

**Issue 8 Conforming Amendatory Language**

**Team II - School-based Loan Issues**

x. Section 682.604 is amended by:

A. Revising paragraph (c) (5).

B. Revising paragraph (c) (8).

The revisions read as follows:

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

\* \* \* \* \*

(c) \* \* \*

(5) A school may not release the first installment of a Stafford loan for endorsement to a student who is enrolled in the first year of an undergraduate program of study and who has not previously received a Stafford, SLS, Direct Subsidized, or Direct Unsubsidized loan until 30 days after the first day of the student's program of study unless--

(i) Except as provided in paragraph (c) (5) (ii) of this section, the school in which the student is enrolled has a cohort default rate, calculated under subpart M of 34

CFR part 668, of less than 10 percent for each of the three most recent fiscal years for which data are available; or

(ii) For loans first disbursed on or after October 1, 2011, the school in which the student is enrolled has a cohort default rate, calculated under either subpart M or subpart N of 34 CFR part 668 of less than 15 percent for each of the three most recent fiscal years for which data are available; or

(iii) The school is an eligible home institution certifying a loan to cover the student's cost of attendance in a study abroad program and has a cohort default rate, calculated under either subpart M or subpart N of 34 CFR part 668, of less than 5 percent for the single most recent fiscal year for which data are available.

(6) \* \* \*

(7) \* \* \*

(8) Notwithstanding the requirements of paragraphs (c) (6) through (c) (9) of this section, a school is not required to deliver loan proceeds in more than one installment if--

(i) (A) The student's loan period is not more than one semester, one trimester, one quarter, or, for non term-

based schools or schools with non-standard terms, 4 months;  
and

(B) (1) Except as provided in paragraph  
(c) (8) (i) (B) (2) of this section, the school in which the  
student is enrolled has a cohort default rate, calculated  
under subpart M of 34 CFR part 668, of less than 10 percent  
for each of the three most recent fiscal years for which  
data are available; or

(2) For loan disbursements made on or after October  
1, 2011, the school in which the student is enrolled has a  
cohort default rate, calculated under either subpart M or  
subpart N of 34 CFR part 668 of less than 15 percent for  
each of the three most recent fiscal years for which data  
are available; or

(ii) The school is an eligible home institution  
certifying a loan to cover the student's cost of attendance  
in a study abroad program and has a cohort default rate,  
calculated under subpart M or subpart N of 34 CFR part 668,  
of less than 5 percent for the single most recent fiscal  
year for which data are available.

\* \* \* \* \*

x. Section 685.301(b) (8) is amended by:

A. Revising paragraph (b) (8) (i).

B. Revising paragraph (b) (8) (ii) to add the words "or subpart N" after the words "under subpart M".

C. Revising paragraph (b) (8) (iii) to add the words "or subpart N" after the words "under subpart M".

The revisions read as follows:

§685.301 Origination of a loan by a Direct Loan Program school.

\* \* \* \* \*

(b) \* \* \*

(8) (i) A school is not required to make more than one disbursement if--

(A) (1) The loan period is not more than one semester, one trimester, one quarter, or, for non term-based schools or schools with non-standard terms, 4 months; and

(2) (i) Except as provided in paragraph (b) (8) (i) (A) (2) (ii) of this section, the school has a cohort default rate, calculated under subpart M of 34 CFR part 668 of less than 10 percent for each of the three most recent fiscal years for which data are available;

(ii) For loan disbursements made on or after October 1, 2011, the school in which the student is enrolled has a

cohort default rate, calculated under either subpart M or subpart N of 34 CFR part 668 of less than 15 percent for each of the three most recent fiscal years, for which data are available.

(B) The school is an eligible home institution originating a loan to cover the cost of attendance in a study abroad program and has a cohort default rate, calculated under subpart M or subpart N of 34 part 668, of less than 5 percent for the single most recent fiscal year for which data are available; or

(C) The school is not in a State.

(ii) Paragraphs (b)(8)(i)(A) and (B) of this section do not apply to any loans originated by the school beginning 30 days after the date the school receives notification from the Secretary of a cohort default rate, calculated under subpart M or subpart N of 34 CFR part 668, that causes the school to no longer meet the qualifications outlined in paragraph (A) or (B), as applicable.

(iii) Paragraph (b)(8)(i)(B) of this section does not apply to any loans originated by the school beginning 30 days after the date the school receives notification from the Secretary of a cohort default rate, calculated under

subpart M or subpart N of 34 CFR part 668, that causes the school to no longer meet the qualifications outlined in that paragraph.

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§685.303(b) (4) [Amended]

x. Section 685.303(b) (4) is amended by:

A. Redesignating paragraph (b) (4) (i) (A) as paragraph (b) (4) (i) (A) (1).

B. Revising paragraph (b) (4) (i) (A) (1) to read as follows:

(A) (1) Except as provided in paragraph (b) (4) (i) (A) (2) of this section, the school has a cohort default rate, calculated under subpart M of 34 CFR part 668, or weighted average cohort rate of less than 10 percent for each of the three most recent fiscal years for which data are available; or

C. Revising paragraph (b) (4) (ii) to add the words "or subpart N" after the words "under subpart M".

D. Revising paragraph (b) (4) (iii) to remove the words "Subpart M" and add in their place the words "subpart M or subpart N".

