



Policy Changes Approved March 18, 2010

Unified Student Loan Policy

Batch 166: Proposals 1168 – 1174

The nation's guarantors provide the following summaries to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. These changes will appear in the manual's next annual update. These changes will also be incorporated into the *Integrated Common Manual*. The *Integrated Common Manual* is available on several guarantor websites, and it is also available on the *Common Manual's* website at www.commonmanual.org. Please carefully note the effective date of each policy change.

Required Information on the Default Aversion Assistance Request Form

Figure 12-5 has been revised to include the specific names of the fields on the Default Aversion Assistance Request Form rather than descriptions of those fields so that the reader can easily distinguish "Required" and "If Available" fields

Affected Sections:	Figure 12-5
Effective Date:	Upon approval by the Governing Board.
Basis:	None.
Policy Information:	1168/166
Guarantor Comments:	None.

Required Information on Claim Form

Figure 13-1 has been revised to include the specific names of the fields on the Claim Form rather than descriptions of those fields so the reader can easily distinguish "Required" and "If Available" fields. In addition, Figure 13-1 has been updated to include the income-based repayment (IBR) fields now required on the Claim Form.

Affected Sections:	Figure 14-1
Effective Date:	Upon approval by the Governing Board.
Basis:	None.
Policy Information:	1169/166
Guarantor Comments:	None.

Eligible Lender Trustee and School Acting as a Lender Annual Audit Clarification

The *Common Manual* has been updated to clarify the requirements in just-published regulations regarding the required annual audits for schools acting as lenders and for eligible lender trustees (ELT). Although the annual audit requirement is already reflected in the Manual, the revisions clarify that this audit, like other annual audits, must be conducted by a qualified independent organization or person. Also, any lender that acts as an ELT must ensure that loans made under the ELT arrangement are included in its annual audit.

Affected Sections:	3.2 Schools Acting as Lenders and Eligible Lender Trustee Relationships
	3.8.A Annual Compliance Audits
Effective Date:	First auditable period for the school as lender or eligible lender trustee that begins on or after August 14, 2008.
Basis:	§682.305(c)(1)(ii).
Policy Information:	1170/166
Guarantor Comments:	None.

Revised SCRA Provisions

The *Common Manual* has been revised to provide several clarifications regarding the applicability of provisions of the Servicemembers Civil Relief Act (SCRA) to loans in the FFELP. The following changes and clarifications have been made:

- When the borrower's, comaker's, or endorser's period of qualifying military service ends, the lender is not permitted to assess fees or charges on the loan to compensate for the difference between the otherwise applicable interest rate and the lower rate that the lender is permitted to charge.
- An endorser on a loan is considered to be eligible to request and receive the lower interest rate if the endorser signed the PLUS MPN Endorser Addendum prior to the start of his or her qualifying military service.
- A Consolidation loan is considered to be "made" for purposes of obtaining the lower interest rate on the date that the Consolidation loan itself was disbursed and not on the dates that the loans that comprise that Consolidation loan were disbursed. The servicemember may receive the lower interest rate on any Consolidation loan if that Consolidation loan was disbursed prior to his or her first day of qualifying military service.

In addition, common policy has been revised to clarify that while a lender must inform a borrower for whom it has reduced an interest rate solely at the lender's discretion that the rate will increase to the applicable maximum interest rate if the loan should default, that revocation does not apply to an interest rate that was reduced as a result of the SCRA.

Affected Sections:	7.4.B Reduced Stafford Interest Rates 7.5.B Reduced PLUS Interest Rates 10.9.B Reduced Interest Rates 15.3.D Calculating the Interest Rate
Effective Date:	Loans for which the lender receives a servicemember's written request for the reduced interest rate that is effective on or after August 14, 2008, for periods of military service occurring on or after that date.
Basis:	§682.202(a)(8)(e); <i>Federal Register</i> dated July 23, 2009, p. 36565.
Policy Information:	1171/166
Guarantor Comments:	None.

Repayment Disclosure Changes

The *Common Manual* has been revised to include the requirement that the lender disclose to the borrower that he or she is permitted to change his or her repayment plan selection at least annually.

Previously published policy stated that a lender must provide the repayment disclosure for a PLUS loan no less than 30 days, and no more than 150 days, before the date that the first payment that would be due after the loan is considered to have entered repayment. The Department provided guidance regarding repayment disclosures for PLUS borrowers whose loans enter deferment immediately, stating that since a PLUS loan enters repayment when fully disbursed, the 30- and 150-day time frames are based on the repayment start date, i.e., when the loan is considered to be fully disbursed, regardless of any deferment that might otherwise postpone the first payment due date.

Affected Sections:	10.7 Disclosing Repayment Terms 10.7.A Time Frame for Disclosures
Effective Date:	August 14, 2008, but no later than disclosures provided on or after July 1, 2010.
Basis:	§682.205(c)(2)(xii); Final Rules published in the <i>Federal Register</i> dated October 29, 2009, p. 55992; Preamble to the Notice of Proposed Rulemaking published in the <i>Federal Register</i> dated July 23, 2009, p. 36571.
Policy Information:	1172/166
Guarantor Comments:	None.

Loan Rehabilitation – Prior Holder Reporting Requirements

The *Common Manual* has been revised to clarify that a defaulted Consolidation loan that includes a loan previously rehabilitated on or after August 14, 2008, is eligible for rehabilitation.

Revised policy also states that within 30 days of receiving notification of the rehabilitation from the guarantor, the prior holder of the loan must request that any consumer reporting agency to which the default status or other equivalent record was reported, remove the default status or other equivalent record from the borrower's credit history.

Affected Sections:	13.7 Rehabilitation of Defaulted FFELP Loans
Effective Date:	For consolidation loan clarification: None. For notification time frames: Rehabilitation notifications received by the prior holder on or after July 1, 2010.
Basis:	§682.405(b)(3)(ii); <i>Federal Register</i> dated October 29, 2009, pp. 55979 and 56000.
Policy Information:	1173/166
Guarantor Comments:	None.

Managing Overawards

The *Common Manual* has been updated to reorganize and expand on how an overaward is identified and resolved. The new information on overawards expands on how a school resolves an overaward caused by different types of aid.

The *Common Manual's* definition of an overaward has also been updated to distinguish that an overaward occurs when the amount of a student's need-based aid exceeds his or her need, or when the student's estimated financial assistance (EFA) exceeds his or her cost of attendance (COA).

Affected Sections:	8.6 Managing Overawards Appendix G
Effective Date:	Retroactive to implementation of the <i>Common Manual</i> .
Basis:	1995-1996 FSA Handbook, Chapter 2, pp. 39-56.
Policy Information:	1174/166
Guarantor Comments:	None.