** Loans for which the first day of delinquency on the oldest outstanding due date is on or after July 1, 2000, unless implemented earlier by the guarantor

**Basis:** *Federal Register* dated October 29, 1999

**Policy Information:** Reference #404

**Guarantor Comments:** None

### Transfer Defined

The *Common Manual* has been revised to include the regulatory definition of transfer, as it pertains to defining due diligence time frames. For due diligence purposes, regulations define "transfer" as any action (such as the sale of a loan) that results in a change of the system used to monitor or conduct collection activities on the loan. In the case of a transfer, penalties are assessed for due diligence violations that result from activities that were 21 days or more late (instead of the usual 6 days or more late).

**Affected Sections:** 8.8.A., <sup>cc</sup>8.8.A., Appendix G

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

**Basis:** §682.411(k)

**Policy Information:** Reference #407

**Guarantor Comments:** None

### Origination and Lender Fee Changes

The *Common Manual* has been revised to incorporate recent regulatory changes regarding the reporting of federal origination and lender fees, and to provide new guidelines for lenders that wish to offer Stafford loan borrowers discounted origination fees.

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## COMMON MANUAL (Continued from page 16)

### Reporting Federal Origination and Lender Fees

If a lender owes origination fees or lender loan fees, the lender must submit the ED Form 799 to the Department even if the lender is not owed or does not wish to receive interest benefits or special allowance payments. If the total origination fees due the Department in a given quarter exceed the sum of interest benefits and special allowance payments due the lender in the same quarter, the Department may deduct the remaining unpaid fees from subsequent quarterly payments to the lender until the sum of outstanding origination and lender fees are paid. If the full amount of the fees cannot be collected by deducting them from quarterly payments to the lender within two quarters, the Department may collect the unpaid amount directly from the originating lender.

If an originating lender sells or transfers a loan and the full amount of the fees cannot be collected from the originating lender, the Department may, following written notice, offset the unpaid fees by deducting subsequent quarterly payments from the holder until the sum of outstanding origination and lender fees are paid. If the full amount of the fees cannot be collected by deducting them from quarterly payments to the holder within two quarters, the Department may collect the unpaid amount directly from the holder. The Department will not pay interest benefits or special allowance payments to any new holder of a loan – or pay reinsurance to the guarantor for a loan – until the origination fee is paid to the Department.

### Discounting Origination Fees for Stafford Loan Borrowers

A 3% federal origination fee must be paid to the Department by the lender for each loan it disburses. Generally, this fee is passed on to the borrower. The lender, however, may pay all or a portion of the origination fee on a Stafford loan on a borrower's behalf. The lender must ensure that origination fees are assessed equally to all Stafford borrowers who reside in a particular state or who attend school in that state. The exception is that the lender may charge a lesser fee to a Stafford borrower who

demonstrates “greater financial need” based on any one of the following qualifications:

- The borrower's expected family contribution (EFC), used to determine loan eligibility, is equal to or less than the maximum qualifying EFC for a Federal Pell Grant at the time the loan is certified.
- The borrower qualifies for a subsidized Stafford loan.
- The borrower meets a comparable standard approved by the Department.

If a lender charges a lesser origination fee to a Stafford borrower who has been determined by the lender to have a “greater financial need,” the lender must charge all such borrowers who reside in that state or attend school in that state the same origination fee. In addition, if the lender charges the borrower a lesser origination fee on an unsubsidized Stafford loan, the lender must charge the borrower the same fee on a subsidized Stafford loan.

Lenders should note that the regulations consider either of the following to be a single lender for purposes of charging lesser origination fees to qualifying borrowers:

- All lenders under common ownership, including ownership by a common holding company, that make loans to borrowers in a particular state.
- Any beneficial owner of loans that provides funds to an eligible lender trustee to make loans on the beneficial owner's behalf in a particular state.

**Affected Sections:** 3.5.A., 6.6, 6.6.E., A.3.C.

**Effective Date:** Fees owed by the lender on or after July 1, 2000

**Basis:** HEA 438(c); §682.202(c) – as updated in the *Federal Register* dated November 1, 1999; §682.305(a) – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #319

**Guarantor Comments:** None

### Source of Bankruptcy Notification

The *Common Manual* has been updated to add the borrower's attorney as an acceptable source for

providing proof of a borrower's bankruptcy filing. The manual has also been updated to reflect a change in how regulations refer to proof of filing other than the Notice of the First Meeting of Creditors (the Notice). A lender must now react to the Notice or “other proof of filing” of the bankruptcy from the borrower's attorney or the bankruptcy court. Previously, the lender was required to react to the Notice or “other confirmation.”

**Affected Sections:** 8.1.J., 8.2.D., 8.3.B., <sup>cc</sup>8.1.J., <sup>cc</sup>8.2.D., <sup>cc</sup>8.3.B.

**Effective Date:** Bankruptcy notices received by the lender from the borrower's attorney on or after April 16, 1999, or other proof of filing received by the lender on or after April 16, 1999, unless implemented earlier by the guarantor

**Basis:** §682.402(f)(3) – as updated in the *Federal Registers* dated April 16, 1999 and November 1, 1999

**Policy Information:** Reference #357

**Guarantor Comments:** None

### Interest Benefits Paid on Federal Consolidation Loans

The *Common Manual* has been revised to incorporate recent regulatory changes regarding interest subsidies on Consolidation loans.

