Chapter 4

FFEL Program Procedures

Reference

- HEA 1965

School Responsibilities

A foreign school must understand the responsibilities incurred in certifying a Federal Family Education Loan (FFEL) Program loan. The school, not the lender, is responsible for determining the student's or parent's eligibility for a Federal Stafford or Federal PLUS Loan. A foreign school may contract with a guaranty agency, a consultant, or a third-party servicer for assistance. If a school or its representative certifies a loan for an ineligible student, the school will be responsible for purchasing the loan and for reimbursing the U.S. government for all interest and special allowance paid on behalf of the borrower. Therefore, a foreign school needs to be aware of the procedures involved in certifying FFEL Program loans for U.S. students.

In general, school responsibilities revolve around:

- meeting and maintaining loan-program participation requirements;
- establishing borrower eligibility;
- certifying FFEL Program loans;
- disbursing FFEL Program proceeds;
- counseling students;
- notifying the lender or guaranty agency of changes to borrower information; *and*
- reporting borrower enrollment information to the U.S. Department of Education's (ED's) National Student Loan Data System (NSLDS).

These responsibilities are described here and in Chapters 2 and 3.

Establishing Borrower Eligibility

Take a Look

- See Chapter 3 for information about borrower eligibility.
- See page 4-20 for examples of calculating subsidized and unsubsidized loan amounts.

Before a school can certify a student's or parent's (for a Federal PLUS Loan) eligibility for an FFEL Program loan, it must confirm the borrower's eligibility. This process is described in detail in Chapter 3.

Once a school has determined that a borrower meets the eligibility criteria described in Chapter 3, the next step is to determine the student's financial need. Basically, a student's need for a subsidized Stafford Loan is his or her cost of attendance minus the Expected Family Contribution minus the estimated financial assistance that the student will receive.

Cost of Attendance

A school usually develops an average cost of education for different categories of students. For the FFEL Program, the school administrator must use the definition of "cost of attendance" (COA) given in U.S. law when determining which expenses to include. The law specifies that the COA include:

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 1: Student Eligibility*

- tuition and fees;
- an allowance for living expenses, such as room and board;
- books and supplies;
- miscellaneous personal expenses, including a reasonable allowance for renting or purchasing a personal computer; *and*
- transportation costs.

For FFEL Program loans, the COA must include the fees for the loan. The law also provides limited allowances for dependent-care costs and expenses for disabled students.

Note: If a school charges tuition and fees to a student at the beginning of a program that is longer than an academic year, the COA should include the full amount of the tuition and fees charged in the period of enrollment for which the loan is made. For example, a school with a 1,350 clock-hour program defines its academic year as 900 clock hours and charges each student the full $3,000 in tuition and fees at the beginning of the program. The student, if otherwise eligible, will receive two Stafford Loans, because the program exceeds one academic year. The tuition and fees component of the first loan is $3,000; there is no tuition and fees component for the second loan. The second loan, if for an undergraduate, must be prorated, since the remainder of the program (450 hours) is less than the school's academic year.

Expected Family Contribution

The Expected Family Contribution (EFC) is based on the student's (and, if applicable, the student's family's) income and assets, as reported on the Free Application for Federal Student Aid (FAFSA). The EFC is the amount of money a student and his or her family are expected to contribute toward the cost of the student's postsecondary education. Based on certain factors, the student will be classified as dependent or independent, and this will determine whether resources of the student's family or spouse will be used in calculating the EFC.

Take a Look

- See Appendix F for a copy of the Student Aid Report (SAR).

The EFC is reported on the Student Aid Report (SAR) and the Institutional Student Information Record (ISIR), and it is based on a nine-month period of enrollment. A school must use a prorated EFC if the student's period of enrollment is going to be shorter than nine months. Prorated EFC figures are calculated by ED and provided on page 4 of the SAR in the "Financial Aid Office" section.

For more information on SARs and ISIRs see *The ISIR Guide* at http://ifap.ed.gov/IFAPWebApp/currentSARMaterialsPag.jsp.

