



COMPLIANCE Update
By Kim Slote, policy analyst

COMMON MANUAL

The Cooperative Agreement for Guarantors Participating in the *Common Manual* was initially approved Sep. 10, 1995, last amended Feb. 21, 2002. This agreement between guarantors that administer the Federal Family Education Loan Program was for the purpose of publishing a common policy manual to be used as a guide for their schools, lenders, secondary market and servicer clients. Members of the *Common Manual* Policy Committee facilitate the development and adoption of policies that are consistent with the requirements of Title IV of the Higher Education Act of 1965, as amended, applicable regulations and other guidance published by the United States Department of Education. Policy proposals are presented to the *Common Manual* Governing Board for consideration and approval, before being incorporated into the *Common Manual*.

Proposed policy updates and technical edits can be submitted by anyone in the FFELP community. In addition, comments on current proposals are welcomed by the *Common Manual* Policy Committee. Instructions for how to submit comments or to submit policy proposals and technical edits for the *Common Manual* can be found at the following links.

- [Submit Policy Proposals/Tech Edits](#)
- [Submit Comments on Policy Proposals](#)

The *Common Manual* Governing Board approved policy changes proposed in Batch 203 July 16, 2015. Summaries of the most recent policy update made to the July 2014 reprint of the *Common Manual* have been posted to the *Common Manual* website at the following link <http://www.commonmanual.org> in the [Approved Policies](#) section. The common bulletin language for each policy change drafted by the *Common Manual* Policy Committee is also provided at this link. The common bulletin language is attached to this compliance update, without revision, for your review. Changes made in the proposals will be incorporated into the 2015 *Common Manual* annual update. They will also be incorporated into the *Integrated Common Manual*, which is usually updated quarterly.

The nation's guarantors provide the following summary to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. These changes will appear in the manual's next annual update. These changes will also be incorporated into the *Integrated Common Manual* released in July 2015. The *Integrated Common Manual* is available on several guarantor websites, and it is also available on the *Common Manual's* website at www.commonmanual.org. Please carefully note the effective date of each policy change.

Three-Year Cohort Default Rates

The *Common Manual* has been updated to remove information pertaining to the two-year cohort default rate (CDR) and the transition to a three-year rate. Revised policy:

- Clarifies that, as part of a school's administrative capability standards, the school's CDR must be less than 30% for two of the three most recent fiscal years and must not exceed 15% for Perkins Loans. A school with a single-year CDR of 30% or greater will be required to establish a default prevention task force. A school with CDRs of 30% or greater for two consecutive years must revise its default prevention plan to implement additional default aversion measures, and could also be subject to provisional certification.
- Provides that, beginning in 2014 with the publication of the fiscal year 2011 three-year CDR, a school may raise a Participation Rate Index (PRI) challenge if its three-year CDR equals or exceeds 30% for the three most recent fiscal years for which rates have been calculated and the school's PRI for any of those fiscal years is less than or equal to 0.0625.
- Deletes obsolete CDR exemptions for Historically Black Colleges and Universities (HBCUs), tribally controlled community colleges, and Navajo community colleges.
- Deletes obsolete language which provided that the definition of default also includes student borrowers with FDLP loans from proprietary non-degree granting schools that are in repayment for at least 360 days under the income-contingent repayment plan with scheduled payments that are less than \$15 per month and less than the interest accruing on the loan.

Affected Sections:	4.2	Administrative Capability Standards
	16.1	Overview of Cohort Default Rates and Terminology
	16.2	Calculation of School Cohort Default Rates
	Figure 16-1	Cohort Default Rate Formulas
	Figure 16-2	Cohort Default Rate Formulas Beginning with Fiscal Year 2009
	16.3	School Draft Cohort Default Rates and Challenges
	16.4	School Official Cohort Default Rates, Adjustments, and Appeals
	16.4.B	School Appeals
	16.5	Consequences of High Official Cohort Default Rates for Schools

Effective Date: Removal of the two-year CDR information effective as of the publication of the official cohort default rates on September 15, 2014.

Removal of exemptions from loss of eligibility due to excess CDR's for Historically Black Colleges and Universities (HBCUs), tribally controlled community colleges and Navajo community colleges effective October 29, 2009.

Removal of the provision that included certain Direct Loan ICR borrowers in the numerator of a for-profit, non-degree institution's CDR effective November 1, 2002.

Basis: HEA §435(a); §668.181; §668.200; §668.202; §668.204; §668.214; *Federal Register* dated November 1, 2002. p. 6705; *Federal Register* dated October 28, 2009, pp. 55638-55639.

Policy Information: 1308/Batch 203

Guarantor Comments: None.