Subsection 2.2.C. now incorporates general references to the eligibility of a portion of a Consolidation loan for interest subsidy. Sections 9.6 and A.1 have been revised to clarify that, for Federal Consolidation loans made from applications received by lenders on or after November 13, 1997, the portion of the loan that is eligible for interest subsidy is the portion that repaid any subsidized FFELP or Direct loans.

**Affected Sections:** 2.2.C., 9.6, A.1

**Effective Date:** Consolidation loan applications received by the lender on or after July 1, 2000, unless implemented earlier by the lender

**Basis:** §682.210(a)(3), §682.300(a) & §682.301(a)(3)(iii) – as updated in the *Federal Register* dated November 1, 1999; Preamble to the *Federal Register* dated November 1, 1999, page 58943; DCL GEN-98-28

See **COMMON MANUAL** on page 18.

## COMMON MANUAL (Continued from page 17)

**Policy Information:** Reference #411

**Guarantor Comments:** None

### Institutional Eligibility

The *Common Manual* has been revised to include additional requirements for schools that are completing a program participation agreement.

- A school located in a state not covered by the section 4(b) of the National Voter Registration Act (commonly known as the Motor Voter Registration Act) is required to make a good faith effort to distribute a mail voter registration form to each enrolled student who is physically in attendance at the school and to make the forms widely available. This requirement includes elections for a state's governor or other chief executive or for federal office elections.
- A school seeking to participate for the first time in the FFELP must use a default management plan approved by the Department for at least the first two years of its participation in the FFELP if the owner of the school owns or owned any other school that had a cohort default rate greater than 10%.
- A FFELP participating school undergoing a change of ownership that results in a change in control may be required to use a default management plan approved by the Department for at least the first two years following the change.

A school must submit a default management plan if it is seeking to re-establish eligibility based on a change in ownership that resulted in a change of control or if the school has a cohort default rate greater than 10%. The Higher Education Amendments of 1998 exempt a school from submitting a default management plan if it has a cohort default rate of 10% or less and the new owner does not own, and has not owned, any other school with a cohort default rate greater than 10%. When seeking to re-establish eligibility due to a change in ownership resulting in a change of control, the Department may issue a Temporary Provisional Program Participation Agreement

(TPPPA) based on a preliminary review of a materially complete application and supporting documentation that has been received by the Department within 10 business days of the date of the change in ownership. This TPPPA expires on:

- The date on which a new Program Participation Agreement is signed with the Department.
- The date on which the school is notified by the Department that its application is denied.
- The last day of the month following the month in which the change of ownership occurred.

If, prior to the expiration, the Department has not issued a decision by the last day of the month following the month in which the change of ownership occurred, and the school has submitted a "same day" balance sheet showing the school's financial position as of the date of the ownership change and prepared in accordance with GAAP (Generally Accepted Accounting Principles) and GAGAS (Generally Accepted Government Auditing Standards), the Department may extend the school's TPPPA on a month-to-month basis until a decision is reached. In addition to re-establishing eligibility with the Department, the school will also be required to re-establish eligibility with each applicable guarantor.

**Affected Sections:** 4.1.A., 4.1.C.

**Effective Date:** Program participation agreements initiated on or after July 1, 2000, and provisional certifications granted by the Department on or after October 29, 1999

**Basis:** HEA 487(a) & 498(i); §600.31, §668.12, & §668.14 – as updated in the *Federal Register* dated October 29, 1999; *The 1999-2000 Federal Student Financial Aid Handbook*

**Policy Information:** Reference #412

**Guarantor Comments:** Texas is one of the states that comply with section 4(b) of the National Voter Registration Act of 1993. Therefore, Texas schools are exempt from the registration requirements regarding voter registration. (See the Federal Election Commission's report to Congress and the President, July 7, 1999 at [www.fec.gov](http://www.fec.gov).)

### Accreditation Standards

The *Common Manual* has been revised to incorporate changes made to regulations governing institutional eligibility. A school may lose its eligibility to participate in Title IV programs if it does not agree to submit any dispute involving the final denial, withdrawal, or termination of its accreditation or preaccreditation to initial arbitration before initiating any other legal action. Eligibility would be lost based on the Department's no longer recognizing the school's accreditation.

**Affected Sections:** 4.1.D.

**Effective Date:** School participation on or after July 1, 2000, unless implemented earlier by the school on or after October 29, 1999

**Basis:** §600.4(c) – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #413

**Guarantor Comments:** None.

### Financial Responsibility for Proprietary Schools (90/10 Rule)

*Common Manual* subsection 4.1.D. has been revised to incorporate changes made to the regulations. This subsection now states that a proprietary school must receive no more than 90% of its revenues from Title IV funds and that this calculation must be based on the school's most recently completed fiscal year.