Estimated Financial Assistance

A student's estimated financial assistance (EFA) is the amount of aid he or she will receive for the enrollment period covered by the loan. Most types of aid usually take the form of scholarships, grants, loans, or work that is awarded on the basis of postsecondary enrollment.

Take a Look

- See examples for calculating need on page 4-20.

Need

A student's need for a subsidized Stafford Loan is his or her COA minus the EFC minus the EFA that the student will receive.

Professional Judgment

U.S. law allows a school administrator to use professional judgment to:

- increase or decrease one or more of the data elements used to calculate the EFC;
- adjust a student's COA; *and*
- override a student's dependency status (from dependent to independent).

If a school administrator uses professional judgment, he or she must follow these guidelines:

- Professional judgment is performed on a case-by-case basis.
- The reason for the professional judgment must be documented in the student's file, and it must relate to the student's special circumstances.
- A parent's unwillingness to assist the student is not by itself grounds for a dependency override.
- A school administrator can only perform a dependency override from dependent to independent.
- Professional judgment cannot be used to waive student eligibility requirements or circumvent the intent of U.S. law and regulations.

Examples of special circumstances listed in the law include elementary or secondary tuition, medical or dental expenses not covered by insurance, unusually high child care costs, recent unemployment of a family member, or changes in the family's income or assets. Use of professional judgment is neither limited to the situations listed nor required in those situations. A school's decision regarding any adjustment is final and cannot be appealed to ED.

After reviewing the FAFSA and determining the student's eligibility, the school administrator calculates the loan amounts for which a student is eligible subject to annual and aggregate loan maximum limits.

Promissory Notes

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*

To obtain a subsidized or unsubsidized Stafford Loan, a student must complete a Master Promissory Note (MPN). A student may obtain an FFEL MPN from a school, guaranty agency, or lender. A student attending a foreign school is likely to be working directly with a lender or guaranty agency and will obtain the MPN from them. A copy of the MPN appears in Appendix F.

Take a Look

- See Appendix F for copies of the MPN and the PLUS Loan application/promissory note.

A student may receive the MPN before the school certifies the loan, or he or she may receive it after the school has completed its certification. All schools must use the MPN for subsidized and unsubsidized Stafford Loans. However, only certain schools may use the multi-year feature of the MPN. At this time, foreign schools may not use the multi-year feature, as described in the *Student Financial Aid Handbook*. Schools should keep their copies of the MPN on file.

For a Federal PLUS Loan, a parent signs an application/promissory note.

Required Borrower Information on the MPN

A borrower must provide his or her name, address, date of birth, Social Security number, and driver's license number as well as two personal references on the MPN. If the borrower previously borrowed from a particular agency or the agency uses electronic loan processing, some of this information may be preprinted on the MPN. The borrower must read and sign the MPN.

Take a Look

- See Appendix D for a list of guaranty agencies.

In completing the FFEL MPN, the borrower must provide the name of a lender. If a borrower has been unable to find a lender willing to make the FFEL Program loan, he or she should contact the guaranty agency that serves his or her state of residence for assistance in finding a lender of last resort.

By signing the MPN, a borrower is giving the school permission to release information pertinent to the loan to ED, lenders, and guaranty agencies.

Determining the Loan Period and Loan Amount

The school must determine the student's loan period and loan amount. The maximum loan period is generally the school's academic year or the remaining length of the program, whichever is less, but it cannot exceed a 12-month period.

Academic Year

The academic year is used when determining the student's annual loan limit. The annual limit for Stafford Loans is based on an academic year rather than a calendar award year. Once the student has reached the annual loan limit, he or she cannot receive another Stafford Loan until he or she begins another academic year. If a loan is certified after the beginning of an enrollment period, the loan may retroactively cover the entire period of enrollment, as long as that period does not exceed the maximum loan period allowed or extend into a prior academic year.

