

**DEPARTMENT OF EDUCATION****34 CFR Part 682**

RIN 1840-AC55

**Federal Family Education Loan Program**

AGENCY: Department of Education.

ACTION: Final regulations.

**SUMMARY:** This document contains corrections and other technical changes to the final regulations for the Federal Family Education Loan Program in 34 CFR Part 682. The regulations govern the Federal Stafford Loan Program, the Federal Supplemental Loans for Students (Federal SLS) Program, the Federal PLUS Program and the Federal Consolidation Loan Program, collectively referred to as the Federal Family Education Loan Programs.

EFFECTIVE DATE: April 16, 1999.

**FOR FURTHER INFORMATION CONTACT:**

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**SUPPLEMENTARY INFORMATION:** The regulations that are the subject of these corrections incorporate self-implementing statutory changes made to the Higher Education Act, as amended, by the Higher Education Amendments of 1992 (the 1992 Amendments), the Omnibus Budget Reconciliation Act of 1993 (OBRA), and the Higher Education Technical Amendments of 1993 (1993 Amendments). These regulations do not implement the Higher Education Amendments of 1998. Those amendments will be addressed by other regulations as needed. However, some technical changes have been modified to ensure that they do not conflict with those amendments.

**Waiver of Proposed Rulemaking**

It is the practice of the Secretary to offer interested parties the opportunity to comment on proposed regulations. However, the provisions in these final

regulations reflect needed technical corrections and changes to the Federal Family Education Loan Program (FFEL) regulations. These corrections and changes do not affect the substantive rights or obligations of individuals or institutions. Therefore, the Secretary has concluded that these regulations are technical in nature and do not necessitate public comment. Therefore, the Secretary finds that such a solicitation would be unnecessary and contrary to the public interest under 5 U.S.C. 553(b)(B).

For the same reasons, the Secretary has determined, under section 492(b)(2) of the Higher Education Act of 1965, as amended, that these regulations should not be subject to negotiated rulemaking.

**Regulatory Flexibility Act Certification**

The Secretary certifies that these final regulations will not have significant economic impact on a substantial number of small entities. Small entities affected by these regulations are small institutions of higher education. These regulations contain technical corrections to current regulations. The changes will not have a significant economic impact on the institutions affected.

**Paperwork Reduction Act of 1995**

These regulations have been examined under the Paperwork Reduction Act of 1995 and have been found to contain no information collection requirements.

**Intergovernmental Review**

This program is subject to the requirements of Executive Order 12372 and the regulations in 34 CFR part 79. The objective of the Executive order is to foster an intergovernmental partnership and a strengthened federalism by relying on processes developed by State and local governments for coordination and review of proposed Federal financial assistance.

In accordance with the order, this document is intended to provide early notification of the Department's specific plans and actions for this program.

**Assessment of Educational Impact**

Based on its own review, the Department has determined that the regulations in this document do not require transmission of information that is being gathered by or is available from any other agency or authority of the United States.

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**Note:** The official version of a document is the document published in the **Federal Register**.

**List of Subjects in 34 CFR Part 682**

Administrative practice and procedures, Colleges and universities, Education, Loan programs-education, Reporting and recordkeeping requirements, Student aid, Vocational education.

Dated: April 8, 1999.

**Richard W. Riley,***Secretary of Education.*

(Catalog of Federal Domestic Assistance Number: 84.032, Federal Family Education Loan Program)

The Secretary amends part 682 of Title 34 of the Code of Federal Regulations as follows:

**PART 682—FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM**

1. The authority citation for part 682 continues to read as follows:

**Authority:** 20 U.S.C. 1071 to 1087-2, unless otherwise noted.

**§ 682.100 [Amended]**

2. Section 682.100(a)(2) is amended by removing the word "beginning" and adding, in its place, "that began"; paragraph (a)(4) is amended by removing the phrase "their repayment obligations with respect to loans received while they were students," and by adding in its place, "other loans including loans:"; by removing "and", after "PLUS"; and at the end of the paragraph, before the period, is amended by adding ", and existing loans obtained under the Consolidation Loan Program, and William D. Ford Direct Loan (Direct Loan) program

loans, if the application for the Consolidation loan was received on or after November 13, 1997”.

3. Section 682.100(b)(2)(i)(C) is amended by adding, after the semi-colon, “as in effect for periods of enrollment that began prior to July 1, 1994.”; and paragraph (b)(2)(iii) is amended by adding, after “SLS”, “(as in effect for periods of enrollment that began prior to July 1, 1994)”.

**§ 682.101 [Amended]**

4. Section 682.101(b) is amended by removing “Eligible educational institutions”, and by adding, in its place, “Institutions of higher education”.

5. Section 682.101(c) is amended by adding, after “and,” “for periods of enrollment that began”.

**§ 682.102 [Amended]**

6. Section 682.102(e)(1) is amended by removing in the fourth sentence after the italicized heading, “borrower” and by adding, in its place, “student”; and after “borrower’s”, by adding, “or student’s” both times it appears; and in the last sentence, by adding “Stafford loan” after “for”.

7. Section 682.102(e)(2) is amended by removing “Generally” and by adding, in its place, “In the case of a subsidized Stafford loan,”; in the second sentence, by removing “In most cases, the” and by adding, in its place, “The”; by adding a new sentence after the third sentence to read, “In the case of an unsubsidized Stafford loan, the borrower is responsible for interest during these periods.”; and in the last sentence, after “repayment period”, by adding, “for the subsidized and unsubsidized Stafford loan,”.

8. Section 682.102(e)(4), first sentence, is amended by adding “fully” after “is”.

**§ 682.103 [Amended]**

9. Section 682.103(a) is amended by adding “and Federal GSL programs” after “FFEL”; in paragraph (c), after “FFEL”, by adding, “and Federal GSL”; and in paragraph (d), after “FFEL”, by adding, “and Federal GSL”.

**§ 682.200 [Amended]**

10. Section 682.200(a)(1) is amended by removing “College Work-Study (CWS) Program”; by removing “Consolidation” and by adding, in alphabetical order, “Federal Consolidation”; by adding in alphabetical order, after the term “Enrolled”, “Federal Pell Grant Program”, “Federal Perkins Loan Program”, “Federal PLUS Program”, “Federal Work-Study (FWS) Program”,

and “Full-time student”; by removing “Guaranteed Student Loan (GSL) Program”, “Pell Grant Program”, “Perkins Loan Program”, and “PLUS Program”; and by removing the term “State”.