**Affected Sections:** 4.1.D.

**Effective Date:** Revenues received by proprietary schools for fiscal years beginning on or after July 1, 2000, unless implemented earlier by the school on or after October 7, 1998

**Basis:** §600.5(a)(8) & (d) through (e) – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #414

**Guarantor Comments:** None

### Waiver of Annual Audit Submission

The *Common Manual* has been revised to include the following new provisions regarding waivers of the annual audit submission requirement for schools.

**See COMMON MANUAL on page 19.**

## COMMON MANUAL (Continued from page 18)

At the request of a school, the Department may waive the annual audit submission requirement if the school meets all of the following criteria:

- Is not a foreign school.
- Disbursed less than \$200,000 in Title IV program funds during each of the two completed award years preceding the school's waiver request.
- Agrees to keep records relating to each award year in the unaudited period for two years after the end of the record retention period specified in section 4.10 of the manual for that award year.
- Has participated in Title IV programs under the same ownership for at least three award years preceding the school's waiver request.
- Is financially responsible as defined in section 4.3 and does not rely on the alternative standards of subsection 4.3.A. to participate in Title IV programs.
- Is not on the reimbursement or cash monitoring system of payment.
- Has not been the subject of a limitation, suspension, fine, or termination proceeding, or emergency action initiated by the Department or a guarantor in the three years preceding the school's waiver request.
- Has submitted its compliance audits and audited financial statements for the previous two fiscal years in accordance with and subject to subsection 4.3.A., and no individual audit disclosed liabilities exceeding \$10,000.
- Submits a letter of credit equal to 10% of the amount of Title IV program funds the school disbursed to or on behalf of its students during the award year preceding the school's waiver request. This letter must remain in effect until the Department has resolved the audit covering the award years subject to the waiver.

If the Department grants the waiver, the school will not need to submit a compliance audit or audited financial statement until six months after one of the following:

- The end of the third fiscal year following the fiscal year for which the school last submitted a compliance audit and audited financial statement.

- The end of the second fiscal year following the fiscal year for which the school last submitted compliance and financial statement audits if the award year in which the school will apply for recertification is part of the third fiscal year.

**Affected Sections:** 4.13

**Effective Date:** Annual audit submission waiver requests submitted by the school on or after January 3, 2000, such that the Department may begin granting waivers on or after July 1, 2000

**Basis:** §668.27 – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #416

**Guarantor Comments:** None

### Drug Related Convictions and Student Ineligibility

*Common Manual* subsection 5.5.B. has been revised to add the eligibility requirement that students must not have been convicted of the possession or sale of an illegal drug within the prescribed time frames. The following new subsection has been added to specify the periods of ineligibility and how a student can regain eligibility.

#### 5.2.N. Ineligibility Due to Drug Conviction

Students convicted of the possession or sale of an illegal drug may not be eligible for Title IV funds. (An illegal drug is a controlled substance as defined by section 102(6) of the Controlled Substance Act and does not include alcohol and tobacco.) The Department determines the borrower's eligibility under this subsection based on the student's self-certification on the Free Application for Federal Student Aid (FAFSA). The school is notified of the student's eligibility on the Institutional Student Information Record (ISIR). However, if the financial aid office has conflicting information regarding a drug conviction that affects the student's eligibility, this discrepancy must be resolved.

Convictions that are reversed, set aside, or removed from the student's record, or a determination arising from a juvenile court proceeding do not affect eligibility and do not need to be reported by the student.

A student that has been convicted of a drug related offense will lose Title IV eligibility as follows:

- For the possession of illegal drugs:
  - 1st offense – one year from the date of conviction
  - 2nd offense – two years from the date of the second conviction
  - 3rd offense – indefinitely from the date of the third conviction
- For the sale of illegal drugs:
  - 1st offense – two years from the date of conviction
  - 2nd offense – indefinitely from the date of the second conviction

A student may regain eligibility at any time by completing an approved drug rehabilitation program and by informing the school that he or she has done so. A drug rehabilitation program is considered approved for these purposes if it includes at least two unannounced drug tests and meets one of the following criteria:

- The program received or is qualified to receive funds directly or indirectly under a federal, state, or local government program.
- The program is administered or recognized by a federal, state, or local government agency or court.
- The program received or is qualified to receive payment directly or indirectly from a federally or state-licensed insurance company.
- The program is administered or recognized by a federally or state-licensed hospital, health clinic, or medical doctor.  
[§668.40]

A student who regains eligibility is eligible to receive FFELP loans for the entire enrollment period during which eligibility is regained. However, the school may not certify eligibility prior to the date eligibility is regained. A student who loses eligibility during an enrollment period is immediately ineligible to receive subsequent disbursements of FFELP funds and is required to repay any Title IV funds received after losing his or her eligibility. Schools are not required to recalculate a student's loan amount.

See **COMMON MANUAL** on page 20.