There are two types of academic years a school can use, the scheduled academic year (SAY) and the borrower-based academic year (BBAY). Clock-hour and nonterm credit-hour programs must use the BBAY. Only term-based credit-hour programs use the SAY. A term-based credit-hour program may use the BBAY if the program's academic year provides for at least 30 weeks of instruction.

The SAY is a fixed period of time that generally begins and ends at the same time each calendar year (for example, beginning on the first day of the fall semester and ending on the last day of spring semester). The SAY normally corresponds to the academic year or the calendar published in the school's catalog and other materials.

For a school using the SAY, a summer term may be part of the academic year before that term (trailer), or it may be part of the academic year that follows that term (header or leader). The school can establish a strict policy that designates summer terms as always trailers or headers, or the school can determine whether a summer term is a trailer or header on a program-by-program basis. Summer mini-sessions can be grouped as a single trailer or leader, or they can be treated separately and assigned to different SAYs.

The BBAY is not a set period like the SAY. The BBAY begins and ends depending on the individual student's enrollment and progress. A school that enrolls new students every month might use a BBAY for each student that begins in the month the student enrolls.

For term-based credit-hour programs, a school may elect to use BBAYs for all of its students or just for students enrolled in certain programs, or it may use BBAYs on a student-by-student basis. The school can also alternate BBAYs with SAYs for its students, but the academic year must not overlap.

A school that chooses this option for academic year standards must have a written policy that explains how it is applied when calculating loan eligibility.

The BBAY must have the same number of terms as the SAY the school would normally use, excluding any summer trailer or leader. The BBAY can include terms and mini-sessions the student does not attend if the student could have enrolled at least half time in those terms or mini-sessions. The BBAY, however, must begin with a term in which the student actually enrolled. Also, any mini-sessions that run consecutively must be combined and treated as a single term. If the BBAY includes a summer term, the BBAY does not have to meet the 30-week minimum requirement for an academic year.

For a clock-hour or nonterm program, the BBAY begins when the student enrolls. The BBAY must contain at least 30 weeks of instructional time and an applicable number of credit or clock hours (24 semester or trimester hours, 36 quarter hours, or 900 clock hours). The BBAY does not end until the student has completed the required number of weeks and the number of hours in the academic year. It will take longer for a student who is attending less than full time to complete the academic year than it would for a full-time student.

Example

The Springfield Academy offers a two-year program measured in semesters and awarding credit hours. It defines its academic year as two semesters providing 30 weeks of instruction. Springfield has fall, spring, and summer sessions, but most of its students do not attend the summer session. Therefore, Springfield Academy uses a Scheduled Academic Year (SAY) that starts September 7 and concludes May 15 and certifies most loans for that period of enrollment.

Springfield Academy has decided to offer an accelerated version of this two-year program that allows students to attend full time during the fall, spring, and summer sessions. Springfield Academy will use a Borrower-Based Academic Year (BBAY) for students in the accelerated program. For students beginning in the fall session, the first year will start September 7 and conclude May 15. The second academic year will begin May 20 and conclude December 22.

Take a Look

- See Chapter 1 for information on loan limits.

Annual Loan Limits

The annual loan limits for FFEL Program loan borrowers restrict how much a student can borrow in a single academic year. Once a student has reached the annual loan limit, he or she cannot receive another subsidized or unsubsidized FFEL Program loan until he or she begins another academic year. The annual loan limits for dependent undergraduate students, independent undergraduate students, and graduate students are explained in detail in Chapter 1.

A student who has been awarded one FFEL subsidized or unsubsidized loan within an academic year and who has not reached the aggregate FFEL limits may receive another loan if he or she has not reached the annual limit. A student who has borrowed up to his or her annual loan limit within an academic year and who has not reached the aggregate FFEL limits may receive another loan if his or her annual limit is increased, either because he or she moves up to another grade level with a higher limit or because his or her dependency status changed from dependent to independent. In these two instances the student may borrow up to the difference between the previously identified loan limit and the amount already borrowed.