11. Section 682.200 is amended in paragraph (a)(2) by adding after “Educational program”, a new term “Federal Family Education Loan Program (formerly known as the Guaranteed Student Loan (GSL) Program)”; by removing “or association” after “Nationally recognized accrediting agency”; by removing “Program of study by correspondence” and by adding, in alphabetical order “Correspondence course”; by adding “State” after “Secretary”; by removing “Vocational school”, and by adding, in alphabetical order, “Postsecondary Vocational Institution”; by adding a new paragraph (a)(3); in paragraph (b), in the definition of “Borrower”, after “FFEL”, by adding “Program”; by revising the definitions of “Co-maker” and “Subsidized Stafford Loan”; in the definition of “Default”, by adding after “promissory note,” “the Act, or regulations as applicable,”; in the definition of “Disbursement”, after “to”, by adding, “a holder, in the case of a Consolidation loan, or to”; after “master check”, by adding “or by electronic funds transfer”; by removing “represents”, and by adding, in its place, “may represent”, by removing “more than one borrower,” and by adding, in its place, “borrowers”, and by removing “or by electronic funds transfer”; in the definition of “Disposable income”, in the first sentence, by removing “a borrower’s”, and by adding, in its place, “an individual’s”; after “source”, by adding, “, including spousal income,”; in the second sentence, after “Federal”, by removing “and State”, and by adding, in its place, “, State, and local”; in the definition of “Estimated financial assistance”, in paragraph (2)(ii), by adding “Federal” before “Perkins”; by removing “College”, and by adding, in its place, “Federal”; and by removing “for an acceptable reason”; removing the definition of “Full-time student”; in the definition of “Grace period”, in the first sentence, by removing “eligible institution”, and by adding, in its place, “institution of higher education”; in the third sentence, by removing “eligible institution”, and by adding, in its place, “institution of higher education”; in the definition of “Half-time student”, in the first sentence, by removing “eligible institution”, and by adding, in its place, “institution of higher education,”; and by adding before the period “as defined

in 34 CFR 668.2”; and in the second sentence, by removing “program of study by correspondence”, and by adding, in its place, “correspondence course”; in the definition of “Satisfactory repayment arrangement”, in paragraph (1), by removing the reference to “section 428F(b) of the HEA” and by adding, in its place, “§ 682.401(b)(4)”; after “consecutive” by adding “, on-time,”; in paragraph (2), after “consecutive” by adding, “, on-time,”; in the definition of “School”, in paragraph (1), by removing “section 481 of the Act” and by adding, in its place, “34 CFR 600.4”; by removing paragraphs (2) through (4) and redesignating paragraph (5) as paragraph (2); in the redesignated paragraph (2), by removing “eligible institution”, and by adding, in its place, “institution of higher education”; in the definition of “Unsubsidized Stafford loan”, before the period, by adding “but do qualify for special allowance under § 682.302” to read as follows:

**§ 682.200 Definitions.**

\* \* \* \* \*

(a) \* \* \*

(3) The definition for cost of attendance is set forth in section 472 of the Act, as amended.

(b) \* \* \*

(2) \* \* \*

*Co-Maker:* One of two married individuals who jointly borrow a Consolidation loan, each of whom are eligible and who are jointly and severally liable for repayment of the loan. The term co-maker also includes one of two parents who are joint borrowers as previously authorized in the PLUS Program.

\* \* \* \* \*

*Subsidized Stafford Loan:* A Stafford loan that qualifies for interest benefits under § 682.301(b) and special allowance under § 682.302.

\* \* \* \* \*

**§ 682.201 [Amended]**

12. Section 682.201(a)(3) is amended by adding after “(e.g.,”, “denial of a PLUS loan to a parent based on adverse credit,”.

13. Section 682.201(a)(4)(i) is amended by removing “and interest that has”, and by adding, in its place, “interest, collection costs, legal costs, and late charges that have”.

14. Section 682.201(a)(4)(ii)(A) is amended by adding after “note”, “that includes the same terms and conditions as the original note signed by the borrower”.

15. Section 682.201(a)(5) is amended by removing the paragraph designation

“(i)”; by removing paragraph (a)(5)(ii); by redesignating paragraphs (i)(A) and (B) as paragraphs (a)(5)(i) and (ii), respectively; and by removing the semicolon at the end of redesignated paragraph (a)(5)(ii), and by adding, in its place, a period.

16. Section 682.201(a)(6) is amended by removing the cross reference to “668.7(b)” and by adding, in its place, “668.32(e)”.

17. Section 682.201(b)(1)(iii) is amended by removing the cross reference to “668.7” and by adding, in its place, “668.33”.

18. Section 682.201(b)(1)(iv) is amended by removing the cross reference to “668.7” and by adding, in its place, “668.35 and meets the requirements of judgment liens that apply to the student under 34 CFR 668.32(g)(3)”.

19. Section 682.201(c)(1)(i) is amended by removing “a Consolidation loan made”, and by adding, in its place, “an application received by a consolidating lender”, by removing “but”, and by adding, in its place, “, and for which the loan was made”; by removing “are”, and adding, in its place “is”.

20. Section 682.201(c)(1)(ii) is amended by removing “, or, in the case of a PLUS borrower, the dependent student on whose behalf the parent is borrowing has ceased,”.

21. Section 682.201(c)(1)(iii)(C) is amended by adding, after “status”, “on a Title IV loan”.

**§ 682.202 [Amended]**

22. Section 682.202 is amended by adding a new paragraph (h) to read as follows:

\* \* \* \* \*

(h) *Special allowance.* Pursuant to § 682.412(c), a lender may charge a borrower the amount of special allowance paid by the Secretary on behalf of the borrower.

**§ 682.204 [Amended]**

23. Section 682.204 is amended, in paragraph (a)(1) by removing, “a dependent” and by adding, in its place, “an”; in paragraph (a)(2), after “Stafford Loan”, by adding, “and Direct Stafford Loan”; in paragraph (a)(3), before “academic”, by adding, “an”; in paragraph (a)(4), after “admission in the program”, by adding, “and who is not a graduate or professional student”; in paragraph (b) by revising the introductory text; in paragraph (b)(2), by removing “\$65,000”, and by adding, in its place, “\$65,500”; in paragraph (c) by adding “(1)” after the italicized paragraph heading; removing the word “graduate”, and by adding, in its place,

“undergraduate”; by removing, after “study”, the word “for” and by adding, in its place, “under”; by adding a new paragraph (c)(2); in paragraph (d) by removing in the first sentence, “paragraph (b)”, and by adding, in its place, “paragraphs (a) and (c)”; in the second sentence, by removing “in combination with Unsubsidized Stafford Loans”, and by adding, in its place, “in addition to the amounts allowed under paragraphs (a) and (c) of this section”; in paragraph (d)(3), after “admission into the program”, by adding, “and who is not a graduate or professional student”; in paragraph (e) in the italicized heading preceding the introductory text by removing, “Unsubsidized Stafford Loan Program” and by adding, in its place, “Combined Federal Stafford and SLS and Federal Direct Stafford”; in paragraph (f)(2)(i)(C) by adding, after “length is”, the word, “at”; in paragraph (f)(4)(ii), by removing “study” and by adding, in its place, “student”; in paragraph (h) by removing “may borrow for enrollment in an eligible program of study”; and in paragraph (j) by removing “HPSL”, and by adding, in its place, “or HEAL”, to read as follows:

**§ 682.204 Maximum loan amounts.**

\* \* \* \* \*

(b) *Stafford Loan Program aggregate limits.* The aggregate unpaid principal amount of all loans made under the Stafford Loan and Direct Stafford Loan Programs may not exceed—

\* \* \* \* \*

(c) \* \* \*

(2) In the case of an independent undergraduate student, a graduate or professional student, or certain dependent undergraduate students, the total amount the student may borrow for any period of enrollment under the Unsubsidized Stafford Loan and Direct Unsubsidized Stafford Loan Programs may not exceed the amounts determined under paragraph (a) of this section less any amount received under the Federal Stafford Loan Program, in combination with the amounts determined under paragraph (d) of this section.

\* \* \* \* \*

**§ 682.205 [Amended]**

24. Section 682.205(a)(2)(xiii) is amended by removing after “wages”, the word, “will”, and by adding, in its place, “may”.

**§ 682.206 [Amended]**

25. Section 682.206(e)(2) is amended by removing “Federal PLUS Program loan and”; and by adding, before the period, “, or may be made to an eligible borrower with an endorser who is

secondarily liable for repayment of the loan”.

**§ 682.207 [Amended]**

26. Section 682.207 is amended in paragraph (a)(1) by removing “, SLS,” and “, Federal SLS,”; by removing “other than” after “loans”; and by adding, in its place, “. This section does not prescribe procedures for”; in paragraph (b)(1)(i)(B) by removing “SLS” and by adding, in its place, “PLUS”; in paragraph (b)(1)(ii)(A), by removing “if required by the guarantor or lender,” and by adding, in its place, “that”; in paragraph (b)(1)(ii)(C), by removing “eligible institution”, and by adding, in its place, “institution of higher education”; in paragraph (b)(1)(v)(B)(1), by removing “to the eligible institution”, and by adding, in its place, “in accordance with the disbursement schedule provided by the school”, in paragraph (b)(1)(v)(B)(2), by removing “eligible institution”, and by adding, in its place, “institution of higher education”; by adding a new paragraph (b)(1)(v)(B)(3); in paragraph (c) introductory text, by removing “A”, and by adding, in its place, “Except for a borrower attending an eligible foreign institution, a”; and in paragraph (d)(2)(i)(C) by adding, “and has not previously received a loan under this part” after “intended” to read as follows:

**§ 682.207 Due diligence in disbursing a loan.**

\* \* \* \* \*

(b) \* \* \*

(1) \* \* \*

(v) \* \* \*

(B) \* \* \*

(3) In the case of a student enrolled in a foreign institution, a check from the lender that is made co-payable to the institution and sent directly to either the parent or the eligible institution.

\* \* \* \* \*

**§ 682.208 [Amended]**

27. Section 682.208(b)(1)(iii) is amended by removing “within”, and by adding, in its place, “no less frequently than every”; and by adding “or quarterly” after “days”.

28. Section 682.208(c)(2) is amended by removing “eligible school” and by adding, in its place, “institution of higher education”.

29. Section 682.208 is amended in paragraph (e)(1) by removing “or” before “SLS”; by adding “, or Consolidation” after “SLS”; and in paragraph (e)(3) by removing the cross reference to “(15)(ii)” and adding, in its place, “(17)(ii)”.

**§ 682.209 [Amended]**

30. Section 682.209 is amended in paragraph (a)(1) by removing "fully"; in paragraph (a)(2)(i), in the third sentence, removing "last", and by adding, in its place, "first"; in paragraph (a)(2)(ii), after the reference to "(a)(2)(iii)", by adding ", (a)(2)(iv), and (a)(2)(v); by adding new paragraphs (a)(2)(iv) and (a)(2)(v); and adding "; and" at the end, and removing "and" at the end of paragraph (a)(3)(i)(A); in paragraph (a)(3)(i)(B), before "6", by adding "the day after"; by removing "eligible school" and by adding, in its place, "institution of higher education and"; by adding a new paragraph (a)(3)(i)(C); in paragraph (a)(3)(ii)(B), before the semi-colon, by adding, "unless the borrower during this period has submitted payments with instructions that those payments are intended for future installment payments"; in paragraph (a)(3)(ii)(C), after "the", by adding "post deferment"; in paragraph (a)(4)(ii) by removing ", according to the schedule required in § 682.602"; in paragraph (a)(4)(iii) by removing, "required under § 682.602"; in paragraph (a)(6)(iii), in the third sentence, after "includes", removing the remainder of the sentence, and by adding, in its place, "any borrower whose Consolidation loan application is received by the lender on or after January 1, 1993."; paragraph (a)(6)(vii)(A) is revised; paragraph (a)(6)(viii)(A) is revised; in paragraph (a)(6)(viii)(C), by removing "If", and by adding, in its place, "Except in the case of a Consolidation loan, if"; in paragraph (a)(6)(ix) by removing "may", and adding, in its place, "shall, to the extent practicable"; in paragraph (a)(7)(ii), before "12-", by adding "10-"; removing the cross reference to "§ 682.208(h)" and adding, in its place, "§ 682.209(h)"; in paragraph (e)(2)(i) by removing the cross reference to "§ 682.202(a)(2)(iv)" and by adding, in its place, "§ 682.202(a)(2)(ii) and (3)(ii)"; in paragraph (f)(2)(i) by removing the cross reference to "§ 682.202(a)(2)(iv)" and by adding, in its place, "§ 682.202(a)(2)(ii) and (3)(ii), as appropriate"; in paragraph (g)(1) by adding "Federal" before "PLUS"; in paragraph (h)(2) by redesignating paragraphs (i) through (v) as paragraphs (ii) through (vi); by adding a new paragraph (h)(2)(i); in paragraph (h)(3) by removing "In" and by adding, in its place, "Except for a Consolidation loan disbursed on or after July 1, 1994, in"; in paragraph (h)(5)(ii) by removing "for" and adding, in its place, "the borrower the option of a" to read as follows:

