

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
1279	Common Mandatory Forbearance Forms	<p><b>2.3.C Common Forms</b>  <b>11.24 Mandatory Forbearance</b></p> <p>Includes information regarding use of the Department's common mandatory forbearance request forms. One form is the Mandatory Forbearance Request: Student Loan Debt Burden and the other is the Mandatory Forbearance Request: Medical or Dental Internship/Residency Program; National Guard Duty; Department of Defense Loan Repayment Program.</p>	Federal	Distribution of the Department's mandatory forbearance request forms to a borrower on and after December 31, 2012, unless implemented by a lender no earlier than July 30, 2012.
1280	Title IV Credit Balances	<p><b>8.8 Managing Credit Balances</b></p> <p>Reorganizes the <i>Common Manual</i> by adding to Section 8.8, Managing Credit Balances. The guidance regarding the treatment of credit balances for a school that assesses all program costs upfront currently found in Subsection 8.7.I, Delivery Methods is moved to Section 8.8, Managing Credit Balances.</p>	Organizational	Prior-year charges paid by a school with current-year funds on or after September 8, 2009.

Batch 189 (Approved)

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: October 18, 2012

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	no changes	Oct 18

**SUBJECT:** Common Mandatory Forbearance Forms

**AFFECTED SECTIONS:** 2.3.C Common Forms  
11.20.J Establishing Repayment after Forbearance  
11.24 Mandatory Forbearance  
11.24.A Debt Exceeds Monthly Income

**POLICY INFORMATION:** 1279/Batch 189

**EFFECTIVE DATE/TRIGGER EVENT:** Distribution of the Department's mandatory forbearance request forms to a borrower on and after December 31, 2012, unless implemented by a lender no earlier than July 30, 2012.

**BASIS:**  
DCL GEN-12-14.

**CURRENT POLICY:**  
Current policy provides information about mandatory forbearance.

**REVISED POLICY:**  
Revised policy adds information regarding distribution of the Department's Mandatory Forbearance Request: Student Loan Debt Burden and the Mandatory Forbearance Request: Medical or Dental Internship/Residency Program; National Guard Duty; Department of Defense Loan Repayment Program published by the Department on July 30, 2012.

**REASON FOR CHANGE:**  
This change is necessary to comply with the Department's guidance regarding use of the Department's Mandatory Forbearance Request: Student Loan Debt Burden and the Mandatory Forbearance Request: Medical or Dental Internship/Residency Program; National Guard Duty; Department of Defense Loan Repayment Program.

**PROPOSED LANGUAGE - COMMON MANUAL:**  
Revise Subsection 2.3.C, page 14, column 1, by adding a new paragraph 2, as follows:

## Mandatory Forbearance Forms

- SLDB Mandatory Forbearance Request: Student Loan Debt Burden
- SERV Mandatory Forbearance Request: Medical or Dental Internship/Residency Program; National Guard Duty; Department of Defense Loan Repayment Program

Revise Subsection 11.20.J, Figure 11-2, page 32, Mandatory forbearance row 5, column 1, as follows:

~~Debt Exceeds Monthly Income~~ Student Loan Debt Burden<sup>4, 5</sup>

Revise Section 11.24, page 42, column 1, by adding new paragraphs 2 and 3, as follows:

## **11.24 Mandatory Forbearance**

Upon receiving a borrower's request and documentation required to support the borrower's eligibility, a lender must grant a forbearance in any of the situations listed below. A lender and the borrower may agree to the terms of the forbearance verbally or in writing. A lender that grants a forbearance based on a verbal agreement with the borrower must record the forbearance terms in the borrower's file and send a notice to the borrower confirming the

terms of the forbearance agreement.

If a borrower requests a mandatory forbearance because of student loan debt burden, the lender must forward to the borrower the Mandatory Forbearance Request: Student Loan Debt Burden (SLDB) form.

If a borrower requests a mandatory forbearance for one of the reasons listed below, the lender must forward to the borrower the Mandatory Forbearance Request: Medical or Dental Internship/Residency Program; National Guard Duty; Department of Defense Loan Repayment Program (SERV) form:

- Medical or dental internship/residency
- Active military state duty as a member of the National Guard
- Department of Defense Student Loan Repayment Program

Revise the title of Subsection 11.24.A, page 42, column 1, paragraph 4, as follows:

**11.24.A**  
**Debt Exceeds Monthly Income Student Loan Debt Burden**

The lender must grant forbearance in increments of up to one year, for periods that collectively do not exceed three years, if the borrower or endorser is currently obligated to make payments on Title IV loans and the amount of those payments each month—or a proportional share, if the payments are due less frequently than monthly—is collectively equal to or greater than 20% of the borrower's or endorser's total monthly income.

**PROPOSED LANGUAGE - COMMON BULLETIN:**  
**Common Mandatory Forbearance Forms**

The *Common Manual* is being revised to include information regarding use of the Department's common mandatory forbearance request forms. One form is the Mandatory Forbearance Request: Student Loan Debt Burden and the other is the Mandatory Forbearance Request: Medical or Dental Internship/Residency Program; National Guard Duty; Department of Defense Loan Repayment Program. Lenders may distribute these forms to borrowers on and after July 30, 2012, but must distribute only these forms on and after December 31, 2012. Lenders may continue to process any version of the mandatory forbearance forms received by the lender on or after December 31, 2012.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Student/Borrower:*

A borrower may benefit from using a federally standardized form to request a mandatory forbearance, especially in a case where the borrower has more than one lender.

