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Part III

Department of Education

34 CFR Parts 682 and 685

Federal Family Education Loan Program and William D. Ford Federal Direct Loan Program; Final Rule

DEPARTMENT OF EDUCATION

34 CFR Parts 682 and 685

Federal Family Education Loan Program and William D. Ford Federal Direct Loan Program

AGENCY: Office of Postsecondary Education, Department of Education.

ACTION: Final regulations.

SUMMARY: This document contains technical corrections and changes to the regulations for the Federal Family Education Loan (FFEL) Program in 34 CFR part 682 and the William D. Ford Federal Direct Loan (Direct Loan) Program in 34 CFR part 685. 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 FFEL Program and the Federal Direct Stafford Loan Program, the Federal Direct PLUS Loan Program, and the Federal Direct Consolidation Loan Program, collectively referred to as the Direct Loan Program.

EFFECTIVE DATE: These regulations are effective July 1, 2001.

FOR FURTHER INFORMATION CONTACT: For the FFEL Program, Ms. Patricia Beavan, or for the Direct Loan Program, Ms. Nicki Meoli, U.S. Department of Education, 400 Maryland Avenue, S.W. (Room 3053, ROB–3) Washington, D.C. 20202–5449. Telephone 202–708–8242. If you use a telecommunications device for the deaf (TDD), you may call the Federal Information Relay Service (FIRS) at 1–800–877–8339.

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SUPPLEMENTARY INFORMATION: These corrections and changes incorporate technical corrections to the existing FFEL and Direct Loan program regulations in 34 CFR parts 682 and 685 and final regulations published in the **Federal Register** on November 1, 2000 (65 FR 65616, 65624, and 65632).

In addition, these final regulations change the existing regulations to reflect the change in the formula for calculating interest rates for certain Federal PLUS Loans and Federal Direct PLUS Loans made by Section 318 of Appendix D to Pub. L. 106–554, the Consolidated Appropriations Act 2001. The final regulations also add to the existing regulations a reference to a statutory termination date for the exemption from certain loan disbursement requirements for schools with cohort default rates below 10 percent.

Waiver of Proposed Rulemaking and Negotiated 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 other clarifying changes to the FFEL and Direct Loan program regulations. These corrections and changes do not affect the substantive rights or obligations of any affected parties. Therefore, the Secretary has concluded that solicitation of public comment is unnecessary and contrary to the public interest under 5 U.S.C. 553(b)(B) and that a deferred effective date is not required under 5 U.S.C. 553(d).

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 a significant economic impact on a substantial number of small entities. Small entities affected by these regulations are small institutions of higher education. These regulations also affect guaranty agencies and lenders that participate in the FFEL Program, as well as individual FFEL and Direct Loan borrowers, as described in the NPRM published on July 27, 2000 (65 FR 46316). These regulations contain technical corrections and other changes to current regulations. The technical corrections and changes will not have a significant economic impact.

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.

Assessment of Educational Impact

Based on our own review, we have 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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(Catalog of Federal Domestic Assistance Numbers: 84.032 Federal Family Education Loan Program, and 84.268 William D. Ford Federal Direct Loan Program)

List of Subjects in 34 CFR Parts 682 and 685

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

Dated: June 26, 2001.

Maureen A. McLaughlin,

Deputy Assistant Secretary, Policy, Planning and Innovation, Office of Postsecondary Education.

For the reasons discussed in the preamble, the Secretary amends title 34 of the Code of Federal Regulations parts 682 and 685 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(b)(2)(i)(C) is amended by removing the comma after ''1994'', and adding, in its place, a semi-colon.

§ 682.101 [Amended]

3. Section 682.101(b) is amended by removing '', technical, and correspondence'', and adding, in its place, ''technical''.

4. Section 682.202(a)(2) is amended by adding a new paragraph (vi); and paragraph (a)(3) is amended by adding a new paragraph (iv) to read as follows:

§ 682.202 Permissible charges by lenders to borrowers.

* * * * *

(a) * * *

(2) * * *

(vi)(A) Beginning on July 1, 2001, the interest rate on the loans described in paragraphs (a)(2)(ii) through (iv) of this section is a variable rate applicable to each July 1–June 30, as determined on the preceding June 26, and is equal to the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on or before such June 26; plus—

(*1*) 3.25 percent for loans described in paragraph (a)(2)(ii) of this section; or

(*2*) 3.1 percent for loans described in paragraphs (a)(2)(iii) and (iv) of this section.

