August 1998

Through our commitment to excellence and our dedication to our customers, we will be the best student financial assistance program in the nation.

OSFA

🏳 FY99 Budget and Appropriations Update

The House and Senate are out for the August recess. The Senate is to return August 31 and the House is to reconvene on September 9. Once the break is over and everyone is back to work, floor consideration of the House Labor-HHS-ED Bill (H.R. 4274) is scheduled to be addressed. In the present form, President Clinton has said he would veto the bill.

In This Issue

The bill increases the Pell Grant maximum award by $150 to $3,150 and increases Federal Work-Study $20 million, but provides no increases in SEOG. The bill eliminates new funding for the Perkins Loans, SSIG, Byrd Scholarship, and Graduate Assistance in Areas of National Need.

The bill reduces school reform by 50%, eliminates grants and loans for as many as 200,000 students, and $2 billion requested by the President for new education funds is denied. The overall program level increases only 1.8%, which is less that the inflation rate which stands at 2.2%.

🏳 COMMON MANUAL UPDATES

The Office of Student Financial Assistance (OSFA) , distributed to participants, August 18, 1998, the first set of updates for the 1998/99 year. The *Common Manual* Governing Board approved the policy on July 16, 1998. The policy changes affect Financial Responsibility Standards, Timely Refunds, SSCR Reporting through NSLDS, Noncitizen Loan Eligibility, Financial Aid Data for Transfer Students, Preparatory Coursework, and Address Skip Tracing Requirements. Also enclosed are copies of the corrected NEW EDU and EDU forms.

Please insert the updates into your *Common Manual*. If more than one area of the *Common Manual* is affected by the policy change, OSFA has provided additional copies.

POLICY UPDATE: The *Common Manual* Governing Board approved the following changes to the *Common Manual* August 20, 1998. The updates to be inserted into your Common Manual will be distributed within the near future.

- #254 FFELP Eligibility Requirements. Revised organization describes the enrollment requirements and exceptions for Stafford and PLUS loan eligibility in an improved format.

- #255 Dental Internship Exception. Clarifies eligibility of students serving internship and residency programs.

- #256 Verification Requirements. Rearranged and revised to clarify applicable verification requirements.

- #257 Cash Monitoring Payment Method. Revised policy recognizes the cash monitoring payment method and removes detailed information regarding the implications of such restrictions.

- #258 Disclosure of Interest Rate Formula. Revised policy adds the interest rate formula to the list of items the lender must disclose to a borrower at or before the first disbursement.

- #259 Return of Loan Proceeds. Clarifies school requirements for the calculation of a refund and return of FFELP proceeds when the student drops below half-time status.

- #260 Consolidation Loan Nondiscrimination. Incorporates the Department's guidance regarding lender policies and practices that are not considered to be discriminatory.

- #261 Annual Loan Limit. Modifies the definition of "Annual Loan Limit" as it applies to the student and removes references to SLS and PLUS loans.

- #262 Guarantee Disclosure. Removes procedural and purpose of guarantee language from the definition of "Guarantee Disclosure."

POLICY PROPOSALS: The following proposals have been submitted for review and comments which are due August 31, 1998.

- #263 School Disbursement and Delivery Requirements. This proposal would require the school to indicate in writing the reason for returning loan proceeds and to provide the student's last date of at least half-time enrollment, if applicable.

- #264 Accumulated Partial Payments. Proposal to specify that small partial payments may not be accumulated to equal a regularly scheduled payment amount which subsequently advances the due date as a prepayment.

- #265 Prepayments and Claim Documentation. Proposes to remove the requirement that the application of prepayments be documented in the servicing history provided for claim payment.

- #266 Summer Bridge Extension. Proposes to acknowledge practice of accepting verbal notification of the borrower's intent to reenroll and the retroactive processing of summer bridge provisions.

- #267 Dependent Student Information Requirements. Proposal to require the lender to provide dependent student demographic information for PLUS loans first disbursed on or after September 1, 1998, if that information is available.

Should you have questions or concerns, please call the Policy and Customer Service Unit at (850) 921-8948.

This index is to assist participants in easily identifying articles of interest .

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Federal Updates

Department of Education Reminder of IFAP Software

The Department of Education is reminding schools that over the next few months, it will stop providing Dear Colleague Letters, *Federal Registers*, and other publications in a paper format. The Department will be posting most communications on the Department's web site and will not be mailing paper documents to schools. Schools should go to the web site on a regular basis to receive information about the Title IV programs. You may access the Department's web site at the following address: www.ifap.ed.gov.

The Department also is reminding schools about the new fax broadcast service where schools may sign up to receive high-priority notification messages and information. For more information on the fax broadcast service information, please see ANN-98-6 which provides a description of the service and enrollment instructions.

⚐ Economic Hardship Deferments Made Easier For Peace Corps Volunteers (GEN-98-16, 98-L-208, 98-G-310)

In response to a request from the Peace Corps, the Secretary will propose regulatory changes to the Federal Family Education Loan (FFEL) Program, the William D. Ford Federal Direct Loan (Direct Loan) Program, and the Federal Perkins Loan Program that will make it easier for Peace Corps volunteers who are ineligible for categorical loan deferments based on Peace Corps service to apply for economic hardship deferments on their Federal student loans. Until these changes are finalized and become effective, the Secretary is waiving enforcement of the current regulations in this area and is providing interim procedures to be used by FFEL loan holders, the Direct Loan Servicing Center, and postsecondary educational institutions in granting economic hardship deferments to Peace Corps volunteers.

These proposed changes will not affect borrowers who are currently eligible for categorical loan deferments based on Peace Corps service. In the FFEL and Direct Loan programs, certain borrowers who received loans prior to July 1, 1993 are eligible for a specific Peace Corps service deferment. In the Federal Perkins Loan Program, which includes National Defense Student Loans (Defense Loans), National Direct Student Loans (NDSLs), and Federal Perkins Loans, the vast majority of borrowers are eligible for a Peace Corps service deferment. In addition, all borrowers with Federal Perkins Loans are eligible for loan cancellation based on Peace Corps service. The only borrowers under the Federal Perkins Loan program who are NOT eligible for a categorical Peace Corps service deferment are those few individuals with NDSLs that were made on or after July 1, 1993.