**§ 682.209 Repayment of a loan.**

- \* \* \* \* \*
- (a) \* \* \*
- (2) \* \* \*
- (iv) If the lender first learns after the fact that an SLS borrower has entered the repayment period, the repayment begins no later than 75 days after the date the lender learns that the borrower has entered the repayment period.
- (v) The lender may establish a first payment due date that is no more than an additional 30 days beyond the period specified in paragraphs (a)(2)(i)—(a)(2)(iv) of this section in order for the lender to comply with the required deadline contained in § 682.205(c)(1).
- \* \* \* \* \*
- (3) \* \* \*
- (i) \* \* \*
- (C) For a borrower with a loan with a variable interest rate, the day after 6 months following the date on which the borrower is no longer enrolled on at least a half-time basis at an institution of higher education.
- \* \* \* \* \*
- (6) \* \* \*
- (vii) \* \* \*
- (A)(I) The amount of the borrower's installment payment is scheduled to change (usually by increasing) during the course of the repayment period; or
- (2) If the loan has a variable interest rate that changes annually, the lender may establish a repayment schedule that may have adjustments in the payment amount as provided under paragraph (a)(6)(i) of this section; and
- \* \* \* \* \*
- (viii) \* \* \*
- (A)(I) The amount of the borrower's installment payment is adjusted annually, based on the borrower's expected total monthly gross income received by the borrower from employment and from other sources during the course of the repayment period; or
- (2) If the loan has a variable interest rate that changes annually, the lender may establish a repayment schedule that may have adjustments in the payment amount as provided under paragraph (a)(6)(i) of this section; and
- \* \* \* \* \*
- (h) \* \* \*
- (2) \* \* \*
- (i) Is less than \$7,500, the borrower shall repay the Consolidation loan in not more than 10 years;
- \* \* \* \* \*

**§ 682.210 [Amended]**

31. Section 682.210 is amended by adding "on that loan" after "deferment" in paragraph (a)(8); and by removing "(r)", and adding, in its place "(s)", in paragraph (a)(10).

32. Section 682.210 is amended by removing "eligible institution", and by adding, in its place, "institution of higher education" in paragraph (b)(3) introductory text.; by adding ", a Direct Stafford," after "received a Stafford" in paragraph (b)(4); and by adding "of paragraph (b)(5)" after "purposes" in paragraph (b)(7), introductory text.

33. Section 682.210 is amended by adding, "of paragraphs (s)(2) through (s)(6)" in the second sentence, after "purposes" in paragraph (s)(1); and by removing "for" the first time it appears, and adding, in its place, "based on the borrower's" in paragraph (s)(2).

**§ 682.211 [Amended]**

34. Section 682.211 is amended by removing "(h)", and adding, in its place, "(g)" in paragraph (a)(2); and by adding, "based on the same or differing condition", after "impaired" in paragraph (a)(3).

35. Section 682.211(d) is amended by adding, in the first sentence, "but prior to claim payment" after "default"; and by removing "repayment obligation" and adding, in its place, "agreement to repay the debt" in the second sentence.

36. Section 682.211(e) is amended by removing "or a forbearance granted under paragraph (g) of this section" in the first sentence.

37. Section 682.211 is amended by removing paragraph (f)(4); redesignating paragraphs (f)(5) through (f)(9) as paragraphs (f)(4) through paragraph (f)(8), respectively; removing "682.402(d)", and adding, in its place, "682.402(f)" in redesignated paragraph (f)(4); and by removing "is established in accordance with § 682.209(a)(3)(ii)(B)", and adding, in its place, ", which can be no later than 45 days after the period ends" in redesignated paragraph (f)(8).

38. Section 682.211 is further amended by removing paragraph (g); redesignating paragraphs (h) through (j) as paragraphs (g) through (i), respectively; removing "paragraph (j)(5)" and adding, in its place, "paragraph (i)(5) of this section", in redesignated paragraph (g); removing "paragraph (i)(1)" and adding, in its place, "paragraph (h)(1)" in redesignated paragraph (h)(2); removing "paragraph (i)(2)(i)" and adding, in its place, "paragraph (h)(2)(i)" in redesignated paragraph (h)(3)(i); removing "paragraph (i)(2)(ii)(B)" and adding, in its place, "paragraph (h)(2)(ii)(B)" in redesignated paragraph (h)(3)(ii); removing "paragraph (i)(2)(ii)(C)", and adding, in its place, "paragraph (h)(2)(ii)(C)" in redesignated paragraph (h)(3)(iii); removing "paragraph (j)(2)", "paragraph

“(j)(2)(ii)”, and “paragraph (j)(4)”, and adding, in their place, “paragraph (i)(2)”, “paragraph (i)(2)(ii)”, and “paragraph (i)(4)”, respectively, in redesignated paragraph (i)(1); removing “paragraph (j)(2)(i)”, and adding, in its place, “paragraph (i)(2)(i)” in redesignated paragraph (i)(4).

§ 682.215 [Amended]

39. Section 682.215 is amended by adding “or other non-profit private” after “public” in paragraph (e)(2)(i).

§ 682.300 [Amended]

40. Section 682.300 is amended by adding “except as provided in paragraph (c)(4) of this section” before the word “if” in paragraph (b)(2)(ii); by removing “restricted” in paragraph (b)(2)(ii)(B); by removing “or” after the semicolon in paragraph (b)(2)(vi); by removing the period at the end of paragraph (b)(2)(vii), and by adding, in its place, “; or”; and by adding a new paragraph (b)(2)(viii) to read as follows:

§ 682.300 Payment of interest benefits on Stafford and Consolidation loans.

(b) \* \* \*
(2) \* \* \*
(viii) The date the lender determines that the borrower is eligible for loan discharge under § 682.402(d) or (e).”

§ 682.301 [Amended]

41. Section 682.301 is amended by removing, “academic period” and adding, in its place, “period of enrollment” in paragraph (b)(1); and by removing, “academic period” and adding, in its place, “period of enrollment” in paragraph (b)(2).

§ 682.302 [Amended]

42. Section 682.302 is amended by removing, “prior to” and adding, in its place, “on or before” in paragraph (d)(1)(v); by removing “guaranty agency returns a claim” and adding, in its place, “lender received a returned claim from the guaranty agency on a loan” in paragraph (d)(1)(vii); by redesignating paragraph (d)(2) as paragraph (d)(3); and by adding a new paragraph (d)(2) to read as follows:

§ 683.302 Payment of special allowance on FFEL loans.

(2) In the case of a loan disbursed on or after October 1, 1992, the Secretary does not pay special allowance on a loan if—
(i) The disbursement check is returned uncashed to the lender or the lender is notified that the disbursement

made by electronic funds transfer or master check will not be released from the restricted account maintained by the school; or

(ii) The check for the disbursement has not been negotiated before the 120th day after the date of disbursement or the disbursement made by electronic funds transfer or master check has not been released from the restricted account maintained by the school before that date.

43. Section 682.305 is amended by revising paragraph (a)(3) to read as follows:

§ 682.305 Procedures for payment of interest benefits and special allowance.