(B) The interest rates calculated under paragraph (a)(2)(vi)(A) of this section shall not exceed the limits specified in paragraphs (a)(2)(ii)(B), (a)(2)(iii)(B), and (a)(2)(iv)(B) of this section, as applicable.

(3) * * *

(iv)(A) Beginning on July 1, 2001, the interest rate on the loans described in paragraphs (a)(3)(ii) and (iii) of this section is a variable rate applicable to each July 1–June 30, as determined on the preceding June 26, and is equal to the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on or before such June 26; plus—

(*1*) 3.25 percent for loans described in paragraph (a)(3)(ii) of this section; or

(*2*) 3.1 percent for loans described in paragraph (a)(3)(iii) of this section.

(B) The interest rates calculated under paragraph (a)(3)(iv)(A) of this section shall not exceed the limits specified in paragraphs (a)(3)(ii)(B) and (a)(3)(iii)(B) of this section, as applicable.

* * * * *

§ 682.204 [Amended]

5. Section 682.204 is amended:

A. In paragraph (a)(1)(iii), in the second formula, by removing ''Number of weeks in program'', and adding, in its place, ''Number of weeks enrolled''.

B. In paragraph (c)(2), by adding, ''under the conditions specified in § 682.201(a)(3)'' after ''dependent undergraduate students''.

C. In paragraph (d), by adding, ''under the conditions specified in § 682.201(a)(3)'', after ''dependent undergraduate students''.

D. In paragraph (f)(2)(ii), by removing the reference to ''(f)(4)'', and adding, in its place, ''(f)(3)''.

E. By redesignating paragraph (f)(4) as paragraph (f)(3).

F. In redesignated paragraph (f)(3)(ii), by removing reference to ''(f)(4)(i)'', and adding, in its place, ''(f)(3)(i)''.

6. Section 682.206(e)(2) is amended to read as follows:

§ 682.206 Due diligence in making a loan.

* * * * *

(e) * * *

(2) A Federal PLUS Program Loan may be made to an eligible borrower with an endorser who is secondarily liable for repayment of the loan.

* * * * *

§ 682.207 [Amended]

7. Section 682.207(b)(1)(ii)(B) is amended in the first sentence by removing ''a'', and adding, in its place, ''an''; by removing ''§ 688.163'', and adding, in its place, ''§ 668.163''; by removing ''written''; by adding a period after the second occurrence of the word ''borrower''; and by removing the remainder of the sentence.

§ 682.209 [Amended]

8. Section 682.209(a)(7)(viii)(C) is amended by removing ''Except in the case of a Consolidation Loan, if'', and adding in its place, ''If''; and by removing ''maximum 10-year'', and adding, in its place, ''applicable maximum''.

§ 682.210 [Amended]

9. Section 682.210(s)(6) introductory text is amended by adding ''of up to one year at a time'' after ''periods''.

§ 682.211 [Amended]

10. Section 682.211 is amended by removing from paragraph (i)(4) ''sections 672(a), 672(g), 673, 673(b), 674, or 688 of title 10,'', and adding, in its place, ''sections 688, 12301(a), 12301(g), 12302, 12304, and 12306 of title 10,''.

§ 682.215 [Amended]

11. Section 682.215 is amended:

A. In paragraph (b), in the definition of *Academic year,* in the last sentence, by adding ''a minimum of'', before ''nine''.

B. In paragraph (e)(1), by removing ''At the borrower's request, a'' and adding, in its place, ''A''.

C. In paragraph (e)(1)(i), by removing the second occurrence of the word ''each'', and adding, in its place, ''the borrower's''.

D. In paragraph (f)(2)(iii), by removing, ''on the loan'' both times it appears, and adding, in its place, ''on the discharged amount''.

E. In paragraph (f)(3)(ii), by removing ''and (d)(2)'', and adding, in its place, '', (d)(2), and (f)(2)(iii)''.

§ 682.300 [Amended]

12. Section 682.300(b)(2)(viii) is amended by removing the reference to ''§ 682.402(d) or (e)'', and adding, in its place, ''§ 682.402(d), (e), or (l)''.