## COMMON MANUAL (Continued from page 19)

**Affected Sections:** 5.2.B., 5.2.N.

(new subsection)

**Effective Date:** Student eligibility determinations made for award years beginning on or after July 1, 2000

**Basis:** §668.40 – as updated in the *Federal Register* dated Friday, October 22, 1999; Department of Education Electronic Announcement dated February 24, 2000, Re: FAFSA Q#28, Drug Conviction Eligibility Modification for Blank Responses

**Policy Information:** Reference #417

**Guarantor Comments:** None

### Enrollment in Telecommunications Courses

The *Common Manual* has been revised to stipulate that in order for a student to be enrolled in a correspondence course that is offered in part or totally through telecommunications, the school must have met the following criteria, as calculated during its most recently completed award year.

A student enrolled in correspondence courses is eligible to receive Title IV assistance only if the correspondence courses are part of a program that leads to an associate, bachelor's, or graduate degree. A student enrolled in a telecommunications course at an institution of higher education is not considered to be enrolled in a correspondence course, if both of the following criteria apply:

- The student is enrolled in a program that leads to a certificate for a program of study of one year or longer, or to an associate, bachelor's, or graduate degree.
- The number of telecommunications and correspondence courses the school offered during its most recently completed award year was fewer than 50% of all the courses the school offered during the same year.

Telecommunications courses will not be considered correspondence courses, as noted above, only if the school offering the courses meets both of the following criteria:

- The school offered associate, bachelor's, or graduate degrees for 50% or more of its programs during its most recently completed award year.

- The school is not described in section 521(4)(C) of the Carl D. Perkins Vocational and Applied Technology Education Act.

**Affected Sections:** 5.2.I.

**Effective Date:** Award years beginning on or after July 1, 2000, unless implemented earlier by the school

**Basis:** §668.38 – as updated in the *Federal Register* dated October 22, 1999

**Policy Information:** Reference #418

**Guarantor Comments:** None

### Military Extension of the Grace Period

The *Common Manual* has been revised to clarify that a borrower who is called or ordered to active duty may receive multiple extensions of the grace period and no single extension can exceed 3 years. A borrower's full grace period is restored at the end of this period. A borrower is eligible for second and subsequent extensions of the grace period on or after July 1, 2000.

**Affected Sections:** 7.2

**Effective Date:** Second and subsequent notifications of active duty status received by the lender on or after July 1, 2000

**Basis:** HEA 428(b)(7)(D); §682.209(a)(6) – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #419

**Guarantor Comments:** None

### In-School or Student Deferment Documentation

The *Common Manual* has been revised to expand the list of documentation the lender must use in determining in-school eligibility to include other information certified by the school indicating that the borrower is enrolled at least half time. If a lender grants an in-school deferment based on other information certified by the school and the borrower did not request the deferment, the lender must notify the borrower of the in-school deferment. The notification to the borrower must advise the borrower of the option to pay the interest that accrues on an unsubsidized loan, the option to cancel the deferment and continue paying on the loan, and the consequences of these options.

**Affected Sections:** 7.10.A.

**Effective Date:** In-school deferments granted on or after July 1, 2000, unless implemented earlier by the lender

**Basis:** HEA 428(b)(1)(Y); §682.210(c)(2) and (3) – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #420

**Guarantor Comments:** None

### Administrative Forbearance for Natural Disasters

A lender may grant an administrative forbearance to a borrower – or endorser, if applicable – who contacts the lender and requests temporary relief from his or her loan obligation because he or she has been adversely affected by a natural disaster. If the lender determines that the borrower or endorser is affected by a natural disaster, the lender may grant an administrative forbearance for a period not to exceed 3 months, based on the borrower's or endorser's verbal or written request. The lender must document the reason it granted the forbearance in the borrower's loan file, but does not need to obtain supporting documentation or a signed, written agreement from the borrower to justify the forbearance for the initial 3-month period. Continuation of the forbearance beyond this 3-month period requires supporting documentation and a written agreement from the borrower or endorser.

**Affected Sections:** 7.11.B.

**Effective Date:** Administrative forbearance granted by the lender on or after August 5, 1999, for a borrower or endorser who has been adversely affected by a natural disaster

**Basis:** §682.211(f)(10) – as updated in the *Federal Register* dated October 29, 1999; *Disaster Letter* 99-28

**Policy Information:** Reference #421

**Guarantor Comments:** None

### Suspension of Collection Activities for Bankruptcy

The *Common Manual* has been revised to incorporate the following new provisions regarding

**See COMMON MANUAL on page 21.**

## COMMON MANUAL (Continued from page 20)

a lender's suspension of collection activities when notified that a borrower, a comaker, or any endorser on the loan has filed for bankruptcy.

If the lender is notified that a borrower has filed a petition for relief in bankruptcy, the lender must immediately suspend any collection efforts against the borrower that are outside the bankruptcy proceeding. If the borrower filed a Chapter 12 or 13 bankruptcy, the lender must also suspend any collection efforts against any comaker or endorser. Suspension of collection efforts against any comaker or endorser is optional if the borrower filed a Chapter 7 or 11 bankruptcy.

If the lender is notified that a comaker or endorser has filed a petition for relief in bankruptcy, the lender must immediately suspend any collection efforts against the comaker or endorser that are outside the bankruptcy proceeding. If the comaker or endorser filed a Chapter 12 or 13 bankruptcy, the lender must also suspend any collection efforts against the borrower and any other parties to the note. Suspension of any collection efforts against the borrower and any other parties to the note is optional if the comaker or endorser filed a Chapter 7 or 11 bankruptcy.