(3)(i)(A) The Secretary reduces the amount of interest benefits and special allowance payable to the lender by—
(I) The amount of origination fees the lender was authorized to collect during the quarter under § 682.202(c), whether or not the lender actually collected that amount; and
(2) The amount of lender fees payable under paragraph (a)(3)(ii) of this section.
(B) The Secretary increases the amount of interest benefits and special allowance payable to the lender by the amount of origination fees refunded to borrowers during the quarter under § 682.202(c).

(ii) For any FFEL loan made on or after October 1, 1993, a lender shall pay the Secretary a loan fee equal to 0.50% of the principal amount of the loan.

§ 682.400 [Amended]

44. Section 682.400 is amended by removing “GSL” and adding, in its place “FFEL” in paragraph (a); and by removing “and” before “bankruptcy” and adding “, closed school and false certification discharge” after “bankruptcy” in paragraph (b)(1)(ii).

§ 682.401 [Amended]

45. Section 682.401 is amended by removing the comma after “Stafford”, and by adding, in its place, “and”, removing “, PLUS”, and removing “(h)”, and adding, in its place, “(g)” in paragraph (b)(1); removing “(g)”, and adding, in its place, “(h)” in paragraph (b)(2); removing “or” at the end of paragraph (b)(2)(ii)(A); removing the period at the end of paragraph (b)(2)(ii)(B), and adding, in its place, “; or”; by adding a new paragraph (b)(2)(ii)(C); by removing “§ 682.204(i)” and adding, in its place, “§ 682.204(k)” in paragraph (b)(2)(iii); by adding a new paragraph (b)(4)(v); by removing “, SLS,” in paragraph (b)(5)(ii); by

removing “sections 428A(a)(2) or”, and adding, in its place, “section” in paragraph (b)(6)(i)(C); revising paragraph (b)(10)(iv); removing “§ 682.401(b)(9)(vi)(A) and (B)” and adding, in its place, “§ 682.401(b)(10)(vi)(A) and (B)” in paragraph (b)(10)(v); and revising paragraphs (b)(15) through (b)(28) to read as follows:

§ 682.401 Basic program agreement.

(b) \* \* \*
(2) \* \* \*
(ii) \* \* \*
(C) A period that does not exceed 12 months.
(4) \* \* \*
(v) A guaranty agency must inform the borrower that he or she may only obtain reinstatement of borrower eligibility under this section once.
(10) \* \* \*
(iv) The amount of the insurance premium may not exceed—
(A) For a loan disbursed on or before June 30, 1994, 3 percent of the principal balance of the loan; or
(B) For a loan disbursed on or after July 1, 1994, 1 percent of the principal balance of the loan.
(15) Guaranty agency verification of default data. A guaranty agency shall respond to an institution’s written request for verification of its default rate data for purposes of an appeal pursuant to 34 CFR 668.17(c)(1)(i) within 15 working days of the date the agency receives the institution’s written request pursuant to 34 CFR 668.17(c)(8), and simultaneously provide a copy of that response to the Secretary’s designated Department official.
(16) Guaranty agency administration. In the case of a State loan guarantee program administered by a State government, the program must be administered by a single State agency, or by one or more private nonprofit institutions or organizations under the supervision of a single State agency. For this purpose, “supervision” includes, but is not limited to, setting policies and procedures, and having full responsibility for the operation of the program.
(17) Loan assignment. (i) Except as provided in paragraph (b)(17)(iii) of this section, the guaranty agency must allow a loan to be assigned only if the loan is fully disbursed and is assigned to—
(A) An eligible lender;
(B) A guaranty agency, in the case of a borrower’s default, death, total and

permanent disability, or filing of a bankruptcy petition, or for other circumstances approved by the Secretary, such as a loan made for attendance at a school that closed or a false certification claim;

(C) An educational institution, whether or not it is an eligible lender, in connection with the institution's repayment to the agency or to the Secretary of a guarantee or a reinsurance claim payment made on a loan that was ineligible for the payment;

(D) A Federal or State agency or an organization or corporation acting on behalf of such an agency and acting as a conservator, liquidator, or receiver of an eligible lender; or

(E) The Secretary.

(ii) For the purpose of this paragraph, "assigned" means any kind of transfer of an interest in the loan, including a pledge of such an interest as security.

(iii) The guaranty agency must allow a loan to be assigned under paragraph (b)(17)(i) of this section, following the first disbursement of the loan if the assignment does not result in a change in the identity of the party to whom payments must be made.

(18) *Transfer of guarantees.* Except in the case of a transfer of guarantee requested by a borrower seeking a transfer to secure a single guarantor, the guaranty agency may transfer its guarantee obligation on a loan to another guaranty agency, only with the approval of the Secretary, the transferee agency, and the holder of the loan.

(19) *Standards and procedures.* (i) The guaranty agency shall establish, disseminate to concerned parties, and enforce standards and procedures for—

(A) Ensuring that all lenders in its program meet the definition of "eligible lender" in section 435(d) of the Act and have a written lender agreement with the agency;

(B) School and lender participation in its program;

(C) Limitation, suspension, termination of school and lender participation;

(D) Emergency action against a participating school or lender;

(E) The exercise of due diligence by lenders in making, servicing, and collecting loans; and

(F) The timely filing by lenders of default, death, disability, bankruptcy, closed school, false certification, and ineligible loan claims.

(ii) The guaranty agency shall ensure that its program and all participants in its program at all times meet the requirements of subparts B, C, D, and F of this part.

(20) *Monitoring student enrollment.* The guaranty agency shall monitor the

enrollment status of a FFEL program borrower or student on whose behalf a parent has borrowed that includes, at a minimum, reporting to the current holder of the loan within 60 days any change in the student's enrollment status reported that triggers—

(i) The beginning of the borrower's grace period; or

(ii) The beginning or resumption of the borrower's immediate obligation to make scheduled payments.

(21) *Submission of interest and special allowance information.* Upon the Secretary's request, the guaranty agency shall submit, or require its lenders to submit, information that the Secretary deems necessary for determining the amount of interest benefits and special allowance payable on the agency's guaranteed loans.

(22) *Submission of information for reports.* The guaranty agency shall require lenders to submit to the agency the information necessary for the agency to complete the reports required by § 682.414(b).

(23) *Guaranty agency transfer of information.* (i) A guaranty agency from which another guaranty agency requests information regarding Stafford and SLS loans made after January 1, 1987, to students who are residents of the State for which the requesting agency is the principal guaranty agency as defined in § 682.800(d) shall provide—

(A) The name and social security number of the student; and

(B) The annual loan amount and the cumulative amount borrowed by the student in loans under the Stafford and SLS programs guaranteed by the responding agency.

(ii) The reasonable costs incurred by an agency in fulfilling a request for information made under paragraph (b)(23)(i) of this section must be paid by the guaranty agency making the request.