NOTE: "The certification of Peace Corps service form referenced will be included in the Dear Colleague GEN-98-16, 98-L-208, 98-G-310.

v New 1999-2000 Pell Grant Recipient Financial Management System

The Department of Education presented a profile of the new Federal Pell Grant processing system in a conference July 15, 1998. The conference session was titled "1999-2000 Federal Pell Grant Program Recipient Financial management System (RFMS)." The Department feels that these changes will improve the overall turnaround time from five days to 36 hours or less and also improve school notification of rejected dated to 36 hours or less.

Financial Management Specialist, Dan Sullivan said that the new Recipient Financial management System was a part of the Project EASI vision to modernize the student aid delivery system.

v New Financial Responsibility Standards for Schools

The Department of Education published in the November 25, 1997 Federal Register, new financial responsibility standards for schools. The new regulatory financial responsibility standards became effective on July 1, 1998 for schools participating in the Title IV programs. Common Manual has also been updated to reflect the changes created by these regulations. See Common Manual updates issued August 18, 1998, Chapter 4, Section 4.3

The Secretary believed that the standards needed to be revised to provide a more comprehensive measure of an institution's financial conditions. The previous standards provided discrete measures of certain aspects of an institution's financial conditions. Those aspects were measured by three independent tests, an acid test ratio, a test for operating losses, and a test of tangible net worth. However, because each test provided a measure of financial health without regard to the other tests or to other resources available to an institution, the assessment made under each of these tests did not always reflect the overall financial condition of the institution.

The previous standards also did not consider the extent to which an institution satisfies or fails to satisfy the tests, the Department could not readily make distinctions among (1) institutions that were clearly not financial healthy, (2) institutions that were financially sound enough to participate in the Title IV, HEA programs, and (3) institutions whose financial health was questionable. Consequently, a more considered approach was needed to evaluate the relative level of financial health of institutions to more closely tie the Department's gatekeeping and oversight efforts to the corresponding risk to the Federal interest posed by institutions at various levels.

The Secretary also believed that the previous standards must be improved to properly address the different accounting, financial, and operating characteristics that exist between proprietary and private non-profit institutions.

Ratio Methodology for Proprietary Institutions

$$\text{Primary Reserve Ratio} = \frac{\text{Adjusted Equity}}{\text{Total Expenses}}$$

$$\text{Equity Ratio} = \frac{\text{Modified Equity}}{\text{Modified Assets}}$$

$$\text{Net Income Ratio} = \frac{\text{Income Before Taxes}}{\text{Total Revenues}}$$

Ratio Methodology for Private Non-Profit Institutions

$$\text{Primary Reserve Ratio} = \frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$

$$\text{Equity Ratio} = \frac{\text{Modified Net Assets}}{\text{Modified Assets}}$$

$$\text{Net Income Ratio} = \frac{\text{Change in Unrestricted Net Assets}}{\text{Total Unrestricted Revenue}}$$

The composite scores range is from -1 to +3.0. If a school's composite score is equal or greater than 1.5 and not problems are detected by the Department with the school's financial statement, the school is considered to be financially responsible and to have sufficient resources to carry out its educational objectives. If a school has a composite score below 1.5, different alternatives apply for the school to continue participation in Title IV programs.

Institutions with composite scores in the zone between 1.0 and 1.4 is considered financially weak but viable, and therefore is allowed up to three consecutive years to improve their financial condition without requiring surety. The provisions for institutions scoring in the zone are contained in §668.175(d) of the regulations.

Under those provisions, if a institution achieves a composite score between 1.0 and 1.4, and continues to qualify by achieving a composite score of at least a 1.0 in each of its two subsequent fiscal years, the institution qualifies initially as a financially responsible institution. If an institution does not achieve at least a 1.0 in each of its subsequent two fiscal years or does not sufficiently improve its financial condition so that it satisfies the 1.5 composite score standard by the end of the three-year period, the institution may continue to participate in the title IV, HEA programs by qualifying under another alternative.

An institution may demonstrate that it is financially responsible by submitting to the Secretary a letter of credit for at least 50 percent of the title IV, HEA program funds the institution received in its last fiscal year. If the institution's composite score is less than 1.0, it may continue to participate as a financially responsible institution by submitting the 50 percent letter of credit, or the institution may submit a smaller letter of credit (at least 10 percent of the amount of its prior year title IV, HEA program funds) and participate under a provisional certification.

The November 25 Federal Regulations also contain a transition year provision to assist schools. A participating institution that is not financially responsible solely because its composite score is less than 1.5 for the institution's fiscal year that began on or after July 1, 997 but on or before June 30, 1998, may qualify as a financially responsible institution under the provisions in §668.15(b)(7), (b)(8), (d)(2)(ii) or (d)(3).

The new ratio standards and methodology do not apply to public institutions. Public institutions are considered to be financially responsible if the institution notifies the Secretary of the following:

- That it is designated as a public institution by the State, local or municipal government entity, tribal authority, or other government entity that has the legal authority to make that designation; and

- Provides a letter from an official of that State or other government entity confirming that the institution is a public institution; and

- Is not in violation of any past performance requirement under §668.174.

X **Department of Education's Disaster-Related Forbearance Policies**

Because there has been such a large number of disaster letters, eighty-seven letters so far for the 1998 year), OSFA has provided the Department's disaster-related forbearance policies as a reminder as how the disaster forbearance policy is intended to work.

The Department's disaster-related forbearance policies are:

- Loan holders are strongly recommended to grant forbearances to borrowers who contact them and indicate that have been adversely affected by the disaster and need temporary relief from their loan obligations. If the holder believes that the borrower has been harmed and needs assistance, the holder may grant a forbearance for up to three months based on either the borrower's oral or written request for assistance, which must be documented in the holder's files.

- The holder does not need to obtain supporting documentation or a signed written agreement from the borrower to justify a forbearance for this initial three-month period. The Secretary will decline to enforce the requirements of 34 CFR 682.211(c) for this period.

- A continuation of the forbearance past this three-month period will require supporting documentation and a written agreement from the borrower.

When Does The Three-Month Forbearance Begin?

Because there have been several FEMA designations recently that have occurred some months after the disaster events, it may be helpful to summarize the guidance issued by the Department during the past few years concerning how the disaster forbearance policy is intended to work.