**Affected Sections:** 7.11.B., 8.1.J., 8.2.D., <sup>cc</sup> 8.1.J., <sup>cc</sup> 8.2.D.

**Effective Date:** Active bankruptcies on or after July 1, 2000, unless implemented earlier by the guarantor

**Basis:** §682.402(f)(2) – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #422

**Guarantor Comments:** None

### Bankruptcy Dischargeability

The *Common Manual* has been revised to eliminate the reference to a borrower's loan being dischargeable if the loan has been in repayment for more than 7 years. This revision is based on the changes to Title 11 of the U.S.C. (the bankruptcy code), which eliminated the discharge provision for borrowers who have been in repayment for more than 7 years. In addition, the manual now clarifies that a loan is generally considered dischargeable only if the borrower filed a successful petition for

undue hardship and that a loan being repurchased may not necessarily be sold to the lender that filed the bankruptcy claim.

**Affected Sections:** 8.2.E., <sup>cc</sup>8.2.E.

**Effective Date:** Loans on which a borrower files a petition for bankruptcy on or after October 8, 1998

**Basis:** §682.402(j) – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #423

**Guarantor Comments:** None

### Claim Documentation for MPN-Originated Loans

Final regulations published November 1, 1999, clarify what documentation lenders must include with claims filed on loans originated under a Master Promissory Note (MPN). Several sections of the *Common Manual* have been updated accordingly.

Lenders must now include with their claims the application, if a separate loan application was provided to the lender, and the promissory note (or a copy of the promissory note certified by the lender as true and accurate) assigned to the guarantor. Note that the new regulations use the phrase "true and accurate" rather than "true and exact" to describe promissory note copies.

**Affected Sections:** 8.2.G., 8.2.H., 8.3.B., 8.3.C., <sup>cc</sup> 8.2.G., <sup>cc</sup> 8.2.H., <sup>cc</sup> 8.3.B., <sup>cc</sup> 8.3.C.

**Effective Date:** Claims filed by the lender on or after July 1, 2000, or prior to July 1, 2000, if the loan was made using the Master Promissory Note

**Basis:** §682.402(g)(1)(i) & (ii) – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #424

**Guarantor Comments:** None

### Repurchase Requirements Updated

Final regulations published November 1, 1999, add a new scenario in which lenders are required to repurchase claims. A lender will be required to repurchase a claim if the loan is ruled by a court to be legally unenforceable solely due to the lack of evidence of a Confirmation or Notification process or processes for loans generated from the Master Promissory Note.

**Affected Sections:** 8.3.B., 8.7, <sup>cc</sup> 8.3.B., <sup>cc</sup> 8.7

**Effective Date:** Loans ruled unenforceable by a court of law on or after July 1, 2000

**Basis:** §682.406(c) – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** Reference #425

**Guarantor Comments:** None

### Consolidation Loan Eligibility Requirements Modified

Revised policy reorganizes the qualifying criteria for a Federal Consolidation loan into two categories and modifies some of the eligibility requirements within each category, as indicated below:

- Criteria that must be met at the time of application for a Federal Consolidation loan:
  - The borrower must be in a grace or repayment status on the loans selected for consolidation. The borrower is no longer required to cease at least half-time attendance at a school.
  - The borrower must either make satisfactory repayment arrangements with the holder of each defaulted Title IV loan being considered for consolidation, or agree to repay the consolidating lender under an income-sensitive repayment schedule.

- Additional criteria that must be met in order for the borrower to receive a Federal Consolidation loan:

Other borrower eligibility and underlying loan holder requirements currently listed in section 9.2 are now listed under this category.

Some of these eligibility criteria have been modified, as follows:

- The requirement for any judgment to be vacated, or any wage garnishment order to be lifted, applies only to the Title IV loans being considered for consolidation. If the judgment has been vacated or the wage garnishment order has been lifted, the loan is eligible for consolidation and eligible for inclusion in an existing Consolidation loan during the 180-day add-on period.

**See COMMON MANUAL on page 22.**

## COMMON MANUAL (Continued from page 21)

- In the case of a married couple, one spouse's loans that are to be included in a Consolidation loan are considered eligible loans for the other spouse.
- If a borrower, or either spouse in the case of a married couple, has FFELP loans held by multiple lenders, consolidation may be requested from any participating consolidation lender, regardless of whether the consolidating lender is a holder of any of the borrowers' loans.
- Only one of the spouses is required to contact his or her loan holder for FFELP consolidation when each of the spouses has FFELP loans that are held by a single holder.
- A borrower whose FFELP loans are held by a single lender must request consolidation from that lender. A borrower who requests consolidation from a lender that is not his or her sole FFELP loan holder must either certify that he or she sought but was unable to obtain a Consolidation loan through the holder of the borrower's FFELP loans, or that the holder declined to provide a Consolidation loan to the borrower with an income-sensitive repayment schedule.