*School:*

None.

*Lender/Service:*

A lender may need to revise processes and procedures when converting from distribution and use of their entity-specific mandatory forbearance form(s) to the Department's common mandatory forbearance forms. Lenders may continue to process any version of the mandatory forbearance forms received by the lender on or after December 31, 2012.

*Guarantor:*

None.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**  
CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**  
July 17, 2012

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**  
October 11, 2012

**PROPOSAL DISTRIBUTED TO:**  
CM Policy Committee  
CM Guarantor Designees  
Interested Industry Groups and Others  
CM Governing Board Representatives

**Comments Received From:**  
AES/PHEAA, ASA, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NELA, NSLP, OCAP, PPSV, SCCL, SLND, SLA, TG, USA Funds, and VSAC.

### **Responses to Comments**

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Most of the commenters supported this proposal as written. Several commenters recommended wordsmithing changes that were incorporated without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

#### **COMMENT:**

One commenter noted that Subsection 11.24.A is titled "Debt Exceeds Monthly Income." The commenter suggested changing the subsection title to "Student Loan Debt Burden" to match the new form and to avoid confusion.

#### **Response:**

The Committee agrees.

#### **Change:**

The title of Subsection 11.24.A has been changed to "Student Loan Debt Burden." Also, the forbearance chart, Figure 11-2, page 32, mandatory forbearance row 5, column 1, has been revised accordingly.

#### **COMMENT:**

One commenter recommended clarifying changes to Section 11.24, as follows:

If a borrower requests a mandatory forbearance because debt exceeds monthly income, the lender must forward to the borrower the "Mandatory Forbearance Request: Student Loan Debt Burden (SLDB)" form.

If a borrower requests a mandatory forbearance, for one of the following reasons, the lender must forward to the borrower the ~~SERV~~ Mandatory Forbearance Request: Medical or Dental Internship/Residency Program; National Guard Duty; Department of Defense Loan Repayment Program (SERV) form. ~~the lender must forward to the borrower the following applicable mandatory forbearance request form:~~

- Medical or Dental Internship/Residency
- Active Military State Duty
- Department of Defense Student Loan Repayment Program
- ~~SDLB Mandatory Forbearance Request: Student Loan Debt Burden~~

#### **Response:**

The Committee agrees:

#### **Change:**

The proposed language in Section 11.24 has been revised as recommended by the commenter with modification.

# COMMON MANUAL – ORGANIZATIONAL POLICY PROPOSAL

Date: October 18, 2012

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	no changes	Oct 18

**SUBJECT:** Title IV Credit Balances

**AFFECTED SECTIONS:** 8.8 Managing Credit Balances

**POLICY INFORMATION:** 1280/Batch 189

**EFFECTIVE DATE/TRIGGER EVENT:** Prior-year charges paid by a school with current-year funds on or after September 8, 2009.

**BASIS:**

DCL GEN-09-11; 12-13 FSA Handbook, Volume 4, Chapter 1, pp. 4-19 to 4-21.

**CURRENT POLICY:**

Current policy provides guidance in Subsection 8.7.1, Delivery Methods, regarding the treatment of credit balances for a school that assesses all program costs upfront.

**REVISED POLICY:**

Revised policy reorganizes the text by adding this guidance in Section 8.8, Managing Credit Balances.

**REASON FOR CHANGE:**

This change is needed to ensure that the reader finds all applicable information about the treatment of credit balances.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Section 8.8, page 21, column 1, by adding a new paragraph 2, as follows:

**8.8  
Managing Credit Balances**

A Title IV credit balance is created when a school credits Title IV funds to a student's school account and the total amount of funds credited to the account exceeds the amount of tuition and fees, contracted room and board, and other authorized charges allocated to the current loan period or award year, as appropriate.

If the student's program of study is more than one academic year in length and the school charges the total costs of that program of study at the beginning of the program, the school must apportion the program's total charges to each applicable "year" (i.e., each loan period or award year, as appropriate). The school must allocate charges to each year or portion of a year based on the education and other services the school provides to the student during the period of time associated with each year or portion of a year. Charges for books, equipment, supplies, or other materials could be allocated on a pro rata basis, or alternatively, could be allocated to the period in which the school requires the student to purchase them. The school must also use the portion of the program's total charges that it allocates to each "year" for the purpose of determining whether the student has a credit balance of Title IV funds. See Section 8.3 for information about required authorizations. See Subsection 8.7.1 for a description of what constitutes authorized charges and for more information about allocating charges to the current year and prior year. See Subsection 8.7.C for more information on managing about providing certain Pell- grant eligible students who have a Title IV credit balance with a method to obtain or purchase necessary books and supplies.  
[§668.164(d)((2) and (e); §668.164(i); DCL GEN-09-11; 12-13 FSA Handbook, Volume 4, Chapter 1, pp. 4-19 to 4-21]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Title IV Credit Balances**

The *Common Manual* is being reorganized by adding to Section 8.8, Managing Credit Balances the guidance regarding the treatment of credit balances for a school that assesses all program costs upfront. This

information is currently only found in Subsection 8.7.I, Delivery Methods.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

None.

*School:*

None.

*Lender/Service:*

None.

*Guarantor:*

None.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

July 21,2010.

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

October 11, 2012

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

C M Governing Board Representatives

**Comments Received From:**

AES/PHEAA, ASA, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NELA, NSLP, OCAP, PPSV, SCSL, SLND, SLSA, TG, USA Funds, and VSAC.

**Responses to Comments**

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