

A: Generally speaking, one actual telephone contact with the borrower, or two attempts to make such contact on different days and at different times, will satisfy the “diligent efforts” requirement for any of the 30-day delinquency periods described in the rule. However, the “diligent efforts” requirement is intended to be a flexible one, requiring the lender to act on information it receives in the course of attempting telephone contact regarding the borrower’s actual telephone number, the best time to call to reach the borrower, etc. For instance, if the lender is told during its second telephone contact attempt that the borrower can be reached at another number or at a different time of day, the lender must then attempt to reach the borrower by telephone at that number or that time of day.

2. Q: What must a lender do when it receives conflicting information regarding the date a borrower ceased at least half-time study?

A: A lender must promptly attempt to reconcile conflicting information regarding a borrower’s in-school status by making inquiries of appropriate parties, including the borrower’s school. Pending reconciliation, the lender may rely on the most recent credible information it has.

3. Q: If a loan is transferred from one lender to another, is the transferee held responsible for information regarding the borrower’s status that is received by the transferor but is not passed on to the transferee?

A: No. A lender is responsible only for information received by its agents and employees. However, if the transferee has reason to believe that the transferor has received additional information regarding the loan, the transferee must make a reasonable inquiry of the transferor as to the nature and substance of that information.

4. Q: What are a lender’s due diligence responsibilities where a check received on a loan is dishonored by the bank on which it was drawn?

A: Upon receiving notice that a check has been dishonored, the lender must treat the payment as having never been made for purposes of determining the number of days that the borrower is delinquent at that time. The lender must then begin (or resume) attempting collection on the loan in accordance with §682.411, commencing with the first 30-day delinquency period described in §682.411 that begins after the 30-day delinquency period in which the notice of dishonor is received. The same result occurs when the lender successfully obtains a delinquent borrower’s correct address through skip-tracing, or when a delinquent borrower leaves deferment or forbearance status.

[64 FR 58636, Oct. 29, 1999, as amended at 66 FR 34765, June 29, 2001]

PART 685—WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

Subpart A—Purpose and Scope

Sec.

- 685.100 The William D. Ford Federal Direct Loan Program.
- 685.101 Participation in the Direct Loan Program.
- 685.102 Definitions.
- 685.103 Applicability of subparts.

Subpart B—Borrower Provisions

- 685.200 Borrower eligibility.
- 685.201 Obtaining a loan.
- 685.202 Charges for which Direct Loan Program borrowers are responsible.
- 685.203 Loan limits.
- 685.204 Deferment.
- 685.205 Forbearance.
- 685.206 Borrower responsibilities and defenses.
- 685.207 Obligation to repay.
- 685.208 Repayment plans.
- 685.209 Income contingent repayment plan.
- 685.210 Choice of repayment plan.
- 685.211 Miscellaneous repayment provisions.
- 685.212 Discharge of a loan obligation.
- 685.213 Total and permanent disability discharge.
- 685.214 Closed school discharge.
- 685.215 Discharge for false certification of student eligibility or unauthorized payment.
- 685.216 Unpaid refund discharge.
- 685.217 Teacher loan forgiveness program.
- 685.218 Discharge of student loan indebtedness for survivors of victims of the September 11, 2001, attacks.
- 685.219 Public Service Loan Forgiveness Program.
- 685.220 Consolidation.
- 685.221 Income-based repayment plan.

Subpart C—Requirements, Standards, and Payments for Direct Loan Program Schools

- 685.300 Agreements between an eligible school and the Secretary for participation in the Direct Loan Program.
- 685.301 Origination of a loan by a Direct Loan Program school.
- 685.302 [Reserved]
- 685.303 Processing loan proceeds.
- 685.304 Counseling borrowers.
- 685.305 Determining the date of a student’s withdrawal.
- 685.306 Payment of a refund or return of title IV, HEA program funds to the Secretary.
- 685.307 Withdrawal procedure for schools participating in the Direct Loan Program.
- 685.308 Remedial actions.

§ 685.100

685.309 Administrative and fiscal control and fund accounting requirements for schools participating in the Direct Loan Program.

Subpart D—School Participation and Loan Origination in the Direct Loan Program

685.400 School participation requirements.

685.401 [Reserved]

685.402 Criteria for schools to originate loans.

AUTHORITY: 20 U.S.C 1070g, 1087a, *et seq.*, unless otherwise noted.

SOURCE: 59 FR 61690, Dec. 1, 1994, unless otherwise noted.

Subpart A—Purpose and Scope

§ 685.100 The William D. Ford Federal Direct Loan Program.

(a) Under the William D. Ford Federal Direct Loan (Direct Loan) Program (formerly known as the Federal Direct Student Loan Program), the Secretary makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. This part governs the Federal Direct Stafford/Ford Loan Program, the Federal Direct Unsubsidized Stafford/Ford Loan Program, the Federal Direct PLUS Program, and the Federal Direct Consolidation Loan Program. The Secretary makes loans under the following program components:

(1) Federal Direct Stafford/Ford Loan Program (formerly known as the Federal Direct Stafford Loan Program), which provides loans to undergraduate, graduate, and professional students. The Secretary subsidizes the interest while the borrower is in an in-school, grace, or deferment period.

(2) Federal Direct Unsubsidized Stafford/Ford Loan Program (formerly known as the Federal Direct Unsubsidized Stafford Loan Program), which provides loans to undergraduate, graduate and professional students. The borrower is responsible for the interest that accrues during any period.

(3) Federal Direct PLUS Program, which provides loans to parents of dependent students and to graduate or professional students. The borrower is responsible for the interest that accrues during any period.

34 CFR Ch. VI (7–1–10 Edition)

(4) Federal Direct Consolidation Loan Program, which provides loans to borrowers to consolidate certain Federal educational loans.

(b) The Secretary makes a Direct Subsidized Loan, a Direct Unsubsidized Loan, or a Direct PLUS Loan only to a student or a parent of a student enrolled in a school that has been selected by the Secretary to participate in the Direct Loan Program.

(c) The Secretary makes a Direct Consolidation Loan only to—

(1) A borrower with a loan made under the Direct Loan Program; or

(2) A borrower with a loan made under the Federal Family Education Loan Program who—

(i) Is not able to obtain a Federal Consolidation Loan;

(ii) Is not able to obtain a Federal Consolidation Loan with income-sensitive repayment terms that are satisfactory to the borrower; or

(iii) Has a Federal Consolidation Loan that has been submitted by the lender to the guaranty agency for default aversion, and wishes to consolidate the Federal Consolidation Loan into the Direct Loan Program for the purpose of obtaining an income contingent repayment plan.

(Authority: 20 U.S.C. 1087a *et seq.*)

[59 FR 61690, Dec. 1, 1994, as amended at 71 FR 45709, Aug. 9, 2006]

§ 685.101 Participation in the Direct Loan Program.

(a)(1) Colleges, universities, graduate and professional schools, vocational schools, and proprietary schools selected by the Secretary may participate in the Direct Loan Program. Participation in the Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance at the school.

(2) The Secretary may permit a school to participate in both the Federal Family Education Loan (FFEL) Program, as defined in 34 CFR part 600, and the Direct Loan Program. A school permitted to participate in both the FFEL Program and the Direct Loan Program may certify loan applications under the FFEL Program according to the terms of its agreement with the Secretary.