(24) *Information on defaults.* The guaranty agency shall upon the request of a school, furnish information with respect to students, including the names and addresses of such students, who

were enrolled at that school and who are in default on the repayment of any loan guaranteed by that agency.

(25) *Information on loan sales or transfers.* The guaranty agency must, upon the request of a school, furnish to the school last attended by the student, information with respect to the sale or transfer of a borrower's loan prior to the beginning of the repayment period, including—

(i) Notice of assignment;

(ii) The identity of the assignee;

(iii) The name and address of the party by which contact may be made

with the holder concerning repayment of the loan; and

(iv) The telephone number of the assignee or, if the assignee uses a lender servicer, another appropriate number for borrower inquiries.

(26) *Third-party servicers.* The guaranty agency may not enter into a contract with a third-party servicer that the Secretary has determined does not meet the financial and compliance standards under § 682.416. The guaranty agency shall provide the Secretary with the name and address of any third-party servicer with which the agency enters into a contract and, upon request by the Secretary, a copy of that contract.

(27) *Collection charges and late fees on defaulted FFEL loans being consolidated.* (i) A guaranty agency may add collection costs in an amount not to exceed 18.5 percent of the outstanding principal and interest to a defaulted FFEL Program loan that is included in a Federal Consolidation loan.

(ii) When returning the proceeds from the consolidation of a defaulted loan to the Secretary, a guaranty agency may only retain the amount added to the borrower's balance pursuant to paragraph (b)(27)(i) of this section.

(28) *Change in agency's records system.* The agency shall provide written notification to the Secretary at least 30 days prior to placing its new guarantees or converting the records relating to its existing guaranty portfolio to an information or computer system that is owned by, or otherwise under the control of, an entity that is different than the party that owns or controls the agency's existing information or computer system. If the agency is soliciting bids from third parties with respect to a proposed conversion, the agency shall provide written notice to the Secretary as soon as the solicitation begins. The notification described in this paragraph must include a concise description of the agency's conversion project and the actual or estimated cost of the project.

\* \* \* \* \*

#### § 682.402 [Amended]

46. Section 682.402 is amended by adding "unless that borrower would qualify for discharge of the loan under these regulations" before the period at the end of paragraph (a)(2); by removing " , on or after July 23, 1992" in paragraph (b)(1); by removing "the" before "light" in paragraph (d)(6)(ii)(G); by adding " , the Secretary" after "lender" in paragraph (e)(6)(v); by removing "(e)(10)(iii)(C)" and adding, in its place, "(e)(10)(ii)(C)" in paragraph (e)(10)(ii)(D)(2); by removing "(e)(10)(iii)(C)", and adding, in its place,

“(e)(10)(ii)(C)” in paragraph (e)(10)(ii)(E); by removing “(e)(10)(iv)(B)”, and adding, in its place, “(e)(10)(iv)” in paragraph (e)(11); by removing the first paragraph designated as (e)(13); by removing “(d) through (i)”, and adding, in its place, “(f) through (m)” in paragraph (f)(1); by adding, “debtor’s attorney or the” after “issued by the” in paragraph (f)(3); by removing “(e)”, and adding, in its place, “(g)” in paragraph (f)(5)(i); by removing “(d)(5)(i)”, and adding, in its place, “(f)(5)(i)” in paragraph (f)(5)(ii); by removing “(d)(2)”, and adding, in its place, “(f)(3)” in paragraph (g)(2)(iv)(A); by removing “(f)”, and adding, in its place, “(g)” in paragraph (h)(1)(i); by removing “(g)”, and adding, in its place, “(i)” in paragraph (h)(1)(ii); by revising paragraph (h)(2)(i); by adding “closed school or false certification” after “of a” in paragraph (h)(2)(iii); by removing “Federal” in paragraph (h)(2)(v); by revising paragraph (h)(3)(iii); by removing “(h)(2)”, and adding, in its place, “(i)(2)” in paragraph (i)(3)(ii); by revising paragraph (m)(1); and by adding “as provided in § 682.210(a)(5)” after the word “deferment” in paragraph (m)(2) to read as follows:

**§ 682.402 Death, disability, closed school, false certification, and bankruptcy payments.**

\* \* \* \* \*

(h) \* \* \*  
 (2) (i) The amount of loss payable—  
 (A) On a death or disability claim is equal to the sum of the remaining principal balance and interest accrued on the loan, collection costs incurred by the lender and applied to the borrower’s account within 30 days of the date those costs were actually incurred, and unpaid interest up to the date the lender should have filed the claim.  
 (B) On a bankruptcy claim is equal to the unpaid balance of principal and interest determined in accordance with paragraph (h)(3) of this section.

\* \* \* \* \*

(3) \* \* \*  
 (iii) During the period required by the guaranty agency to approve the claim and to authorize payment or to return the claim to the lender for additional documentation not to exceed—

(A) 45 days for death, disability or bankruptcy claims; or  
 (B) 90 days for closed school and false certifications.

\* \* \* \* \*

(m) \* \* \*  
 (1) Includes any period during which the lender does not require the borrower to make a payment on the loan.

\* \* \* \* \*

**§ 682.403 [Amended]**

47. Section 682.403 is amended by removing “eligible educational institution” both times it appears, and by adding, in its place, “institution of higher education” in paragraph (a)(2)(iii)(D); by revising paragraph (d); by removing “sections 422(c) and (d)” and adding, in its place, “section 422” in paragraph (f) to read as follows:

**§ 682.403 Federal advances for claims payments.**

\* \* \* \* \*

(d) The Secretary makes an advance to a guaranty agency—

(1) On terms and conditions specified in an agreement between the Secretary and the guaranty agency;

(2) To ensure that the agency will fulfill its lender-of-last resort obligation; and

(3) To meet the agency’s immediate cash needs and to ensure the uninterrupted payment of claims when the Secretary has terminated the agency’s agreement and assumed its functions.

\* \* \* \* \*

**§ 682.404 [Amended]**

48. Section 682.404 is amended by removing “\$50”, and by adding, in its place, “an amount equal to one percent of the total unpaid principal and accrued interest on the loan as of the date the lender transmits its request to the guaranty agency” in paragraph (a)(3)(i); by adding “and all loans guaranteed on or after October 1, 1993,” after “(h),” in paragraph (d)(1); and by removing “30” and adding, in its place, “27” in paragraph (g)(2)(ii).

**§ 682.405 [Amended]**

49. Section 682.405 is amended by adding “on-time” in the second sentence, after “one” in paragraph (b)(1) introductory text; by removing “consequences”, and by adding, in its place, “effects” in the second sentence in paragraph (b)(1)(iv); and by removing “10-year maximum”, and by adding in its place, “applicable maximum repayment term, as defined under sections 682.209(a) or (h)” in the second sentence in paragraph (b)(3).