§ 682.302 [Amended]

13. Section 682.302 is amended:

A. In paragraph (b)(2)(iv), by removing ''October 1, 1998'', and adding, in its place, ''July 1, 1998''.

B. In paragraph (c)(2), by removing ''(c)(1)(iii)(D)'', and adding, in its place, ''(c)(1)(iii)(F)''.

C. In paragraph (c)(3)(i), by removing ''(c)(1)(iii)(D)'', and adding, in its place, ''(c)(1)(iii)(F)''.

D. In paragraph (c)(4), by adding ''tax-exempt'' before ''obligations''.

E. In paragraphs (d)(2)(i) and (ii), by removing ''restricted''.

14. Section 682.401 is amended:

A. In paragraph (b)(5)(ii), by removing ''Stafford or''.

B. In paragraph (b)(5)(ii)(B), by removing ''to borrow or''.

C. In paragraph (b)(5)(ii)(C), by removing ''by or''.

D. By revising paragraph (d)(4)(iii) to read as follows:

§ 682.401 Basic program agreement.

* * * * *

(d) * * *

(4) * * *

(iii) A student or parent borrower who is borrowing funds for attendance at a school for which the multi-year feature of the MPN has not been authorized must complete a new promissory note for each academic year.

* * * * *

§ 682.402 [Amended]

15. Section 682.402 is amended:

A. In paragraph (g)(1)(i), by removing ''accurate'', and adding, in its place, ''exact''.

A. In paragraph (i)(1)(iii) by adding a new sentence at the end of the paragraph, ''If the guaranty agency has determined that the expected costs of opposing the discharge petition will exceed one-third of the total amount of the loan, it may, but is not required to, engage in the activities described in paragraph (i)(1)(iv) of this section.''

C. In paragraph (l)(1), by adding, '', in whole or in part,'', after ''disbursed''.

D. In paragraph (l)(2), by adding, '', in whole or in part,'', after ''disbursed''.

E. In paragraph (l)(2)(i), by removing ''has ceased to attend'', and adding, in its place, ''is not attending''.

F. In paragraph (l)(2)(ii), by removing ''borrower submits'', and adding, in its place, ''guarantor receives''.

G. In paragraph (l)(4)(i)(A), by adding, '', in whole or in part,'', after ''loan''.

H. In paragraph (l)(5)(vii)(A), by removing ''The'', and adding, in its place, ''Within 30 days of the

guarantor's determination, the''; and by adding ''. The guaranty agency must make a determination'' after ''agency's determination''.

I. In paragraph (l)(5)(vii)(B), by removing ''for the'', and adding, in its place, ''for any''; by adding, ''under this section'' after ''suspended''; and by removing ''the review period'' and adding, in its place, ''these periods''.

§ 682.405 [Amended]

16. Section 682.405(b)(2) is amended by adding ''and that the default is to be removed from the borrower's credit history'' before the period.

§ 682.406 [Amended]

17. Section 682.406 is amended:

A. In paragraph (a)(11), by removing the period, and adding, in its place, a semi-colon.

B. In paragraph (a)(12)(v), by removing ''preclaims'', and adding, in its place, ''default aversion''.

§ 682.410 [Amended]

18. Section 682.410(a)(2) is amended by removing paragraph (iii); and by redesignating paragraphs (iv) through (xii) as paragraphs (iii) through (xi).

19. Section 682.414 is amended:

A. In paragraph (a)(1)(ii)(D), by removing ''preclaims and supplemental preclaims assistance'', and adding, in its place, ''default aversion assistance''.

B. In paragraph (a)(4)(i), by removing the reference to ''(a)(3)(ii)'', and adding, in its place, ''(a)(4)(ii)''.

C. In paragraph (a)(4)(ii)(J), by removing ''preclaims assistance'', and adding, in its place, ''default aversion assistance''.

D. In paragraph (a)(5), by redesignating paragraph (a)(5)(ii) as paragraph (a)(5)(iii) and by adding a new paragraph (a)(5)(ii) to read as follows:

§ 682.414 Records, reports, and inspection requirements for guaranty agency programs.

(a) * * *

(5) * * *

(ii) A guaranty agency or lender may store a promissory note in accordance with 34 CFR 668.24(d)(3)(i) through (iv) only if the promissory note was signed electronically.

* * * * *

§ 682.415 [Amended]

20. Section 682.415 is amended:

A. In paragraph (a)(6)(iii), by removing the reference to ''(a)(6)'', and adding, in its place, ''(a)(6)(ii)''.

B. In paragraph (c)(2)(i), by removing ''§§ 682.410(b)(6)(iii) through (xii), and 682.406(a)(8) and (a)(9), or §§ 682.410(b)(7)'', and adding, in its place, ''§§ 682.410(b)(6)(i) through (xii)''.