Dependency Status

A student's dependency status is determined by the information a student reports on the FAFSA. The FFEL Program loan amounts available to students are tied to the student's grade level and dependency status. Independent students have higher loan limits than dependent students.

A student is considered dependent if he or she can answer "No" to all of the following questions:

1. Will you be at least 24 years old by December 31 of the award year?
2. Will you be working on a master's or doctorate program?
3. Are you married (students who are separated but not divorced should answer "yes")?
4. Do you have children who receive more than half of their support from you?
5. Do you have dependents (other than your children or spouse) who live with you and who receive more than half of their support from you now and through the award year?
6. Are you an orphan or ward of the court or were you a ward of the court until age 18?
7. Are you a veteran of the U.S. Armed Forces?

If a student answers "Yes" to just one of these questions, he or she is not a dependent student and is classified as an independent student. An independent student is eligible for higher loan limits than a dependent student.

- ♦ The parent of an independent student cannot borrow a Federal PLUS Loan for the student.

Take a Look

- See page 4-20 for a sample calculation of the amount of PLUS Loan that a parent may borrow on behalf of a dependent student.

- The parent of a dependent student is eligible to apply for a Federal PLUS Loan for the student.

Requested Loan Amount

A student attending a foreign school will need to provide the school with information about how much he or she wishes to borrow. It is recommended that a school obtain this information in writing from the student.

Loan Certification

Take a Look

- See Appendix F for a copy of the loan certification form.

Along with the MPN or PLUS application/promissory note, a school must provide a loan certification to the lender. A foreign school may submit the certification by completing a paper Federal Stafford Loan School Certification form, unless it has electronic access. A copy of the certification form appears in Appendix F.

In addition to providing school and borrower information (name, address, phone number, etc.) on the certification form, a school must provide the borrower's:

- grade level;
- enrollment status;
- anticipated (completion) graduation date;
- loan period;
- certified loan amounts (in U.S. dollars); *and*
- recommended disbursement date.

Note: Only one disbursement is required for students attending foreign schools

As part of the school certification, the school certifies that the borrower:

- is an eligible borrower according to U.S. laws and regulations;
- is accepted for enrollment on at least a half-time basis and is making satisfactory academic progress; *and*
- is eligible for the loan(s) in the amount(s) certified.

Take a Look

- See Chapter 3 for information on certifying a borrower's eligibility.

The school must ensure that:

- the SAR does not indicate that the student or parent is in default on a Title IV loan;

- the student (or student and parent) has certified that he or she is not in default on a Title IV loan and does not owe a refund on any Title IV overpayment (the student and parent make this certification by signing the FAFSA); *and*

- the educational program and location are eligible.

Before completing the certification form, a school must also:

- confirm the student's dependency status and Social Security number (SSN);

- confirm that the student's SSN was matched with the records of the U.S. Social Security Administration; *and*

- check the financial aid history of a student who previously attended another school.

Although schools are no longer required to provide need analysis information to the lender, the school must determine the student's COA, EFC, and EFA, and document this information in the student's file. This information must be made available to the lender, guarantor, or ED upon request.

The school may not certify a loan for more than the least of the following amounts:

- the amount the borrower requests;

- the student's unmet financial need (in the case of a subsidized loan);

- the student's COA less his or her EFA (for unsubsidized and Federal PLUS Loans);

- the student's COA; *and*

- the borrower's maximum borrowing limit.

Refusal to Certify

A school administrator may refuse to certify an eligible FFEL borrower's loan application if the reason for the refusal is documented and provided in writing to the student. Similarly, the school administrator may certify a loan for an amount less than the student would be eligible to receive if the reasons for doing so are documented and explained to the student in writing.

Take a Look

- See Chapter 2 for cash management requirements.

Payment to the Borrower

The cash management requirements described in Chapter 2 govern a school's management of FFEL Program funds. These requirements establish rules and procedures a school must follow in disbursing and managing FFEL funds. A school should carefully read these requirements and ensure it is in compliance.