The holder of the loan decides if it will grant forbearance to the borrower. The holder is in the best position to know about the difficulties that the borrower has experienced. In many cases, the holder (particularly one in the local area) may be familiar with the actual extent of damage resulting from the disaster. Some borrowers may be affected by the disaster immediately. Others may encounter problems weeks after the disaster occurs. This is particularly true for floods, which create problems sequentially, for weeks at a time, as they spread over wide areas. Conversely, an earthquake begins at a precise moment and affects a fixed geographic area.

The Department has strongly encouraged loan holders to grant forbearances of up to three months to borrowers who contact them and indicate that they have been adversely affected by a disaster and need some temporary relief from their loan obligations. For this initial forbearance period, the holder will not be required to obtain a signed agreement from the borrower, but the holder must document its files to show the date that the borrower requested the forbearance. To continue a forbearance past this initial period, the borrower must provide supporting documentation and agree to the terms of the forbearance in writing, as is normally required under 34 CFR 682.211(c).

For an example of how this could work -- On August 15, a lender receives a call from a borrower who lives in a county listed in a disaster letter because it had been designated by FEMA as a disaster area due to flooding that began August 1. The borrower asks for a forbearance because of financial problems caused by flood damage to her home. The lender decides that it will grant the forbearance, and informs the borrower that she does not need to make her next three monthly payments. However, if she continues to need a forbearance after the three-month period expires, she will need to provide documentation satisfactory to the lender showing that she continues to have financial or other problems that would justify the lender's approval of an extension of the forbearance. The borrower would need to sign a forbearance agreement for this extended forbearance.

Three months later, the same holder is contacted by two more borrowers who live in the same county. One borrower asks for a forbearance because of flood damage that just affected him the day before. The other borrower says that her home was flooded in August, and she's been so busy since then that she forgot about her student loan until now. Once again, the loan holder is expected to make a reasonable decision of how to handle these requests. Some borrowers may need a forbearance to cover their overdue payments retroactively to the beginning date of the flood. Other borrowers may only need forbearance as of the date they asked for it, or as of the date that the flood actually affected them. The holder could also decide that the borrower has not been affected by the flood and does not need a forbearance. These are judgment calls by the loan holder, and the Department expects loan holders will exercise their judgment reasonably.

Obviously, there are limits that could be reached, for example, if the holder receives a call from a borrower who claims that he was harmed by a flood that occurred one year ago. Most people probably would be skeptical of such a belated claim, and would question why the holder routinely granted the three-month, semi-administrative disaster forbearance to the borrower rather that a normal forbearance. The general approach the Department anticipates that loan holders will take is to be generous in the granting of disaster forbearances that cover the immediate time periods when the disasters occur. As time goes by, and the impact of the disaster recedes, the holder should eventually reach a point where borrowers claiming that they suffered a disaster-related problem long after the disaster would be treated under the normal forbearance rules.

Lenders and guaranty agencies may contact the Department's toll-free number at 1-800-433-7327, for further updates.

⚐ **Dear Colleague Letter GEN-98-18, 98-G-311, 98-L-209, Extension of Eligibility for Increased Unsubsidized Loan Amounts Due To Phaseout Of HEAL Program.**
Diane Rogers, Acting Deputy Assistant Secretary, Department of Education, issued a letter of guidance on the extension of eligibility for increased unsubsidized loan amounts due to the phaseout of the Health Education Assistance Loan (HEAL) Program and information on aggregate limits for undergraduate health professions students in Dear Colleague Letter, GEN-98-18, 98-G-311, 98-L-209. The following provides the guidance from that letter:

Consistent with its commitment to assist health professions students who cannot borrow under the Health Education Assistance Loan (HEAL) Program because of the phaseout of that program, the Department is extending the authority of certain eligible institutions (see discussion on "Institutional Eligibility" below) to award increased annual loan amounts of Unsubsidized Stafford Loans under the Federal Family Education Loan (FFEL) Program and Unsubsidized Loans under the William D. Ford Federal Direct Loan (Direct Loan) Program into the 1998-99 academic year. In addition, for reasons discussed below under "Expanded Student

Eligibility," eligible schools may award these increased funds to all otherwise eligible health professions students without regard to those students' earlier eligibility for HEAL. Finally, the Department has established aggregate loan limits for pharmacy undergraduate students who are eligible to receive additional unsubsidized loans under the provisions of this letter.

<u>In summary</u>:

1. General Extension **-** Eligible institutions may award increased amounts of unsubsidized loans in the FFEL and Direct Loan Programs for any loan period that begins prior to July 1, 1999.

2. Eligible Students **-** For loan periods that begin on or after May 15, 1998, institutions may award the increased amounts to all otherwise eligible health professions students without regard to those student's earlier eligibility for HEAL.

3. Loan Limits **-** The aggregate unsubsidized loan limit for those undergraduate pharmacy students who are eligible to receive increased amounts of unsubsidized loan is $70,625, less the aggregate amount of any subsidized loans made to the student.

Other restrictions and requirements for the awarding of the additional unsubsidized loan funds are the same as those for the prior two years. Although these restrictions and requirements are discussed in summary below, you are urged to review Dear Colleague Letters GEN-96-14, GEN-97-4, and GEN-97-14.

Department of Education New Web Site

The Department has produced a new web site, "Think College Early". The new site encourages middle school students to learn about higher education choices such as universities, colleges, careers. The new site also provides information on financial and courses that students need to take to get ready for college. The web site address is: http://www.ed.gov.thingcollege/early.

Extension of 1998 Reporting Requirements to Tax Year 1999, IRS Notice 98-46

This notice provides that the Internal Revenue Service and the Treasury Department are extending the application of Notice 97-73, 1997-51 I.R.B. 16, to information reporting required under section 6050S of the Internal Revenue Code for 1999.

