Contents

Introduction	1
RECENT CHANGES	

1	
ELIGIBILITY ISSUES FOR LOANS	1
Eligibility for in-school deferments only	
PROGRAM PARTICIPATION AGREEMENT	2
PROHIBITED SCHOOL AND LENDER ACTIVITY	3
RECORDKEEPING AND AUDITS	4
LOSS OF ELIGIBILITY OR WITHDRAWAL FROM LOAN PROGRAMS	5
COHORT DEFAULT RATES	6

Chapter 2: Borrower Eligibility for DL/FFEL	7
ELIGIBLE PREPARATORY COURSEWORK	
SUBSIDIZED AND UNSUBSIDIZED LOANS	8
DETERMINING FINANCIAL NEED	
Cost of Attendance, Expected Family Contribution (EFC),	
Estimated Financial Assistance (EFA), Considering grants	
and subsidized loans first	
PARENT BORROWER ELIGIBILITY	
Adverse credit history	
REFUSING TO ORIGINATE/CERTIFY A LOAN	
FFEL LENDER OF LAST RESORT	
LOAN FEFS	12

Chapter 3: Determining the Loan Period

and Amounts	15
DETERMINING THE LOAN PERIOD	
ACADEMIC YEAR	16
Two types of academic year for loans, Scheduled Academic Year,	
Borrower-based Academic Year, Treatment of summer terms,	
Additional loan eligibility in the same academic year	
ANNUAL LOAN LIMITS	18
Stafford Loan limit for dependent undergraduates, Stafford Loan limits for undergraduate	es
without access to PLUS, Stafford Loan limits for graduate and professional students, Staffo	ord Loan
limits for coursework required for teacher certification/other programs, PLUS Loan Limits	
PRORATED ANNUAL LOAN LIMITS FOR STAFFORD LOANS	20
Prorating loans for programs of study shorter than a full academic year,	
Prorating loans for remaining periods of study shorter than an academic year	
AGGREGATE LOAN LIMITS	22
INCREASED ELIGIBILITY FOR HEALTH PROFESSIONS STUDENTS	25

Chapter 4: Starting the Loan Process:	
the MPN & the School's Role	27
STUDENT APPLIES FOR AID & COMPLETES THE MPN Required borrower information on MPN, Multi-year use of the MPN, Circumstances where a new MPN is required, Borrower confirmation for subsequent loans	27
SCHOOL CERTIFIES/ORIGINATES LOAN Certifying eligibility, Number of disbursements to the borrower, Exceptions to the multiple disbursement requirement, Timing of disbursements to the borrower, Timing the delivery of funds from an FFEL lender, Submission of Origination Record and drawdown of funds (Direct Loans), Lender/guarantor approval (FFEL only)	31
SAMPLE DOCUMENTS Direct Loan and Stafford MPN, School Certification (FFEL)	39
Chapter 5: Loan Counseling	51
ENTRANCE COUNSELING	52
Required elements of exit counseling , Further recommendations for exit counseling, Information to be provided by borrower, Responsibilities if a student misses exit counseling	
Chapter 6: Payment to the Borrower	61
THE DISBURSEMENT PROCESS	61

Checking eligibility at the time of disbursement,	
Notification of loan disbursement	
CREDIT TO THE STUDENT'S ACCOUNT AND CREDIT BALANCES	
LATE DISBURSEMENTS	
TIME FRAMES TO DISBURSE LOAN FUNDS OR RETURN THEM	
Time frames for disbursing FFEL funds received from lender,	
Verification extension, Time frame for returning undisbursed FFEL loan funds,	
Proration of loan fees for returned FFEL funds	

Chapter 7: Following up: After the Loan Is Made	69
CHANGES IN LOAN AMOUNT AND OVERAWARDS	
WITHDRAWAL OR LOSS OF ELIGIBILITY	70
EXCHANGING INFORMATION ON BORROWERS	71
Providing borrower information at separation,	
Completing the Student Status Confirmation Report,	
Exchanging information about delinquency and default	