Disbursement Methods

Lenders may disburse funds to the school or directly to the borrower enrolled at a foreign school. If the lender disburses the funds directly to the borrower, the lender is required to notify the school of the disbursement and provide the name and SSN of the student and the name and SSN of the parent borrower for a Federal PLUS Loan.

Some lenders will send individual checks to the school for each loan that is being disbursed for a student. The student must then endorse the loan check. In this case, the school acts as trustee for the lender, and the funds must be deposited in an account meeting the requirements of 34 CFR 668.163.

For an electronic funds transfer (EFT) or a master check, the lender must provide a list of the names, SSNs, and loan amounts of the borrowers whose payments are considered a part of those funds. If a school has multiple borrowers, a lender may use an EFT or a master check to send a single disbursement to the school.

Loan Counseling

The Higher Education Act of 1965, as amended, and FFEL Program regulations require schools that participate in the FFEL Program to provide entrance counseling and exit counseling to students who borrow FFEL Program loans.

Take a Look

- Appendix D has a listing of guaranty agencies and their Web sites. Most agencies have loan counseling materials available through their Web sites.

Loan counseling is critical, because new students often have little or no experience with repaying and managing debt. A school is not required to offer loan counseling to parents who borrow from the Federal PLUS Loan Program.

Through a contract with the school, a consultant, a servicer, a lender, or a guaranty agency may also provide counseling. There are many ways to deliver entrance and exit counseling and to reinforce it through continuing contact with the student borrowers. Many guaranty agencies, lenders, and other organizations provide schools with pamphlets, videos, Web-based tools, and other materials to help school administrators provide effective loan counseling.

If a school uses Web-based counseling, it must ensure that a knowledgeable staff member is available to answer questions from student borrowers.

Regardless of the counseling methods a school uses, it must be sure to document that the student received entrance counseling. The documentation may consist of the student's certification on a copy of the "Borrower's Rights and Responsibilities" that he or she has received entrance counseling. A school usually obtains confirmation that the student has completed an online counseling session through a printout, electronic message, or other means.

Entrance Counseling Requirements

A school participating in the FFEL Program must provide entrance counseling to student borrowers before disbursing funds, unless:

- the borrower previously received a subsidized or unsubsidized Direct or FFEL Program loan *or*
- the borrower is enrolled in a correspondence program (however, schools must mail written counseling materials before disbursing funds).

When entrance counseling is required, schools must conduct it:

- in person;
- by audiovisual presentation (for example, using a video); *or*
- by computer-assisted technology (for example, using a Web site that students can access from off campus).

In all cases, schools must ensure that an individual with knowledge of the FFEL Program is reasonably available to students after the counseling to answer their questions, and schools must document that each student received the required counseling.

If a student borrower is enrolled in a correspondence program, the school must mail counseling materials to the borrower before disbursing FFEL funds.

During entrance counseling, a school must:

- emphasize to student borrowers the seriousness and importance of the loan repayment obligations they are assuming;
- describe "in forceful terms" the likely consequences of default, including damaged credit ratings, legal action taken, or wage garnishment;
- provide the average amount of indebtedness of students who have obtained subsidized and unsubsidized FFEL Program loans to attend the school or enroll in the student's program of study; *and*

- provide the average anticipated monthly payments for the school's students on the basis of the students' average indebtedness.

ED recommends that schools remind student borrowers:

- to keep the lender informed of any changes in name, address, telephone number, SSN, employer, or enrollment status *and*
- that they are obligated to repay the full amounts of their loans, plus interest, even if they:
  - do not complete their programs of study (unless the school closed or falsely certified their FFEL Program loan);
  - do not like their school or program of study; *or*
  - do not obtain employment after completing their program of study.

