

# COMMON MANUAL

Policy Changes Approved October 19, 2006

## *Unified Student Loan Policy*

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 Common Manual's website at [www.commonmanual.org](http://www.commonmanual.org). Please carefully note the effective date of each policy change.

### **Institutional Eligibility and Reporting Requirements**

The *Common Manual* has been revised to state that schools must submit requests for initial certification, recertification, reinstatement, a change in ownership, updates to a current approval or designation as an eligible institution to the Department via the Application for Approval to Participate in the Federal Student Financial Aid Programs (E-App).

**Affected Sections:** 4.1.A Establishing Eligibility

4.1.C Maintaining Eligibility

**Effective Date:**

Applications for recertification, reinstatement, or changes in ownership submitted by the school on or after the publication date of the 1998-1999 *Federal Student Aid Handbook*. Applications for reporting changes to a current approval submitted by the school on or after the publication date of the 1999-2000 *Federal Student Aid Handbook*. Applications for initial certification submitted by the school on or after the publication date of the 2000-2001 *Federal Student Aid Handbook*.

**Basis:**

1998-1999 *Federal Student Aid Handbook*, Chapter 3, Section 9, page 3-202; 1999-2000 *Federal Student Aid Handbook*, Chapter 10, page 210; and the 2000-2001 *Federal Student Aid Handbook*, Volume 2, Chapter 10, page 2-232.

### **Elimination of the Single-Holder Rule**

The *Common Manual* has been revised to reflect statutory changes resulting from the Emergency Supplemental Appropriations Act, that allow a borrower of loans eligible for FFELP loan consolidation to seek consolidation from any lender even if the borrower's eligible loans are held by one holder.

**Affected Section:** 15.2 Borrower Eligibility and Underlying Loan Holder Requirements

15.3.C Reviewing the Loan Verification Certificate

**Effective Date:**

Federal Consolidation loan applications received by the lender on or after June 15, 2006.

**Basis:**

Higher Education Act of 1965, Section 428C(b)(1)(A)(i) and (ii), as amended by the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror and Hurricane Recovery, 2006 (P.L. 109-234); *Dear Colleague Letter* GEN-06-12.

### **Cohort Default Rate Notification**

The *Common Manual* has been revised to include an explanation of the electronic process by which the Department notifies a domestic school of its draft and official cohort default rates (eCDR) through the Student Aid Internet Gateway (SAIG). All domestic schools are required to enroll in the SAIG. Schools are required to designate a SAIG destination point for the receipt of the eCDR notifications. The Department mails draft and official cohort default rate notifications foreign schools.

**Affected Sections:**

16.1 Overview of Cohort Default Rates and Terminology

**Effective Date:**

Domestic school's receipt of draft and official cohort default rate notifications on or after June 1, 2005.

**Basis:** Dear Colleague Letter GEN-03-05; 2006-2007 *Federal Student Aid Handbook*, Volume 2, Chapter 10, page 2-182.

**Return of the Federal Default Fee (or Guarantee Fee)**

Subsection 10.11.E of the *Common Manual* has been revised to reflect the change in terminology from guarantee fee to federal default fee and to clarify that if a lender deducted the federal default fee (or guarantee fee), and/or origination fee from the borrower's loan proceeds, the lender must reduce the fee(s) proportionate to the amount of returned loan funds that the lender receives from a school. In addition, section B.2 has been revised to clarify that in refinancing a loan to secure a variable interest rate, the guarantor may not charge the borrower a federal default fee (formerly guarantee fee), nor may the lender deduct the fee from the borrower's loan proceeds.

**Affected Sections:** 10.11.E Applying Funds Returned by the School  
B.2 Option 2: Refinancing to Secure a Variable Interest Rate

**Effective Date:** Federal Stafford and PLUS loans guaranteed on or after July 1, 2006.  
**Basis:** Higher Education Act of 1965, Section 428(b)(1)(H)(i) and (ii) and Section 428H(h), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.

**Refinancing Fixed-Rate PLUS or SLS Loans**

Appendix B of the *Common Manual* explains policies for the refinancing of fixed-rate PLUS and SLS loans to obtain a variable interest rate or to combine repayment. Revised policy clarifies that these refinancing options are applicable only to fixed-rate PLUS or SLS loans first disbursed prior to July 1, 1987.

**Affected Sections:** B.2 Option 2: Refinancing to Secure a Variable Interest Rate  
B.3 Option 3: Refinancing by Obtaining a New Loan

**Effective Date:** PLUS or SLS loans first disbursed prior to July 1, 1987.  
**Basis:** Higher Education Act of 1965, Section 428B(e)(2) and (3), as amended; §682.209(e) and (f).