Revised policy also clarifies that a Federal Consolidation loan borrower is not eligible for a subsequent consolidation loan unless the borrower meets one of the following conditions:

- The borrower has obtained a new eligible loan after the date the existing Consolidation loan was made.
- The borrower is consolidating an existing Consolidation loan with at least one other eligible loan, regardless of whether it was made before or after the date the existing Consolidation loan was made.

In either case, if the borrower meets all eligibility requirements, any or all outstanding eligible loans may be consolidated, including existing Consolidation loans as well as loans made before or after any existing Consolidation

loan. A borrower, or a married couple, may not reconsolidate a single Consolidation loan.

**Affected Sections:** 9.2

**Effective Date:** Revised policy that clarifies underlying loan holder requirements for individual and married applicants is effective for Consolidation loan applications received by the lender on or after July 1, 2000, unless implemented earlier by the lender. All other changes are effective for Consolidation loans made on or after July 1, 2000

**Basis:** §682.102(d); §682.201(c), (d), and (e) – as updated in the *Federal Register* dated November 1, 1999; Preamble to the *Federal Registers* dated August 10, 1999, and November 1, 1999

**Policy Information:** Reference #426

**Guarantor Comments:** None

### Special Allowance Formula Update

The special allowance formulas listed in the *Common Manual* have been updated.

The average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter (also called the 3-month commercial paper rate) is now a factor in calculating special allowance payable on the following loans:

- Stafford and PLUS loans first disbursed on or after January 1, 2000.
- Federal Consolidation loans made from applications received by lenders on or after January 1, 2000.

The amount of special allowance that is payable on an eligible loan is determined by multiplying the average daily balance of principal and capitalized interest on the loan by the applicable special allowance rate.

The chart entitled Special Allowance Formulas in subsection A.2.A. now provides the following, updated special allowance rate formulas for the loans indicated below:

- $(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.74\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$

- Stafford loans first disbursed on or after January 1, 2000, when such loans are in periods of in-school, grace, or deferment.

■  $(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 2.34\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$

- Stafford loans first disbursed on or after January 1, 2000, except when such loans are in periods of in-school, grace, or deferment.

■  $(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 2.64\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$

- PLUS loans first disbursed on or after January 1, 2000.

- Consolidation loans made from applications received by lenders on or after January 1, 2000.

■  $(\text{AVERAGE 91-DAY T-BILL RATE} + 2.2\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$

- Stafford loans first disbursed on or after July 1, 1998, but before January 1, 2000, when such loans are in periods of in-school, grace, or deferment.

■  $(\text{AVERAGE 91-DAY T-BILL RATE} + 2.8\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$

- Stafford loans first disbursed on or after July 1, 1998, but before January 1, 2000, except when such loans are in periods of in-school, grace, or deferment.

■  $(\text{AVERAGE 91-DAY T-BILL RATE} + 3.1\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$

- PLUS loans disbursed on or after October 1, 1992, but before January 1, 2000.

■  $(\text{AVERAGE 91-DAY T-BILL RATE} + 3.1\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$

- Consolidation loans made on or after October 1, 1992, from applications received by lenders before January 1, 2000.

See **COMMON MANUAL** on page 23.

## COMMON MANUAL (Continued from page 22)

In addition, the following definition has been added to the glossary in appendix G:

**Commercial Paper Rate:** Commercial paper includes short-term, unsecured promissory notes issued primarily by large, well-known corporations and finance companies. The average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter is a factor in determining the amount of special allowance paid to a lender by the Department for eligible Stafford and PLUS loans first disbursed on or after January 1, 2000, and eligible Consolidation loans made from applications received by lenders on or after January 1, 2000.

**Affected Sections:** 9.6, A.2.A., Appendix G

**Effective Date:** Changes that apply the average 3-month commercial paper rate to the formula for calculating special allowance are effective for Stafford and PLUS loans first disbursed on or after January 1, 2000, and for Consolidation loans made from applications received by lenders on or after January 1, 2000.

Changes that apply the average 91-day T-bill rate to the formula for calculating special allowance are effective for Stafford and PLUS loans first disbursed between July 1, 1998, and December 31, 1999, inclusive

**Basis:** HEA 438(b)(2)(G) and (H); §682.302(b)(2) and §682.302(c)(1)(iii) – as updated in the *Federal Register* dated October 29, 1999; §409 of the Ticket to Work and Work Incentives Improvement Act of 1999 (P.L. 106-170)

**Policy Information:** Reference #427

**Guarantor Comments:** None

### Special Allowance Limitation for PLUS Loans

*Common Manual* policy has been revised to incorporate the provisions of Final Rule changes published in the *Federal Register* on November 1, 1999, and subsequent amendments to the Higher Education Act resulting from the Ticket to Work and Work Incentives Improvement Act of 1999.

Section A. 2 has been revised to state that variable-rate PLUS or SLS loans first disbursed before July 1, 1994, and variable-rate PLUS loans first disbursed on or after July 1, 1998, are eligible for special allowance only when the following criteria are met:

- The loan is accruing at the maximum interest rate specified in law for such a loan (also called the cap).
- The interest rate for each July 1 to June 30 period, as calculated prior to applying the interest rate maximum (or cap), exceeds the maximum interest rate for the loan.

