

COMMON MANUAL

Unified Student Loan Policy

Policy Changes Approved August 19, 2004

The nation's guarantors provide the following summaries to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. In addition to these policy changes, non-substantive modifications were made to add guarantor codes in Chapter 1, and add an entry in appendix F. These changes will appear in the manual's next annual update in July 2005. These changes will also be incorporated into the August 2004 *Integrated Common Manual*. The *Integrated Common Manual* is available on several guarantor websites, and it is also available on NCHELP's website at www.NCHELP.org in the e-library. Please carefully note the effective date of each policy change.

Loan Verification Certificate

The Department published additional exceptions under which the loan holder is **not** required to certify a Federal Consolidation Loan Verification Certificate (LVC). According to regulations, the holder has 10 business days from the date the LVC is received to respond to the consolidating lender either by completing the LVC and returning it to the consolidating lender, or by providing a written explanation to the consolidating lender and the guarantor(s) of the loan(s) included on the form regarding the circumstances that prevent the holder from certifying the LVC. If there is a technical issue that will result in a delay of the loan holder's certification, the loan holder must inform the consolidating lender within 10 business days of the holder's receipt of the LVC that a delay will occur.

Additional circumstances that may prevent a holder from completing the LVC include those in which:

1. There is a judgment against the borrower on the loan for which the borrower has requested consolidation.
- \$ The loan has been sold.
 - \$ The loan is more than 270 days past due and a default claim has been submitted to the guarantor.
 - \$ The holder believes it is the single holder of the borrower's FFELP loans and that the borrower does not qualify for consolidation by the consolidating lender.

If the holder is unable to certify the LVC due to one of the above additional circumstances, the reason should be included on the LVC and the holder should return the LVC, or other written explanation, to the consolidating lender within 10 business days of the loan holder's receipt of the LVC.

If the holder is unable to certify the LVC because the holder believes that it is the single holder of all the borrower's FFELP loans such that the borrower does not qualify for consolidation with the consolidating lender, the holder must provide written notification to the consolidating lender and provide documentation supporting the single-holder assertion. The supporting documentation may include National Student Loan Data System (NSLDS) records or a statement from the guarantor indicating the single-holder status. It is not the borrower's responsibility to demonstrate to the loan holder that multiple lenders hold his or her FFELP loans.

Affected Sections: 14.3.C Completing the Verification Certificate
Effective Date: None.
Basis: DCL GEN-03-02; DCL FP-04-02.

Initial and Guarantee Disclosures

Section 7.6 of the *Common Manual* has been revised to clarify that certain information must be disclosed to:

\$ The borrower by the lender in an initial disclosure at or before the first disbursement of the loan.

\$ The lender by the guarantor when the loan is guaranteed.

Cross-references to subsections 7.6.A, 7.6.B, and 7.6.C have been added to section 7.6.

Revised policy in subsection 7.6.C clarifies that some lenders use the guarantee disclosure to fulfill certain initial disclosure requirements, and cross-references subsection 3.3.B for more information about loans made under a blanket guarantee agreement.

Affected Sections: 7.6 Borrower Disclosures
7.6.C Guarantee Disclosure
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.205(a).

Disbursements for Students in Study-Abroad Programs

The *Common Manual* has been updated to emphasize that the lender is required to comply with the student's requested disbursement method if the student is enrolled in a study-abroad program.

Affected Sections: 7.7.E Disbursement for Students in Study-Abroad Programs or Foreign Schools
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.207(b)(1)(v)(C).

Due Diligence Gaps

The *Common Manual* has been revised to clarify that a lender must ensure that no gap in collection activity of greater than 45 days (60 days in the case of a loan sale or transfer) occurs through the 270th day of delinquency (330th day for loans with repayment obligations less frequent than monthly). In addition, subheadings have been revised to clarify that the lender is required to engage in efforts to urge the borrower to make the required loan payments during the 181-270 days delinquent time frame for loans with monthly repayment obligations and the 241-330 days delinquent time frame for loans with repayment obligations less frequent than monthly. These efforts must continue through the earlier of the date the lender mails the final demand letter or the 270th day of delinquency (330th day for loans with repayment obligations less frequent than monthly) and each effort must urge the borrower to make the required payments on the loan. Lenders must ensure, however, that any collection effort made after the date the final demand letter is mailed supports the final demand.

Affected Sections: 11.4 Due Diligence Requirements
11.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations
11.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly
Effective Date: Loans on which the first day of delinquency on the oldest outstanding due date is on or after July 1, 1996, unless implemented earlier by the guarantor.
Basis: §682.411(e) and (j); §682 Appendix D; DCL 96-L-186/96-G-287, Q & A #54.

Consistent Use of the Term "Discharge"

The *Common Manual* has been revised to consistently use the term "discharge" as it is defined in the *Common Manual* glossary. Instead of referring to loan obligations that are paid due to consolidation or refinancing as loans that are "discharged," the manual now refers to such loans as "paid in full."

Affected Sections: 9.11.E Applying Funds Returned by the School
14.4 Disbursement
14.5.A Establishing the First Payment Due Date
14.5.B Disclosing Repayment Terms

Effective Date:
Basis:

appendix B PLUS/SLS Refinancing
appendix B.3 Option 3: Refinancing to Discharge a Previous Loan
Retroactive to the implementation of the *Common Manual*.
None.