Section 6050S requires the filing of information returns to assist taxpayers and the Service in determining the Hope Scholarship credit and the Lifetime Learning credit that taxpayers may claim pursuant to section 25A of the Code. Section 6050S also requires that institutions file the specified information returns with the Service and provide a corresponding statement to the individuals named on the information return showing the information that has been reported

As a result of amendments to section 6050S made by the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law No. 105-206, 112 Stat. 685, certain information reporting requirements under section 6050S have been clarified or changed. First, the amendments clarify that section 6050S requires institutions to report the aggregate amount of payments made with respect to each student for qualified tuition and related expenses without any amounts being subtracted for qualified scholarships or other tax-free educational assistance received with respect to the student. Further, section 6050S(b)(2)(C), as amended, specifically requires that the amount of any grant received by the student for payment of costs of attendance and processed by the institution making the information return be reported as a separate item. Section 6050S(b)(2)(C) was also amended to clarify that an institution must report only the aggregate amount of reimbursements and refunds of qualified tuition and related expenses paid to a student by the institution (and not by any other party). Finally, section 6050S(a) was amended to clarify that only eligible educational institutions and persons engaged in a trade or business of making payments to individuals under insurance arrangements are required to report information under section 6050S. In all other respects, the requirements of 6050S remain the same as described in Notice 97-13.

The Treasury Department intends to issue regulations soon on the information reporting requirements of section 6050S. In light of the recent statutory changes and legislative history prepared in connection with those changes indicating Congress's intent that Notice 97-73 remain in effect until the regulations are issued, the Service is extending the application of Notice 97-73 for an additional year, i.e., to information reporting required under section 6050S for 1999.

Federal Regulations & Letters

Dear Colleague, GEN-98-16, 98-L-208, 98-G-310, Less Burdensome Way For Peace Corps volunteers to apply for economic hardship deferments, August 1998.
This letter announces a less burdensome way for Peace Corps volunteers to apply for economic hardship deferments on their Federal student loans.

v **Dear Colleague, DLB-98-32, Delayed Transmission of 732-LOS Files, August 1998.**
Due to a Title IV WAN system problem, the Loan origination Cent was unable to transmit the 732-LSO files (DIS497OP and DIS597OP) to all schools as planned on August 4, 1998. The LOC will reprocess the 732-LOS file on Tuesday, August 4, 1998, and all schools should receive the file by close of Business Wednesday, August 5, 1998. The data on the 732-LOS file will be current as of Wednesday, August 5. The system problem did not affect the processing of the 732-LOS-C file (DIS697OP), and schools should have received this file as scheduled on Tuesday, August 4, 1998.

X **Dear Guaranty Agency Director - Disaster Letter 98-66: Flooding in North Dakota, August 3, 1998.**
On July 27, the Federal Emergency Management Agency added three counties to the list of areas in North Dakota that qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began march 2. The most recent notice about the flooding in North Dakota was "Disaster Letter 98-65," dated July 22. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following areas (new counties capitalized): Barnes, Benson, CASS, Dickey, LAMOURE, Nelson, Pembina, Pierce, Ramsey, Ransom, Richland, Rolette, Sargent, Stutsman, Towner, and WALSH counties, and the Indian reservations of the Spirit Lake Sioux Tribe and the Turtle Mountain Bank of Chippewa. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of those areas.

X **Dear Guaranty Agency Director, Disaster Letter 98-67: Severe Weather in Iowa, August 3, 1998.**
On July 31, the Federal Emergency Management Agency announced that additional counties in Iowa would be covered under the major disaster declaration that was issued for Iowa because of severe storms, tornadoes, and flooding that began June 13. The most recent notice about the severe weather in Iowa was "Disaster Letter 98-61," dated July 9. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties (new counties capitalized): ADAIR, APPANOOSE, Audubon, Boone, BUENA VISTA, Carroll, Cass, CERRO GORDO, Chickasaw, CLAY, CLINTON, Dallas, DELAWARE, DES MOINES, DICKINSON, FLOYD, Fremont, Grundy, Guthrie, Hamilton, HANCOCK, Hardin, Howard, Iowa, Jasper, Johnson, Keoduk, Louisa, Marion, Marshall, Mills, Montgomery, Muscatine, Page, PALO ALTO, POCAHONTAS, Polk, Pottawattamie, Poweshiek, Shelby, Taylor, Wapello, and Washington.

X **Dear Guaranty Agency Director, Disaster Letter 98-68: Flooding in Vermont, August 3, 1998.**
The Department has learned that the Federal Emergency Management Agency has added three more counties to the list of counties in Vermont that have been declared major disaster areas because of flooding that began

June 17. The most recent notice about the flooding in Vermont was "Disaster Letter 98-56," dated July 1. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties (new counties capitalized): Addison, CALEDONIA, Chittenden, ESSEX, Franklin, Lamoille, Orange, ORLEANS, Rutland, Washington, and Windsor.

X **Dear Guaranty Agency Director - Disaster Letter 98-69: Severe Weather in Iowa, August 3, 1998.** The Department has learned that the Federal Emergency Management Agency has expanded its list of counties in Iowa that are covered under the major disaster declaration issued for Iowa because of severe storms, tornadoes, and flooding that began June 13. The most recent notice about the severe weather in Iowa was "Disaster Letter 98-67," dated August 3. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies explained in that letter to assist FFEL borrowers who are residents of the following counties (new counties are capitalized): Adair, ALLAMAKEE, Appanoose, Audubon, BENTON, BLACK HAWK, Boone, BUCHANAN, Buena Vista, BUTLER, CALHOUN, Carroll, Cass, Cerro Gordo, Chickasaw, CLARKE, Clay, Clinton, CRAWFORD, Dallas, DAVIS, Delaware, Des Moines, Dickinson, FAYETTE, Floyd, Fremont, Grundy, Guthrie, Hamilton, Hancock, Hardin, HARRISON, Howard, Iowa, Jasper, JEFFERSON, Johnson, Keoduk, LEE, LINN, Louisa, MADISON, MAHASKA, Marion, Marshall, Mills, MONONA, Montgomery, Muscatine, OSECOLA, Page, Palo Alto, Pocahontas, Polk, Pottawattamie, Poweshiek, RINGGOLD, SAC, Shelby, STORY, TAMA, Taylor, Wapello, WARREN, Washington, and WINNESHIEK.

v **Dear Colleague, CB-98-11(LD), Federal Perkins Loan Program Institution Fund Liquidation Procedures, July 1998.**
This letter provides updated fund liquidation procedures for an institution that ends it participation in the Federal Perkins Loan Program. These updated procedures provide detailed, step-by-step directions designed to facilitate the process and include the names and telephone numbers of appropriated Department of Education personnel should an institution need assistance. It is important to note that these procedures apply only to an on-going school that is ending its participation in the Federal Perkins Loan Program, not to a school that closes. Procedures for safeguarding the Federal Perkins Loan Fund and loan portfolio of an institution that closes are also being updated and will be announced separately.