**§ 682.406 [Amended]**

50. Section 682.406 is amended by removing the first comma and by adding, in its place, a semi-colon, and by removing the remainder of the paragraph in paragraph (a)(9); and by revising paragraph (a)(12) to read as follows:

**§ 682.406 Conditions of reinsurance coverage.**

(a) \* \* \*

(12) The agency and the lender, if applicable, complied with all other Federal requirements with respect to the loan including—

(i) Payment of origination fees;

(ii) For Consolidation loans disbursed on or after October 1, 1993, payment, on a monthly basis, of an interest payment rebate fee calculated on an annual basis and equal to 1.05 percent of the unpaid principal and accrued interest on the loan;

(iii) Compliance with all preclaims assistance requirements in § 682.404(a)(2)(ii).

\* \* \* \* \*

**§ 682.408 [Amended]**

51. Section 682.408(a) is amended by removing “,SLS,”.

**§ 682.409 [Amended]**

52. Section 682.409(a) is amended by removing “§§ 682.402(d), 682.402(i)” and by adding, in its place, “§§ 682.402(f), 682.402(k)”.

**§ 682.410 [Amended]**

53. Section 682.410 is amended by removing “Administrative Cost Allowance payments received under § 682.407 and transitional”, and by adding, in its place, “Transitional” in paragraph (a)(1)(vi); by removing the word “or” after “bankruptcy,” and adding, before the period, “, or closed school or false certification” in paragraph (b)(5)(i)(E); by removing “promptly”, and adding, in its place, “, within the timeframe specified in paragraph (b)(6)(ii) of this section,” after the word “shall” in paragraph (b)(5)(ii); by removing “during the period specified in paragraph (5)(iv)(B) of this section” in the second sentence in paragraph (b)(6)(ii)(A), and adding at the end of the sentence, before the period, “during the period specified for this review in paragraph (b)(5)(iv)(B)”; removing “or” at the end of paragraph (b)(6)(vi)(A)(2); by removing “and”, and adding, in its place, “or” at the end of paragraph (b)(6)(vi)(A)(3); by adding a new paragraph (b)(6)(vi)(A)(4); by removing “(1) through (3)”, and by adding, in its place, “(1), (2), (3), and (5)” in paragraph (b)(6)(vi)(B)(2); revising paragraph (b)(6)(vii)(B); by removing “(B)(6)(vii)(D)(2)”, and adding, in its place, “(b)(6)(vii)(B)”, removing “institute a civil suit”, and adding, in its place, “initiate administrative wage garnishment”, adding “and the loan has not been assigned to the Department for a civil suit to be filed” after “loan”, removing “a judgment on”, and adding, before the period, “through administrative wage garnishment” in paragraph

(b)(6)(viii)(A); by removing "that the cost of litigation would not exceed the amount likely to be obtained if litigation were begun", and removing "shall institute a civil suit", and adding, in its place, "initiate administrative wage garnishment" in paragraph (b)(6)(viii)(B); by removing "a" in the first sentence, after "enforce", and by adding, in its place, "an administrative wage garnishment order or a", by adding "administrative wage garnishment order or" after "ensure that the", removing "judgment" in the second sentence, and adding, in its place, "debt", adding "income or" after "sufficient" both times it appears, removing "or income" after "assets" both times it appears, adding "the administrative wage garnishment order or" after "satisfy", removing "the remainder of the" after "to satisfy", and by adding, in its place, "an administrative wage garnishment order or a" in paragraph (b)(6)(ix)(A); by adding "income or" after "sufficient", removing "or income", removing "judgment and that the cost of enforcing the judgment would not exceed the likely recovery", and by adding, in its place, "debt", adding "initiate administrative wage garnishment or" after "intention to", and removing "on the judgment" before "unless" in paragraph (b)(6)(ix)(B); by adding "administrative wage garnishment or" before "remainder of the judgment" in paragraph (b)(6)(ix)(C); removing and reserving paragraph (b)(6)(xi); by removing "sue", and adding, in its place "initiate administrative wage garnishment" in paragraph (b)(6)(xii); by removing, "(b)(7)(iii)-(vi)" in the first sentence, and adding, in its place, "(b)(7)(iii)-(v)", removing "(b)(7)(iii)-(vi)" in the second sentence, and by adding, in its place, "(b)(7)(iii)-(v)" in paragraph (b)(7)(ii); and by removing "refer", and adding, in its place, "make the initial referral of" in paragraph (b)(7)(iv)(B) to read as follows:

**§ 682.410 Fiscal, administrative, and enforcement requirements.**

\* \* \* \* \*

(b) \* \* \*  
 (6) \* \* \*  
 (vi) \* \* \*  
 (A) \* \* \*

(4) The day on which the agency received a payment on a loan that remains in default notwithstanding the payment; and

\* \* \* \* \*

(vii) \* \* \*

(B) The agency need not initiate administrative wage garnishment if the agency determines and documents in the borrower's file that the borrower

does not have sufficient income to satisfy the debt or a substantial portion thereof.

\* \* \* \* \*

**§ 682.411 [Amended]**

54. Section 682.411 is amended by removing, "no later than 45 days following the end of the grace period", and by adding, in its place, "by the deadlines specified in § 682.209(a)" and adding "(a)(2)(v) and" after "provided in (682.209" in paragraph (b)(1); by removing, in the last sentence, "notice or collection letter" and adding, in its place, "collection letters" in paragraph (d)(1); by adding, "correct telephone number," after "correct address," in paragraph (d)(3)(i); by adding "correct telephone number," after "correct address," in paragraph (d)(3)(ii); by adding ", or correct telephone number" after "correct address" in paragraph (d)(4)(iv)(B); and by adding, in the third sentence, before the period, "and may be in writing or by phone calls" in paragraph (g).

**§ 682.413 [Amended]**

55. Section 682.413 is amended by removing "that violate (682.206(f)(1)" and by adding, in its place, "for which the certification required under (682.206(f)(1) is not available" in paragraph (c)(1)(vi); and by removing "that violate (682.206(f)(1)", and by adding, in its place, "as specified in (682.413(c)(1)(vi)" in paragraph (c)(2),.

**§ 682.415 [Amended]**

56. Section 682.415 is amended by removing "682.402(e)(2)" and by adding, in its place, "682.402(g)(2)" in paragraph (b)(1)(iv); by removing "(a)(2)(ii)", and adding, in its place, "(a)(2)(iii)" and removing "682.402(e)(2)", and adding, in its place, "682.402(g)(2)" in paragraph (b)(3); by removing "or" after "disability," and adding, ", or closed school and false certification discharges" after "bankruptcy" in paragraph (b)(5)(i); by removing "682.402(e)(2)", and adding, in its place, "682.402(g)(2)" in paragraph (b)(6)(i); by removing "(a)(3)(iii)(A)", and adding, in its place, "(a)(2)(iii)(A)" in paragraph (b)(9); by removing "(a)(2)(ii)", and adding, in its place, "(a)(2)(iii)" in paragraph (c)(4); and by removing "servicer", and adding, in its place, "service" in paragraph (c)(7)(ii).