Laws & Regulations

- 34 CFR 682.604(f)

Schools also should:

- review critical information by having borrowers answer written questions developed by the school or provided by a lender or guarantor;
- counsel borrowers on budgeting and other aspects of personal financial planning;
- review provisions for loan deferment, forbearance, and discharge;
- review repayment plans;
- inform borrowers that there is no penalty for early repayment (prepayment) of their loans;
- review borrowers' rights and responsibilities, which are included with their promissory notes;
- review all loan terms and conditions, including interest rates and loan fees; *and*
- remind borrowers to contact their lender if they have questions or any difficulty making a payment.

Exit Counseling Requirements

A school must provide in-person exit counseling to students who borrow FFEL Program loans. A school does not have to offer exit counseling to parents who borrow Federal PLUS Loans.

Exit counseling must take place shortly before a student borrower graduates, withdraws, or, for any other reason, stops attending the school at least half time.

There are three exceptions to the requirement for conducting exit counseling in person.

- A school is allowed to use computer-assisted means to conduct exit counseling.
  - The electronic exit counseling does not have to take place at the school. For example, a school may provide personalized exit counseling through a Web site that students can access from off campus. However, the school must document that the exit counseling took place and that knowledgeable personnel were available to answer questions.
- If a student borrower is enrolled in a correspondence program, the school must mail written exit counseling material to the student within 30 days after he or she completes the program.
- If a borrower withdraws from school without the school's prior knowledge, or if a borrower does not attend a scheduled exit counseling session, a school must mail written exit counseling material to the borrower at his or her last known address.
  - These materials must be mailed within 30 days after a school learns that the borrower has graduated, withdrawn, or fallen below half-time enrollment or has not attended the scheduled counseling session.

Laws & Regulations

- 34 CFR 682.604(g)

A school must maintain documentation in the borrower's file to show that a student borrower received the required exit counseling in person, by electronic means, or by mail.

When conducting exit counseling, a school is responsible for:

- informing the student borrower of the average anticipated monthly payments for his or her loans based on either the student's actual debt or the average indebtedness of students at the school or in the student's program;
- reviewing the available repayment plans and loan consolidation;
- suggesting debt-management strategies that will help the borrower repay his or her loans successfully;
- reviewing the conditions under which the borrower may defer repayment or discharge loans;

Web Site

- http://ombudsman.ed.gov or http://sfahelp.ed.gov

- ♦ requiring the borrower to provide any changes to the school's records about his or her:
  - name, address, and SSN;
  - references;
  - driver's license number and state where it was issued (if applicable); and
  - name and address of expected employer (if known).
- ♦ emphasizing the seriousness and importance of the repayment obligation;
- ♦ describing "in forceful terms" the likely consequences of default, including a damaged credit rating, legal action being taken against the borrower, forced repayment by wage garnishment, and income tax refunds being withheld;
- ♦ explaining to the borrower how to contact his or her lender; *and*
- ♦ providing information about the availability of the Student Financial Assistance Ombudsman's office, a resource for resolving student loan program issues.

ED also recommends that a school's exit counseling sessions include:

- ♦ reminding borrowers to keep their lender(s) informed of any changes in name, address, telephone number, employer, or enrollment status that might occur;
- ♦ reminding borrowers that they are obligated to repay the full amounts of their loans, plus interest, even if they:
  - do not complete their programs of study (unless the school closed or falsely certified an FFEL Program loan);
  - do not like their school or programs of study; or
  - do not obtain employment after completing their programs of study;
- ♦ reviewing critical information by having students complete review exercises;
- ♦ counseling borrowers on budgeting and other aspects of personal financial planning;

- reviewing loan provisions for deferment, forbearance, and discharge;
- informing borrowers that there is no penalty for repaying their loans early (prepayment);
- reviewing borrowers' rights and responsibilities;
- reviewing loan terms and conditions, including interest rates and loan fees; *and*
- reminding borrowers to contact their lender if they have questions or any difficulty making a payment.

Returning FFEL Program Funds

Take a Look

- See Chapter 2 for information on the cash management regulations and Chapter 5 for returning funds when a student withdraws.