 Dear Colleague, GEN-98-15, Action Letter #8, Three U.S. Department of Education Electronic Access Conferences - July 1998.
This letter announces three U.S. Department of Education Electronic Access Conferences to be held this fall entitled "Connect For Success." The conferences will be held in Kansas City, MO, November 17-19, Washington, D.C., December 1-3, and San Diego, CA, December 15-17. These conferences will offer participants an opportunity to learn more about and provide comments on the Department's electronic Title IV application systems. More than 40 concurrent sessions will be offered throughout the conference. Special tracks will be offered for beginners, advanced users, and on technical topics.

X **Dear Guaranty Agency Director, Disaster Letter 98-70: Tornadoes in Pennsylvania - August 1998.** The Federal Emergency Management Agency recently added three more counties to the list of counties in Pennsylvania that qualify for federal assistance under FEMA's "Individual Assistance" program because of tornadoes that struck May 31 through June 2. The most recent notice about the tornadoes in Pennsylvania was "Disaster Letter 98-53," dated June 9. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties (new counties capitalized): Allegheny, BEAVER, Berks, PIKE, Somerset, SUSQUEHANNA, and Wyoming.

X **Dear Guaranty Agency Director, Disaster Letter 98-71: Flooding in Massachusetts, August 5, 1998.** The Federal Emergency Management Agency recently added two more counties to the list of counties in Massachusetts that qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began June 13. The most recent notice about the flooding in Massachusetts was "Disaster Letter 98-55," dated June 25. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties (new counties capitalized): Bristol, Essex, Middlesex, Norfolk, PLYMOUTH, Suffolk, and WORCESTER counties.

X **Dear Guaranty Agency Director, Disaster Letter 98-72: Flooding in Georgia, August 5, 1998.** The Federal Emergency Management Agency has added eight more counties to the list of counties in Georgia that have been declared disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began March 7. The most recent notice about the flooding in Georgia was "Disaster Letter 98-49," dated May 18.

Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies that were referenced in that letter to assist FFEL borrowers who are residents of the following counties (new counties are capitalized): Appling, Atkinson, Bacon, Baker, Baldwin, Barren, Bartow, Ben Hill, Berrien, Bibb, Bleckley, Brantley, Brooks, Burke, BRYAN, Bullich, Butts, Calhoun, Candler, Carroll, Charlton, Chatham, Cherokee, Clay, Clayton, Clinch, COBB, Coffee, Colquitt, Columbia, Cook, Crawford, Crisp, Dade, Dawson, Decatur, DE KALB, Dodge, Dooley, Dougherty, Douglas, Early, Echols, EFFINGHAM, Emanuel, Evans, Floyd, Forsyth, FULTON, Glynn, Gordon, Grady, GWINNETT, Habersham, Hall, Haralson, Heard, Henry, Houston, Irwin, Jeff Davis, Jefferson, Jenkins, Johnson, Jones, Lamar, Lanier, Laurens, Lee, LIBERTY, Lincoln, LONG, Lowndes, Lumpkin, Macon, McIntosh, Miller, Mitchell, Monroe, Montgomery, Murray, Muscogee, Newton, Paulding, Peach, Pickens, Pike, Pulaski, Quitman, Rabun, Randolph, Richmond, Rockdale, Screven, Seminole, Spalding, Stewart, Sumter, Talbot, Tattnall, Telfair, Terrell, Thomas, Tift, Toombs, Towns, Treutlen, Turner, Twiggs, Union, Walker, Ware, Wayne, Webster, Wheeler, White, Wilcox, Wilkinson, and Worth.

X **Dear Guaranty Agency Director, Disaster Letter 98-73: Flooding in North Dakota, August 5, 1998.** The Federal Emergency Management Agency recently added three more areas to the list of areas in North Dakota that qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began March 2. The most recent notice about the flooding in North Dakota was "Disaster Letter 98-65," dated July 22. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following areas (new areas are capitalized): Barnes, Benson, CASS, Dickey, LAMOURE, Nelson, Pembina, Pierce, Ramsey, Ransom, Richland, Rolette, Sargent, Stutsman, Towner, and WALSH counties, and the Indian reservations of the Spirit Lake Sioux Tribe and the Turtle Mountain Band of Chippewa.

X **Dear Guaranty Agency Director, Disaster Letter 98-74: Flooding in South Dakota, August 1998.** On July 22, the Federal Emergency Management Agency expanded a major disaster declaration that had been issued June 1 for South Dakota. The following counties qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began April 25 (the June 1 declaration did not cover individual assistance): Brown, Clark, Codington, Day, Marshall, Roberts, and Spink. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are resident of those counties.

X **Dear Guaranty Agency Director, Disaster Letter 98-75: Severe Weather in West Virginia, August 5, 1998.**
On July 22, the Federal Emergency Management Agency added fourteen counties to the list of counties in West Virginia that have been declared disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of severe storms, tornadoes, and flooding that began June 26. The most recent notice about the severe weather in West Virginia was "Disaster Letter 98-59," dated July 8. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties (new counties are capitalized): Braxton, CABELL, CALHOUN, CLAY, DODDRIDGE, Gilmer, HARRISON, Jackson, Kanawha, LEWIS, MARION, MARSHALL, OHIO, PLEASANTS, RITCHIE, Roane, TYLER, WETZEL, WIRT, and Wood.

X **Dear Guaranty Agency Director, Disaster Letter 98-76: Severe Weather in Ohio, August 5, 1998.** On July 17, the Federal Emergency Management Agency added eighteen more counties to the list of counties in Ohio that have been declared disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of severe storms, tornadoes, and flooding that began June 24. The most recent notice about the severe weather in Ohio was "Disaster Letter 98-57," dated July 1. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties (new counties are capitalized): ATHENS, BELMONT, COSHOCTON, FRANKLIN, Guernsey, HARRISON, JACKSON, JEFFERSON, KNOX, MEIGS, MONROE, MORGAN, MORROW, Muskingum, Noble, OTTAWA, PERRY, PICKAWAY, RICHLAND, SANDUSKY, TUSCARAWAS, and Washington.