C. In paragraph (c)(4), by removing ''§§ 682.410(b)(6)(iii) through (xii) and 682.406(a)(8) and (a)(9) or §§ 682.410(b)(7)'' and adding, in its place, ''§§ 682.410(b)(6)(i) through (xii)''.

D. In paragraph (c)(6)(i), by removing ''§§ 682.410(b)(6)(iii) through (xii) and 682.406(a)(8) and (a)(9) or 682.410(b)(7)'', and adding, in its place, ''§§ 682.410(b)(6)(i) through (xii)''.

E. In paragraph (d)(1), by removing ''§§ 682.410(b)(6)(iii) through (xii) and 682.406(a)(8) and (a)(9) or §§ 682.410(b)(7)'', and adding, in its place, ''§§ 682.410(b)(6)(i) through (xii)''.

§ 682.416 [Amended]

21. Section 682.416(f) is amended by removing the reference to ''§ 682.414(a)(3)(ii)'' and adding, in its place, ''§ 682.414(a)(4)(ii)''.

§ 682.601 [Amended]

22. Section 682.601(c)(1)(ii) is amended by removing '', SLS,''.

23. Section 682.603 is amended:

A. By revising paragraphs (f)(1) and (f)(2).

B. By revising paragraph (g).

C. In paragraph (i) by removing ''(1)''; and by removing the reference to ''(b)(5)'' and adding, in its place, ''(b)(3)''.

D. By removing paragraph (i)(2).

The amendments read as follows:

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

* * * * *

(f)(1) The minimum period of enrollment for which a school may certify a loan application is—

(i) At a school that measures academic progress in credit hours and uses a semester, trimester, or quarter system, a single academic term (e.g., a semester or quarter); or

(ii) At a school that measures academic progress in clock hours, or measures academic progress in credit hours but does not use a semester, trimester, or quarter system, the lesser of—

(A) The length of the student's program at the school; or

(B) The academic year as defined by the school in accordance with 34 CFR 668.2.

(2) The maximum period for which a school may certify a loan application is—

(i) Generally an academic year, as defined by 34 CFR 668.2, except that a guaranty agency may allow a school to use a longer period of time, not to exceed 12 months, corresponding to the period to which the agency applies the annual loan limits under § 682.401(b)(2)(ii); or

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

* * * * *

(g)(1) A school must cease certifying loans based on the exceptions in § 682.604(c)(5)(i) and § 682.604(c)(10)(i) no later than—

(i) 30 days after the date the school receives notification from the Secretary of an FFEL cohort default rate, calculated under subpart M of 34 CFR part 668, that causes the school to no longer meet the qualifications outlined in those paragraphs; or

(ii) October 1, 2002.

(2) A school must cease certifying loans based on the exceptions in § 682.604(c)(5)(ii) and § 682.604(c)(10)(ii) no later than 30 days after the date the school receives notification from the Secretary of an FFEL cohort default rate, calculated under subpart M of 34 CFR part 668, that causes the school to no longer meet the qualifications outlined in those paragraphs.

* * * * *

24. Section 682.604 is amended:

A. In paragraph (a)(1) by removing '', PLUS, or SLS'' and adding, in its place, ''or PLUS''.

B. In paragraph (b)(1), by removing '', SLS''.

C. In paragraph (c)(3), by adding ''or'' after ''application''.

D. By adding a new paragraph (c)(11).

E. In paragraph (e)(1), by removing the reference to ''§ 682.207(d)'' and adding, in its place, ''§ 682.207(f)''.

The amendments read as follows:

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

* * * * *

(c) * * *

(11) A school may deliver loan proceeds in accordance with paragraphs (c)(5) and (c)(10) of this section, if the school certified the loan prior to the deadline as provided for in § 682.603(g).

* * * * *

§ 682.610 [Amended]

25. Section 682.610(b)(5) is amended by adding '', if applicable,'' before ''to deliver''.

§ 682.705 [Amended]

26. Section 682.705(b)(2)(v) is amended by removing the reference to ''(c)(8)'' and adding, in its place, ''(c)(9)''.

§ 682.707 [Amended]

27. Section 682.707(a) introductory text is amended by removing the cross reference to ''§ 682.706(b)(9)'' and adding, in its place, ''§ 682.706(b)(10)''.