The cash management regulations establish specific time frames for schools to disburse FFEL Program funds received from the lender and to return funds to the lender. See Chapter 2 for a discussion of the cash management regulations.

When a student withdraws from all classes after establishing eligibility and receiving FFEL funds, a portion of the funds may have to be returned. See Chapter 5 for more information.

Reporting Requirements

Schools are required to report enrollment and other information about FFEL Program borrowers on a regular basis.

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*

Certifying Deferment Requests

Laws & Regulations

- 34 CFR 682.210

A deferment is a period of time when payments of principal (and possibly interest) on a loan are postponed and, for subsidized Stafford Loans, interest subsidy payments are made by the U.S. government. Once a borrower enters repayment, a borrower may receive a deferment if he or she meets the requirements that have been established for one. The borrower must request a deferment either verbally or on a form provided by the lender or ED. A borrower must also provide documentation to support his or her request for a deferment.

Take a Look

- See Appendix F for a copy of the FFEL In-School Deferment form.

A deferment for at least half-time study at an eligible school is commonly referred to as an in-school deferment. A foreign school that has been certified by ED as an eligible institution, whether or not it is participating in the FFEL Program, is an eligible school for the purpose of an in-school deferment for the FFEL, Federal Direct Loan and Federal Perkins Loan programs.

Reference

- *SSCR Users Guide*

Student Status Confirmation Report

The Student Status Confirmation Report (SSCR) is used to update the National Student Loan Data System with a school's FFEL Program student borrower data. It is important that schools complete the SSCR accurately and submit it in a timely manner. Even if a school uses a third-party servicer, the school is ultimately responsible for the performance of the third-party servicer in handling SSCR responsibilities. Student enrollment information reported on the SSCR is used to determine:

- the beginning date of a borrower's grace period *and*
- the date that a borrower will begin or resume making scheduled loan payments.

Paper SSCR Requirements

Most foreign schools will receive paper SSCRs directly from guaranty agencies. Within 30 calendar days of receiving the SSCR, the school must review the data, make any necessary changes, and return the SSCR with the changes.

Electronic SSCR Requirements Through NSLDS

A school that is fully operational in reporting SSCR data to NSLDS will receive the SSCR electronically or on tape. The school must update the information where necessary and return the SSCR within 30 days. NSLDS receives the updated file and makes the necessary changes.

Schools that do not comply with the 30-day requirement may be subject to actions from ED. ED sends "overdue letters" to schools if they have not complied on time. These letters remind schools of their SSCR obligations and ED's enforcement options.

Exit Counseling Reporting

Shortly before FFEL Program student borrowers withdraw, graduate, or drop below half-time enrollment, they are required to update information in a school's records concerning:

- name;
- address;
- SSN;
- personal references;
- driver's license number and state where it was issued (if the borrower has a license); *and*

- name and address of the expected employer (if known).

Schools are required to report this updated exit information to the student's guaranty agency within 60 days of receiving it.

Exchange of Information Requirements for Collecting Loans

If ED requests, a school or its third-party servicer must promptly provide ED with any information about the last known address, full name, telephone number, enrollment information, employer, and employer address of FFEL fund recipients who attend or attended the school. A school must also provide this information, on request, to a lender or guaranty agency to assist with updating the guaranty agency's records, skip tracing, and collecting loans. The student provides the authorization to release information when he or she signs the MPN. See Appendix F for a copy of the MPN.

Overview of the Stafford Loan Process

- **Student Applies for Aid.** The student fills out the Free Application for Federal Student Aid (FAFSA) or a renewal FAFSA.
- **School Determines Eligibility and Loan Amount.** The school confirms the student's eligibility for FFEL Program loans and determines the loan period and loan amount.
- **Student Completes the Master Promissory Note.** The student completes the MPN and returns it to the lender or the guaranty agency. The Borrower's Rights and Responsibilities Statement must be given to the borrower with the MPN.
- **Certification.** The school certifies the student's loan eligibility and notifies the lender or guaranty agency.
  - The loan is approved by the lender or guaranty agency.
- **Disclosure.** Either before or at the time of the first disbursement, the borrower must be given a disclosure statement with specific information about the type(s) of loans he or she is receiving, anticipated disbursement amount(s), anticipated disbursement date(s), and instructions on how to cancel the loan(s). The disclosure is usually provided by the lender.
- **Payment to the Borrower.** The loan proceeds are disbursed to the student by either the lender or the school. The school must ensure that the borrower is still eligible at the time of disbursement.