X **Dear Guaranty Agency Director, Disaster Letter 98-77: Tornadoes in Minnesota, August 5, 1998.** The Federal Emergency Management Agency has added three counties to the list of counties in Minnesota that qualify for federal assistance under FEMA's "Individual Assistance" program because of tornadoes that struck March 29. The most recent notice about the tornadoes in Minnesota was "Disaster Letter 98-29," dated April 2. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties (new counties capitalized): BLUE EARTH, Brown, COTTONWOOD, LeSuer, Nicollet, NOBLES, and Rice.

X **Dear Guaranty Agency Director, Disaster Letter 98-78: Flooding in New Hampshire, August 5, 1998.** The Department has learned that the Federal Emergency Management Agency has designated six counties in New Hampshire to be major disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began June 12. As of July 28, those counties were: Belknap, Carroll, Grafton, Hillsborough, Merrimack, and Rockingham. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of those counties.

X **Dear Guaranty Agency Director, Disaster Letter 98-79: Tornadoes in Kentucky, August 5, 1998.** The Department has learned that the Federal Emergency Management Agency has added Pike county to the list of counties in Kentucky that have been declared disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of tornadoes that struck April 16. The most recent notice to you about the tornadoes in Kentucky was "Disaster Letter 98-47" dated May 13. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties: Adair, Barren, Bell, Casey, Clay, Floyd, Knott, Knox, Leslie, Metcalfe, Perry, Pike, Warren, and Whitley counties.

X **Dear Guaranty Agency Director, Disaster Letter 98-80: Tornadoes in Alabama, August 6, 1998.** The Department has learned that the Federal Emergency Management Agency has added Cullman county to the list of counties in Alabama that have been declared disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of tornadoes that struck April 8-9. The most recent notice about the tornadoes in Alabama was "Disaster Letter 98-40," dated May 5. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties: Covington, Cullman, Jefferson, St. Clair, Tuscaloosa, and Walker.

X **Dear Guaranty Agency Director, Disaster Letter 98-81: Flooding in Tennessee, August 6, 1998.** Earlier this year, the Department notified you that the Federal Emergency Management Agency had designated Carter and Unicoi counties in Tennessee to be disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began January 6. It has come to the attention of the Department that FEMA later made the same designation for Johnson and Washington counties. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are resident of those counties.

X **Dear Guaranty Agency Director, Disaster Letter 98-82: Tornadoes in North Carolina, August 6, 1998.**

The Department has learned that the Federal Emergency Management Agency has added six counties to the list of counties in North Carolina that have been declared disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of tornadoes that struck March 20-21. The most recent notice about the tornadoes in North Carolina was "Disaster Letter 98-27," dated March 24. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties (new counties capitalized): DURHAM, EDGECOMBE, LENOIR, NASH, Rockingham, WAKE, and WAYNE.

X **Dear Guaranty Agency Director, Disaster Letter 98-83: Flooding in New Jersey, August 6, 1998.**
The Department has learned that the Federal Emergency Management Agency has designated Ocean county in New Jersey as a disaster area that qualifies for federal assistance under FEMA's "Individual Assistance" program because of flooding that began February 4. The most recent notice about the flooding in New Jersey was "Disaster Letter 98-17," dated March 4. At that time, Atlantic and Cape May counties had been designated. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of Atlantic, Cape May, or Ocean counties.

X **Dear Guaranty Agency Director, Disaster Letter 98-84: Flooding in Tennessee, August 6, 1998.**
On July 28, the Federal Emergency Management Agency designated Lawrence and Lewis counties in Tennessee to be disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of severe storms and flooding that began July 13. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of those counties.

Dear Colleague, GEN-98-18, 98-G-311, 98-L-209, Increased Unsubsidized Loan Amount Due To Phaseout Of HEAL Program, August 1998.
Consistent with its commitment to assist health professions students who cannot borrow under the Health Education Assistance Loan (HEAL) Program because of the phaseout of that program, the Department is extending the authority of certain eligible institutions (see discussion on "Institutional Eligibility in letter) to award increased annual loan amounts of Unsubsidized Stafford Loans under the Federal Family Education Loan (FFEL) Program and Unsubsidized Loans under the William D. Ford Federal Direct Loan (Direct Loan) Program into the 1998-99 academic year. In addition, for reasons discussed in this letter under "Expanded Student Eligibility," eligible schools may award these increased funds to all otherwise eligible health professions students without regard to those students' earlier eligibility for HEAL. Finally, the Department has established aggregate loan limits for pharmacy undergraduate students who are eligible to receive additional unsubsidized loans under the provisions of this letter.

Dear Colleague Letter, GEN-98-17, Electronic Dissemination To Replace Many SFA Mailings, August 1998.
This letter announces the Department's intention to cease mailing Federal Registers and most Action Letters and Dear Colleague letters as of August 1, 1998. Since April 1998, in addition to printing and mailing these documents, the Department has been making them electronically available on their "Information for Financial Aid Professionals" (IFAP) Web site at: http://ifap.ed.gov.

v **Dear Colleague, DLB 98-31, Interest Rates for Direct Loan Program Loans, August 1998.**
The variable interest rates for Direct Loan program loans were adjusted on July 1, 1998. This letter contains the student loan interest rates for the period of July 1, 1998, through June 30, 1999, parent loan interest rates for the period of July 1, 1998, through June 30, 1999, interest rate formulas, and the statutory and regulatory authorities for interest rate formulas.