Appendix D—[Amended]

28. Appendix D is amended by:

A. In the introduction, in paragraph (2), in the last sentence, by removing the references to ''682.300(b)(2)(vi), 682.300(b)(2)(vii)'' and adding, in their place, ''682.300(b)(2)(vii), 682.302(d)(1)(iv)''.

B. In Appendix D, I.B.5., by removing ''180/270'' and adding, in its place, ''180/240''.

C. In Appendix D, I.D.1.a., by removing ''ten-year repayment'', and adding, in its place, ''repayment period'', by removing the reference to ''682.209(a)(7)'' and adding, in its place, ''682.209(a)(8) and 682.209(h)(2)''.

D. In Appendix D, I.E.2., in the eighth sentence, by adding, ''and § 682.402(f)(5)(ii) and (f)(6)'' after ''§ 682.211 (f)(4)''.

PART 685—WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

29. The authority citation for Part 685 continues to read as follows:

Authority: 20 U.S.C. 1087a *et seq.*, unless otherwise noted.

§ 685.102 [Amended]

30. Section 685.102(b) is amended as follows:

A. By indenting paragraph (b)(2)(i)(C) as a separate paragraph.

B. By removing, in the definition of ''Half-time student'', ''a school participating in the FFEL Program or the Direct Loan Program'' and adding, in its place, ''an institution of higher education''.

§ 685.200 [Amended]

31. Section 685.200 is amended as follows:

A. By removing in paragraph (a)(1)(v) ''any'' and adding, in its place, ''a''.

B. By removing in paragraph (a)(1)(v) ''34 CFR 668.32(e)(2) or (3)'' and adding, in its place, ''34 CFR 668.32(e)(2), (3), or (4)''.

C. By removing in paragraph (b)(1)(iii) ''34 CFR 668.7'' and adding, in its place, ''34 CFR 668.33''.

32. Section 685.202 is amended as follows:

A. By revising paragraph (a)(2)(i).

B. By removing in paragraph (a)(3)(i)(C) ''District'' and adding, in its place, ''Direct''.

The amendments read as follows:

§ 685.202 Charges for which Direct Loan Program borrowers are responsible.

(a) * * *

(2) * * *

(i) *Loans first disbursed before July 1, 1998.* (A) *Interest rates for periods ending before July 1, 2001.* During all periods, the interest rate during any twelve-month period beginning on July 1 and ending on June 30 is determined on the June 1 preceding that period. The interest rate is equal to the bond equivalent rate of 52-week Treasury bills auctioned at the final auction held prior to that June 1 plus 3.1 percentage points, but does not exceed 9 percent.

(B) *Interest rates for periods beginning on or after July 1, 2001.* During all periods, the interest rate during any twelve-month period beginning on July 1 and ending on June 30 is determined on the June 26 preceding that period. The interest rate is equal to the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on or before that June 26 plus 3.1 percentage points, but does not exceed 9 percent.

* * * * *

§ 685.205 [Amended]

33. Section 685.205 is amended by redesignating paragraph (c)(9) as paragraph (b)(9).

§ 685.208 [Amended]

34. Section 685.208(f)(2) is amended by removing ''borrowers's'' and adding, in its place, ''borrower's''.

35. Section 685.211 is amended by italicizing the paragraph (c) heading to read as follows:

§ 685.211 Miscellaneous repayment provisions.

* * * * *

(c) *Refunds and returns of title IV, HEA program funds from schools.* * * *

* * * * *

§ 685.212 [Amended]

36. Section 685.212 is amended as follows:

A. By adding in paragraph (d) '', in whole or in part,'' after ''disbursed''.

B. By adding in paragraph (e) '', in whole or in part,'' after ''disbursed''.

C. By adding in paragraph (f) '', in whole or in part,'' after ''disbursed''.

§ 685.214 [Amended]

37. Section 685.214(c)(1)(i) is amended by adding '', in whole or in part, on or after January 1, 1986'' after ''loan''.

§ 685.215 [Amended]

38. Section 685.215(c)(1)(i) is amended by adding '', in whole or in part, on or after January 1, 1986'' after ''loan''.

§ 685.216 [Amended]

39. Section 685.216 is amended as follows:

A. By removing in paragraph (a)(2)(i)(A) ''has ceased to attend'' and adding, in its place, ''is not attending''.

B. By adding in paragraph (c)(1)(i)(A) '', in whole or in part,'' after ''loan''.

40. Section 685.220 is amended by italicizing the paragraph (k) heading to read as follows:

§ 685.220 Consolidation.