**Affected Sections:** A.2

**Effective Date:** PLUS loans first disbursed on or after July 1, 1998

**Basis:** HEA438(b)(2)(G)(v), (H)(v) & (I)(v); §682.302(b)(2) – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #428

**Guarantor Comments:** None

### Loans Made or Purchased with Proceeds of Tax-Exempt Obligations

Revised policy incorporates existing statutory provisions (now included in regulations as well) regarding the applicability of special allowance rate limits and minimum special allowance rates on loans that are made or purchased with the proceeds of tax-exempt obligations.

Loans made or purchased with funds obtained by the holder from the proceeds of tax-exempt obligations are eligible for special allowance payment, subject to the following conditions:

- Special allowance is limited to one-half the maximum applicable rate for loans made or purchased with funds obtained from tax-exempt obligations originally issued prior to October 1, 1993. Minimum special allowance rates apply.
- Special allowance is paid at the maximum applicable rate for loans made or purchased with funds obtained from tax-exempt obligations that were originally issued on or after October 1, 1993, and loans made or purchased with funds derived from default

reimbursement collections, interest, or other income related to eligible loans made or purchased with those tax-exempt funds.

Minimum special allowance rates do not apply.

A loan that is financed by proceeds of tax-exempt obligations and that is held by or on behalf of an authority is eligible for special allowance only if the authority meets the nondiscrimination requirements of 34 CFR 682.800. If a loan that is held by or on behalf of an authority and that was made or acquired with the proceeds of a tax-exempt obligation originally issued prior to October 1, 1993, is refinanced with the proceeds of a taxable obligation, the loan remains subject to the tax-exempt special allowance provisions if the authority retains legal interest in the loan. If the original tax-exempt obligation is retired or defeased or the authority does not retain a legal interest in the loan, special allowance is paid based on the rules applicable to the new funding source.

**Affected Sections:** A.2.A.

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

**Basis:** HEA 438(b)(2)(B)(i), (ii) and (iv); HEA 438(e); §682.302(c)(3)(i), (ii), and (iii); §682.302(c)(4) & §682.800 – as updated in the *Federal Register* dated October 29, 1999

**Policy Information:** Reference #429

**Guarantor Comments:** None

### Definition of Holder

*Common Manual* Appendix G has been updated to incorporate the revised definition of “holder” in regulation.

Under the prior definition a holder was defined as an eligible lender in possession of a FFELP loan promissory note that is payable to or has been assigned to the lender. Under the revised definition, a holder is an eligible lender owning a FFELP loan.

**Affected Sections:** Appendix G

**Effective Date:** July 1, 2000

**Basis:** §682.200(b) – as updated in the *Federal Register* dated November 1, 1999

**Policy Information:** #430

**Guarantor Comments:** None ★

# COMMON MANUAL UPDATE INDEX

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## Interest Payment Field in Application Send Records

With the onset of the Master Promissory Note (MPN), the language found in “Field 12. Interest Payments (Optional)” has changed slightly from language in the Common Application. Today’s MPN gives the borrower the option of paying unsubsidized interest while in school whereas the Common Application language gave the borrower the option of interest capitalization – the same option, only different wording.

Texas Guaranteed Student Loan Corporation (TG) is alerting schools and lenders through AdvanTG™ 2.2 and earlier versions to be mindful of the change. TG will print an MPN for customers participating in TG’s Application Print Processing Services (APPS) process and when the Processing Type Code field equals “GP” (guarantee and print) on the application send record. When completing

the Borrower Interest Indicator in the application send record, three scenarios are possible:

- The Borrower Interest Indicator field in the application send records contains a “Y” indicating that the borrower *does wish to pay unsubsidized interest* while in school. In such instances, TG will print the MPN with an “X” in Field 12.
- The Borrower Interest Indicator field in the application send records contains an “N” indicating that the borrower *does not wish to pay unsubsidized interest* while in school. In such instances, TG will print the MPN with a blank Field 12.
- The Borrower Interest Indicator field in the application send records is left blank causing the field’s value to default to “Y”

when the record is imported into AdvanTG meaning the borrower *does wish to pay* unsubsidized interest payments while in school. TG will print the MPN with an “X” in Field 12.

### Questions

For questions about the Borrower Interest Indicator field in the application send records, contact Kyle Smith at (800) 252-9743, ext. 4894. ★

# PRODUCT SUPPORT FORUM

## FACTS ABOUT COMMONLINE @1M RESPONSE RECORDS

When Texas Guaranteed Student Loan Corporation's (TG) mainframe system guarantees a new loan, the school and the lender receive an electronic CommonLine @1G record from TG via AdvanTG™, CompuServe, or POP3. Customers update their databases with the information in these response records.

The CommonLine @1M (Modification/Refresh) records that TG generates contain a "snapshot" of loan data on TG's system after a post guarantee change has been made. Customers can receive these @1M records through AdvanTG, CompuServe, or POP3. These records are in the same format as the @1G or guarantee response records that customers receive after loans are first guaranteed. And, just like @1G records, customers can export them from AdvanTG to update their systems.