X **Dear Guaranty Agency Director, Disaster Letter 98-85: Severe Weather in Iowa, August 12, 1998.**
The Department has learned that the Federal Emergency Management Agency recently added four more counties to the list of counties in Iowa covered under the major disaster declaration issued for Iowa because of severe storms, tornadoes, and flooding that began June 13. The most recent notice about the severe weather in

Iowa was "Disaster Letter 98-69," dated August 3. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies explained in that letter to assist FFEL borrowers who are residents of the following counties (new counties capitalized): Adair, Allamakee, Appanoose, Audubon, Benton, Black Hawk, Boone, Buchanan, Buena Vista, Butler, Calhoun, Carroll, Cass, Cerro Gordo, Chickasaw, Clarke, Clay, Clinton, Crawford, Dallas, Davis, Delaware, Des Moines, Dickinson, EMMET, Fayette, Floyd, Fremont, Grundy, Guthrie, Hamilton, Hancock, Hardin, Harrison, Howard, Iowa, Jasper, Jefferson, Johnson, Keoduk, KOSSUTH, Lee Linn, Louisa, Madison, Mahaska, Marion, Marshall, Mills, Monona, Montgomery, Muscatine, Osecola, Page, Palo Alto, Pocahontas, Polk, Pottawattamie, Poweshiek, Ringgold, Sac, Shelby, Story, Tama, Taylor, Wapello, Warren, Washington, WEBSTER, WINNEBAGO, and Winneshiek.

□ **Dear Guaranty Agency Director, 98-G-312, Last Submission Date for Default Reinsurance Requests for FY 1998, August 1998.**
This is a reminder that September 4, 1998 is the last date on which the Department of Education will accept default reinsurance requests for inclusion in the FY 1998 trigger calculation. Requests received by the Department after September 4, 1998 will be included in the FY 1999 trigger calculation. Default reinsurance requests are submitted on the Guaranty Agency monthly Claims and Collections Report (ED Form 1189).

X **Dear Guaranty Agency Director, Disaster Letter 98-86: Flooding in Wisconsin, August 13, 1998.**
On August 12, President Clinton issued a major disaster declaration in response to flooding in Wisconsin. Based on the President's declaration, the Federal Emergency Management Agency designated Milwaukee, Rock, Sheboygan, and Waukesha counties to be disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began August 5. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of those counties.

X **Dear Guaranty Agency Director, Disaster Letter 98-87: Severe Weather in Iowa, August 20, 1998.**
On August 18, the Federal Emergency Management Agency designated eight more counties in Iowa as disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of severe storms, tornadoes, and flooding that began June 13. The most recent notice about the severe weather in Iowa was "Disaster Letter 98-85," dated August 12. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties (new counties underlined): Adair, Allamakee, Appanoose, Audubon, Benton, Black Hawk, Boone, Buchanan, Buena Vista, Butler, Calhoun, Carroll, Cass, Cedar, Cerro Gordo, Chickasaw, Clarke, Clay, Clayton, Clinton, Crawford, Dallas, Davis, Delaware, Des Moines, Dickinson, Emmet, Fayette, Floyd, Franklin, Fremont, Greene, Grundy, Guthrie, Hamilton, Hancock, Hardin, Harrison, Henry, Howard, Humboldt, Iowa, Jasper, Jefferson, Johnson, Keoduk, Kossuth, Lee, Linn, Louisa, Lucas, Madison, Mahaska, Marion, Marshall, Mills, Monona, Montgomery, Muscatine, Osecola, Page, Palo Alto, Pocahontas, Polk, Pottawattamie, Poweshiek, Ringgold, Sac, Shelby, Story, Tama, Taylor, Wapello, Warren, Washington, Webster, Winnebago, Winneshiek, and Wright.

v **Dear State Colleague, SSIG-98-3, State Student Incentive Grant Program Performance Report, August 1998.**
Enclosed in this letter is a copy of the State Student Incentive Grant (SSIG) Program Performance Report (ED Form 1288-1) for fiscal year 1997 (1997-98 award year). The deadline for receipt of this report is October 1, 1998.

A review sheet has been enclosed to assist in assuring that the performance report is completed properly. Should there be any questions about completing the form, please contact the Pell and State Grant Section at (202) 708-8242.

This letter includes four enclosures:

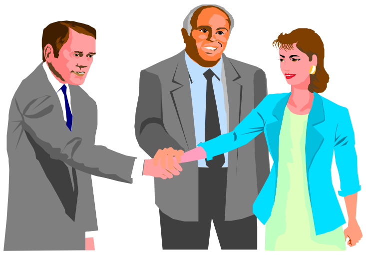
Enclosure A) The “State Student Incentive Grant Program Performance Report form for 1997-98 Award Year in Section I and II” in a GIF file.
Enclosure B) The “State Student Incentive Grant Program Performance Report form for 1997-98 Award Year in Section III, IV, and V” in a GIF file.
Enclosure C) The “Instructions for Completing State Student Incentive Grant Program Performance Report” in GIF file.
Enclosure D) The “1997-98 Review Sheet for the State Student Incentive Grant Program Performance Report” in GIF file.

v **Federal Register, Amendment to the 1997-98 Directory of Designated Low-Income Schools - Notice - August 4, 1998.**
Institutions and borrowers participating in the Federal Perkins Loan and National Direct Student Loan programs and other interested persons are advised that they may obtain information regarding the amendments to the National Direct Student Loan and Federal Perkins Loan Programs Directory of Designated Low-Income Schools for Teacher Cancellation Benefits for the 1997-98 School Year (Directory). The amendments identify changes in the list of schools that qualify borrowers for teacher cancellation benefits under each of the loan programs. The amendments to the Directory are currently available.

 Federal Register, Submission for OMB Review, Notice, August 4, 1998.
The Acting Deputy Chief Information Officer, Office of the Chief Information Officer, invites comments on the submission for OMB review as required by the Paper work Reduction Act of 1995. Interested persons are invited to submit comments on or before September 3, 1998.