* * * * *

(k) *Refunds and returns of title IV, HEA program funds received from schools.*

* * * * *

41. Section 685.301 is amended as follows:

A. By adding new paragraph (a)(9).

B. By adding new paragraphs (b)(3)(i) and (ii).

C. By revising paragraph (b)(8)(ii).

D. By adding a new paragraph (b)(8)(iii).

E. By revising paragraph (d).

The revisions and additions read as follows:

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

(a) * * *

(9)(i) The minimum period of enrollment for which a school may originate a Direct Loan is—

(A) At a school that measures academic progress in credit hours and uses a semester, trimester, or quarter system, a single academic term (e.g., a semester or quarter); or

(B) At a school that measures academic progress in clock hours, or measures academic progress in credit hours but does not use a semester, trimester, or quarter system, the lesser of—

(*1*) The length of the student's program at the school; or

(*2*) The academic year as defined by the school in accordance with 34 CFR 668.2.

(ii) The maximum period for which a school may originate a Direct Loan is—

(A) Generally an academic year, as defined by 34 CFR 668.2, except that a school may use a longer period of time, not to exceed 12 months, corresponding to the period to which the school applies the annual loan limits under § 685.203; or

(B) For a defaulted borrower who has regained eligibility, the academic year in which the borrower regained eligibility.

(b) * * *

(3) * * *

(i) If a loan period is more than one payment period, the school must disburse loan proceeds at least once in each payment period; and

(ii) If a loan period is one payment period, the school must make at least two disbursements during that payment period. The school may not make the second disbursement until the calendar midpoint between the first and last scheduled days of class of the loan period.

* * * * *

(8) * * *

(ii) Paragraph (b)(8)(i)(A) of this section does not apply to any loans originated by the school beginning—

(A) 30 days after the date the school receives notification from the Secretary of a cohort default rate, calculated under subpart M of 34 CFR part 668, that causes the school to no longer meet the qualifications outlined in that paragraph; or

(B) October 1, 2002.

(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 of 34 CFR part 668, that causes the school to no longer meet the qualifications outlined in that paragraph.

* * * * *

(d) *Reporting to the Secretary.* (1) A school that participates under school origination option 2 must submit the promissory note, loan origination record, and initial disbursement record for a loan to the Secretary no later than 30 days following the date of the initial disbursement. The school must submit subsequent disbursement records, including adjustment and cancellation records, to the Secretary no later than 30 days following the date the disbursement, adjustment, or cancellation is made.

(2) A school that participates under school origination option 1 or standard origination must submit the initial disbursement record for a loan to the Secretary no later than 30 days following the date of the initial disbursement. The school must submit subsequent disbursement records, including adjustment and cancellation records, to the Secretary no later than 30 days following the date the disbursement, adjustment, or cancellation is made.

42. Section 685.303 is amended as follows:

A. By revising paragraph (b)(4)(ii).

B. By adding a new paragraph (b)(4)(iii).

C. By adding in the introductory text of paragraph (e) ''(except for Federal Work-Study Program funds up to $300)'' after ''eligible''.

The amendments read as follows:

§ 685.303 Processing loan proceeds.

* * * * *

(b) * * *

(4) * * *

(ii) Paragraph (b)(4)(i)(A) of this section does not apply to any loans originated by the school beginning—

(A) 30 days after the date the school receives notification from the Secretary of a cohort default rate, calculated under subpart M of 34 CFR part 668, that causes the school to no longer meet the qualifications outlined in that paragraph; or

(B) October 1, 2002.

(iii) Paragraph (b)(4)(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 of 34 CFR part 668, that causes the school to no longer meet the qualifications outlined in that paragraph.

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§ 685.304 [Amended]

43. Section 685.304 is amended in paragraph (a)(1) by removing ''(a)(5)'' and adding, in its place, ''(a)(4)''.

44. Section 685.400 is amended by revising the section heading to read as follows:

§ 685.400 School participation requirements.

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45. Section 685.402 is amended by revising the section heading to read as follows:

§ 685.402 Criteria for schools to originate loans.

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