Several events cause TG's system to generate an @1M record. Currently, customers can make changes

via TG's OnLine Access or the Disbursement Change School Refund (DCSR) system. TG can also make changes online in response to customer requests by e-mail, fax, or telephone. The tables below summarize how TG handles @1M records today and how they will be handled when TG implements additional CommonLine functionality later this summer.

### Current @1M Record Process

When changes are made to certain fields via OnLine Access, TG's mainframe generates an @1M record (see table below). In addition, TG generates an @1M record for both the lender and school when a DCSR transaction is successfully processed.

### Scheduled Upgrades

In early summer, TG will upgrade its mainframe processes so that other changes will generate @1M

responses. At that time, changes to additional fields through OnLine Access will generate an @1M record for both the school and the lender (see table below). In addition, TG will continue to generate an @1M record for both the lender and school when a DCSR transaction has been successfully processed. As TG introduces support for all CommonLine Change transactions this summer, this new process will also produce @1M records. TG will provide more information on the CommonLine change process through regional training and future *Shoptalk* articles.

### Questions

For questions regarding @1M CommonLine records contact TG's Product Support Group at (800) 252-9743, ext. 2222. ★

## @1M RECORDS CURRENTLY GENERATED FROM ONLINE UPDATES

Field	Who can change it?	Who receives an @1M record?	Does it generate a revised Notice of Guarantee?*
Scheduled Disbursement Date	TG, School, or Lender	Lender	Yes
Scheduled Disbursement Amount	TG, School, or Lender	Lender	Yes
Loan Period Begin Date	TG, School, or Lender	Lender	Yes
Loan Period End Date	TG, School, or Lender	Lender	Yes
MPN Confirmation Code	TG or Lender	School	No

## @1M RECORDS GENERATED AFTER SCHEDULED UPGRADES

Field	Who can change it?	Who receives an @1M record?	Does it generate a revised Notice of Guarantee? *
Anticipated Graduation Date	TG, School, or Lender	Lender and School	No
Scheduled Disbursement Amount	TG, School, or Lender	Lender and School	Yes
Scheduled Disbursement Date	TG, School, or Lender	Lender and School	Yes
Loan Period End Date	TG, School, or Lender	Lender and School	Yes
Loan Period Begin Date	TG, School, or Lender	Lender and School	Yes
Signature Date (loan)	TG, School, or Lender	Lender and School	No
Current Lender	TG, School, or Lender	Lender and School	No
Disbursement Status	TG, School, or Lender	Lender and School	No
EFT Disbursement Status	TG, School, or Lender	Lender and School	No
Disbursement Hold/Release Indicator Code 1	TG or School	Lender and School	No
Actual Disbursement amount	TG only	Lender and School	No
Actual Disbursement Date	TG only	Lender and School	No
Guarantee Date	TG only	Lender and School	Yes
Disbursement add	TG only	Lender and School	Yes
ED Subsidy (re-allocation of funds)	TG only	Lender and School	Yes
Grade Level	TG only	Lender and School	No
School Code ID	TG only	Lender and School	Yes
MPN Confirmation	TG or Lender	Lender and School	No
Borrower Sign Date (MPN)	TG or Lender	Lender and School	No

\*TG's mainframe also generates an @2 Unique Supplemental Detail record that contains information that AdvanTG uses in the production of a revised NOG, such as lender and school name and address and interest rate. Lenders who are interested in programming their systems to accept this information can contact TG for a copy of the @2 Unique layout. For those lenders who receive paper NOGs, the revised disclosures are printed and mailed.

Return Service Requested

## Information on TG's LSA Committees Available Online

Texas Guaranteed Student Loan Corporation (TG) has many direct connections to members of the FFELP community. For example, TG's Lender and School Advisory (LSA) Committees meet, usually each quarter, to offer feedback and advice from schools and lenders and to be updated on TG initiatives and industry issues. Committee members:

- Offer input to TG;
- Recommend ideas for technology strategies;
- Provide feedback on policy implications; and
- Discuss issues and activities that help support the needs of TG's school, lender, servicer, and secondary market partners.

An important role of the Committee is to seek input from members of their sector and region in order to formulate opinions regarding TG activities and submit those opinions to TG's Senior

Management Team. The Chairs also present an annual LSA activity report to the TG Board of Directors. More information about your LSA Representatives is available on *TGWorks Online* at [www.tgslc.org](http://www.tgslc.org) under "Schools & Lenders."

The information includes:

- A list of Committee members, with contact information for each;
- Charter and By-Laws for each committee; and
- A section that includes agendas of recent meetings.

### Questions

If you have questions about TG's LSA Committees, please contact Renée Gilmer at (800) 252-9743, ext. 4541, or send an e-mail message to [renee.gilmer@tgslc.org](mailto:renee.gilmer@tgslc.org). ★

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To ask questions about the articles in *Shoptalk*, subscribe or order additional copies, please contact Communications at (800) 252-9743, ext. 2878 or [communications@tgslc.org](mailto:communications@tgslc.org)

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