X **Federal Register, Notice of Proposed Information Collection Requests, August 14, 1998.**
The Acting Deputy Chief Information Officer, Office of the Chief Information Officer, invites comments on the proposed information collection requests as required by the Paperwork Reduction Act of 1995. This notice contains proposed information collection requests prior to submission of these requests to OMB. Each proposed information collection, grouped by office, contains the following: (1) Type of review requested, e.g., new, revision, extension, existing or reinstatement; (2) Title; (3) Summary of the collection; (4) Description of the need for, and proposed use of, the information; (5) Respondents and frequency of collection; and (6) Reporting and/or Recordkeeping burden. The Department of Education is especially interested in public comment addressing (1) is this collection necessary to the proper functions of the Department; (2) will this information be processed and used in a timely manner, (3) is the estimate of burden accurate; (4) how might the Department enhance the quality, utility, and clarity of the information to be collected, and (5) how might the Department minimize the burden of this collection on the respondents, including through the use of information technology. Items to be reviewed is the Federal Stafford Loan (Sub and Unsub) Program Master Promissory Note and the Survey of Federal Work-Study Students. Interested persons are invited to submit comments on or before October 13, 1998.

v **Federal Register, 26 CFR Part 1, Qualified State Tuition Programs, Proposed Rules and Proposed Hearing, August 24, 1998.**
This document contains proposed regulations relating to qualified State tuition programs (ASTPs). These proposed regulations reflect changes to the law made by the Small Business Job Protection Act of 1996 and the Taxpayer Relief Act of 1997. The proposed regulations affect QSTPs established and maintained by a State or agency or instrumentality of a State, and individuals receiving distributions from QSTPs. This document also provides notice of a public hearing on these proposed regulations. Written comments must be received by November 23, 1998. Outlines of topics to be discussed at the public hearing scheduled for Wednesday, January 6, 1999, at 10:00 a.m. must be received by December 16, 1998.



OSFA New Employees

The Office of Student Financial Assistance would like to take this opportunity to welcome all of our new members to the team.

Marnette Collins - Word Processing Systems Operator
Marnette previously worked with the Department of Revenue, Child Support Enforcement Office. Before being employed with the Child Support Enforcement Office, Marnette worked with the Department of Corrections where she was involved with Information Services and in the File Center.

In her position at OSFA, Marnette is a Word Processing Systems Operator. She is training at this time and will be assisting in the Wage Withholding Unit.

Marnette has been married for three years to Eddie and has a wonderful fourteen-month old little boy named Logan. Marnette and her family are residents of Quincy, Fl.

OSFA has also added five OPS positions to the Collections Unit. The following is a list of these new employees and the date in which they began at OSFA:

Malanie DeJesus	July 1, 1998
Liza Mena	July 20, 1998
Otha Saffold	August 17, 1998
Toku Pfeiffer	August 17, 1998
Lisbeth Doren	August 24, 1998

OSFA welcomes each of these to our staff and knows they will each be a great asset.

ENCLOSURES

- Disaster Letter 98-66: Flooding in North Dakota
- Disaster Letter 98-67: Severe weather in Iowa
- Disaster Letter 98-68: Flooding in Vermont
- Disaster Letter 98-69: Severe weather in Iowa
- Disaster Letter 98-70: Tornadoes in Pennsylvania
- Disaster Letter 98-71: Flooding in Massachusetts
- Disaster Letter 98-72: Flooding in Georgia
- Disaster Letter 98-73: Flooding in North Dakota
- Disaster Letter 98-74: Flooding in South Dakota
- Disaster Letter 98-75: Severe weather in West Virginia
- Disaster Letter 98-76: Severe weather in Ohio
- Disaster Letter 98-77: Tornadoes in Minnesota
- Disaster Letter 98-78: Flooding in New Hampshire
- Disaster Letter 98-79: Tornadoes in Kentucky
- Disaster Letter 98-80: Tornadoes in Alabama
- Disaster Letter 98-81: Flooding in Tennessee
- Disaster Letter 98-82: Tornadoes in North Carolina
- Disaster Letter 98-83: Flooding in New Jersey
- Disaster Letter 98-84: Flooding in Tennessee
- Disaster Letter 98-85: Severe weather in Iowa
- Disaster Letter 98-86: Flooding in Wisconsin
- Disaster Letter 98-87: Severe weather in Iowa

Enclosed copies of the Disaster Letters have been printed from the Department of Education web site, Information For Financial Professionals (IFAP)

QUESTIONS AND ANSWERS

OSFA's Q&A

Question: What is the school's responsibility if a student temporarily withdraws or drops below half-time?

Answer: If the school is assured that the student will return at least half-time, the school does not have to cancel the loan if certain conditions are met and the student meets all eligibility criteria. The school must first follow refund and repayment calculations and procedures in Federal Regulations 668.22. The school must verify and document the student's file the revised cost of attendance, the resumed enrollment of at least half-time basis, and the student eligibility for the entire amount of the loan, notwithstanding any reduction in the student's cost of attendance. The school must report enrollment status changes to NSLDS every 60 days. The school is required to report enrollment status changes through the SSCR process and should notify the lender that the student is expected to re-enroll. With this notification, the lender may make the subsequent disbursement, and delivery of the second disbursement of the loan can be made by the school.

Federal Regulations
§668.22 Refund and repayment calculation and procedures.
§682.604(b)(2)(iv) Releasing loan proceeds.
If, prior to the transmittal of the proceeds of a disbursement to the student the student temporarily ceases to be enrolled on at least a half-time basis the school may transmit the proceeds of that disbursement and any subsequent disbursement to the student if the school subsequently determines and documents in the student's file--
(A) That the student has resumed enrollment on at least a half-time basis;
(B) The student's revised cost of attendance; and
(C) That the student continues to qualify for the entire amount of the loan, notwithstanding any reduction in the student's cost of attendance caused by the student's temporary cessation of enrollment on at least a half-time basis.

Question: What is the school's responsibility when it is determined that a student owes a overpayment?

Answer: The school must not make any additional disbursements of Title IV aid until the overpayment is repaid or otherwise cleared.

GEN 98-14, Q&A #16
In general when a school determines that one of its students owes an overpayment of a Title IV grant or loan, it must:
1.) Not disburse any additional Title IV aid until the overpayment is resolved. Any Title IV aid that is disbursed by a school after it is informed of an overpayment must be repaid by the school to the Title IV program account (for Pell, Direct Loans, Perkins Loans and FSEOG) or to the FFEL lender, as appropriate.
2.) Determine if the student owed the overpayment while receiving additional Title IV aid at that school and, if so, require the student to fully repay the original overpayment before disbursing any additional Title IV aid.
3.) If the student does not repay the original overpayment in full, include as an additional overpayment any grant or Perkins Loan funds received while the student owed the original overpayment.
4.) If the student does not repay the original overpayment in full, inform the FFEL lender or the Direct Loan servicer of any loan funds received while the student was ineligible due to the original overpayment.