School Checklist for Loan Certification

For a subsidized Stafford Loan, the school must:

- use an official EFC calculated by ED to determine the student's financial need.

For any Stafford Loan, the school must:

- certify that the student is an eligible borrower;
- confirm a student's SSN and dependency status;
- obtain a requested loan amount in writing from the borrower;
- determine a student's COA, EFC, and EFA and document them in the student's file;
- for an unsubsidized Stafford Loan, first determine the student's eligibility for a subsidized Stafford Loan;
- ensure that the loan disbursement schedule on the MPN meets the disbursement requirements for Stafford Loans; *and*
- prorate Stafford Loans for programs of study in which the remaining period of study is less than an academic year in length.

For any Stafford Loan or PLUS Loan, the school must:

- determine the student's enrollment status and satisfactory academic progress;
- ensure that the student (or both the student and parent in the case of a Federal PLUS Loan) has certified that he or she is not (and per his or her SAR is not) in default on any Title IV loan and does not owe a refund on any Title IV funds;
- review the student's financial aid history to ensure that the loan(s) will not exceed the annual or aggregate loan limits applicable to the borrower; *and*
- also ensure that the amount of the subsidized loan, in combination with other aid, will not exceed the student's financial need and ensure that the amount of any unsubsidized loan or PLUS Loan, in combination with other aid (including a subsidized loan), will not exceed the student's COA.

Loan Calculation Examples

Dependent Undergraduate Student Example

Jennifer, a first-year student at City College of Drama, applies for a Stafford Loan to attend an institution with an enrollment period beginning in September. She has filed the FAFSA, and the College administrator has reviewed her SAR and confirmed that Jennifer is an eligible dependent student with an Expected Family Contribution (EFC) of $10,000.

Tuition for the enrollment period at City College of Drama is $7,500. Room and board charges are $3,500. Books and supplies are estimated at $400, estimated loan fees are $100, and the school estimates that travel costs are approximately $500 for the enrollment period. Jennifer's cost of attendance (COA) is, therefore, $12,000.

The College administrator subtracts the EFC from the COA to determine that Jennifer's need is $2,000. Jennifer is not receiving any other estimated financial assistance (EFA), so she may borrow a subsidized Stafford Loan of $2,000.

$12,000	COA
- 10,000	EFC
- 0	EFA
$ 2,000	Need for Subsidized Stafford Loan

Jennifer may also apply for an unsubsidized Stafford Loan of $625, which is the difference between the amount of her subsidized Stafford Loan ($2,000) and the Stafford Loan limit ($2,625) for a first-year undergraduate.

If Jennifer chooses to borrow the entire $2,625 in subsidized and unsubsidized Stafford Loans, her parents will be able to borrow a PLUS Loan of $9,375, which is the difference between the amount of her combined Stafford Loans ($2,625) and her COA ($12,000).

$12,000	COA
- 2,625	EFA
$ 9,375	PLUS Loan Eligibility

Independent Graduate Student Example

Jonathan is a graduate student at National University. His COA for the enrollment period is $15,000. He has filed the FAFSA, and his EFC is $9,000.

Jonathan qualifies for a subsidized Stafford Loan of $6,000. He may also apply for an unsubsidized loan of $9,000 ($2,500 remaining under his initial graduate Stafford Loan limit of $8,500, plus an additional $6,500 on his unsubsidized Stafford Loan). The total annual loan limit for a graduate student is 18,500, but since his COA is only $15,000, the maximum he may borrow for the academic year is $15,000.