**§ 682.505 [Amended]**

57. Section 682.505(d) is amended by adding "Federal" before "PLUS" and again before "SLS" in the italicized heading; and by adding "Federal" in the introductory text before "SLS".

**§ 682.507 [Amended]**

58. Section 682.507(a)(2) is amended by adding "Federal" before "Consolidation".

**§ 682.511 [Amended]**

59. Section 682.511 is amended by adding "Federal" before "Consolidation" in paragraph (a)(2); and by removing "682.402(e)(1)" and adding, in its place, "682.402(g)(1)" in paragraph (b)(2).

**§ 682.512 [Amended]**

60. Section 682.512 is amended by removing "(682.402(f)(2) and (f)(3)" and adding, in its place, "(682.402(h)(2) and (h)(3)" in paragraph (b)(1)(ii).

**§ 682.603 [Amended]**

61. Section 682.603 is amended by removing the comma and adding "or" after "Stafford" and by removing ", or SLS" in paragraph (d) introductory text.; by removing ", SLS," in paragraph (e) introductory text.; by redesignating paragraph (f)(1)(i) as paragraph (f)(1)(i)(A); by adding a new paragraph (f)(1)(i)(B); by removing the comma and the parenthetical phrase in paragraph (f)(1)(ii)(B), and adding, in its place, a period; by adding "time" after "instruction" in paragraph (f)(3)(ii)(A); to read as follows:

**§ 682.603 Certification by a participating school in connection with a loan application.**

\* \* \* \* \*

(f)(1) \* \* \*  
 (i) \* \* \*

(B) For a defaulted borrower who has regained eligibility under § 682.401(b)(4), the academic year in which the borrower regained eligibility.

\* \* \* \* \*

**§ 682.604 [Amended]**

62. Section 682.604 is amended by removing "If", and adding, in its place, "Except as provided in § 668.167, if" in paragraph (a)(3); by adding, before the first comma, "and (D)(I)" in paragraph (b)(1); by removing "from the beginning of", and adding, in its place, "for" in paragraph (b)(2)(i); by adding, before the first comma, "and (D)(I)" in paragraph (c)(2)(i); by removing "student", and adding, in its place, "borrower" in paragraph (c)(2)(ii); by removing "student" before "borrower's" in paragraph (c)(2)(ii)(B); by removing "not more than 30 days prior to the first day of classes of the period of enrollment for which the loan is intended," and "Federal" in paragraph (c)(3) introductory text; by removing "668.165(b)(2)", and adding, in its place, "668.164" in paragraph (d)(1)(ii)(A); by adding paragraph

(d)(1)(ii)(B); by removing "682.605(b)(1)(ii)", and adding, in its place, "682.605", and by removing "682.605(b)(1)(A) and (B)", and adding, in its place, "682.605" in paragraph (d)(4); by adding ", touch-tone telephone technology", in the first sentence, after "presentation", in paragraph (f)(1); by removing "correspondence school", and by adding, in its place, "student enrolled in a correspondence course" in paragraph (g)(1)(i); by adding "the borrower's expected permanent address, the address of the borrower's next of kin, and" after "as well as" in paragraph (g)(2)(vi); by adding "or unsubsidized" after "nonsubsidized" in paragraph (h)(1); and by removing "only the", and adding, in its place, "any" in paragraph (h)(3) to read as follows:

**§ 682.604 Processing the borrower's loan proceeds and counseling borrowers.**

\* \* \* \* \*  
 (d) \* \* \*  
 (1) \* \* \*  
 (ii) \* \* \*

(B) The school, as a fiduciary for the benefit of the guaranty agency, the Secretary, and the student, may hold any additional loan proceeds that the student requests in writing that the school retain in order to assist the student in managing his or her loan funds for the remainder of the academic year. The school shall maintain these funds, as provided in § 668.165(b)(5).

\* \* \* \* \*

**Appendix B to Part 682—[Removed]**

63. Appendix B to part 682 is removed and reserved.

64. Appendix D to part 682 is amended, in the "Note" following the heading, by adding, at the end, "For the purpose of determining the three-year deadline, reinsurance is lost on the later of (a) three years from the last date the claim could have been filed for claim payment with the guaranty agency (270th day of delinquency) *for a claim that was not filed*; or (b) three years from the date the guaranty agency rejected the claim, *for a claim that was filed*."; by adding "(a)(6)" after "(a)(5)," in the "Introduction" section, in the second paragraph, sixth sentence, and removing, in the seventh sentence, "682.300(b)(2)(vi)", and adding, in its place, "682.300(b)(2)(vii)"; by adding a new definition of "Earliest unexcused violation" in alphabetical order in paragraph D.I.A.; by removing "682.402(e)(2)(i)", and adding, in its place, "682.402(g)(2)(i)" in D.I.E.2., first paragraph; and adding, in the second paragraph, in the third sentence, before the period, "unless the status has changed due solely to passage of time. In the latter case, the lender must place the borrower in the status that would exist had no bankruptcy claim been filed. If the borrower is delinquent after the loan is determined nondischargeable, the lender should grant administrative forbearance to bring the borrower's account current as

provided in (682.211(f)(5))" to read as follows:

**Appendix D—Policy for Waiving the Secretary's Right to Recover or Refuse to Pay, Interest Benefits, Special Allowance, and Reinsurance on Stafford, PLUS, Supplemental Loans for Students, and Consolidation Program Loans Involving Lenders' Violations of Federal Regulations Pertaining to Due Diligence in Collection or Timely Filing of Claims [Bulletin 88-G-138]**

\* \* \* \* \*  
 D. \* \* \*  
 I. \* \* \*  
 A. \* \* \*

*Earliest unexcused violation means:*

1(a) In cases when reinsurance is lost due to a failure to timely establish a first payment due date, the earliest unexcused violation would be the 46th day after the date the first payment due date should have been established.

1(b) In cases when reinsurance is lost due to a gap of 46 days, the earliest unexcused violation date would be the 46th day following the last collection activity.

(c) In cases when reinsurance is lost due to 3 or more due diligence violations of 6 days or more, the earliest unexcused violation would be the day after the date of default.

(d) In cases when reinsurance is lost due to a timely filing violation, the earliest unexcused violation would be the day after the filing deadline.

\* \* \* \* \*

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