#	Subject	Summary of Change to *Common Manual*	Type of Update	Effective Date
1291	**Proof of Income Requirements**	**10.8.C Income-Sensitive Repayment Schedule** **10.8.D Income-Based Repayment Schedule** **11.4.B Deferment Documentation — Economic Hardship** **11.24.A Student Loan Debt Burden** States that in order for a borrower to provide evidence of his or her gross monthly income received from employment and other sources, he or she must provide one piece of supporting documentation for each source of income and, unless the frequency is clearly indicated on the documentation, the borrower must write on the documentation how often he or she is receiving the income or provide that information verbally to the lender. If the borrower is newly self-employed, he or she may provide a signed statement explaining the projected monthly income from all sources; no additional documentation is required.	Guarantor	Documentation of borrower income received by a lender on or after May 1, 2014, unless implemented earlier by the lender.
1292	**Students Returning to a Non-Term-Based Credit Hour** **or Clock-Hour Program after a Withdrawal**	**6.3.F Students Returning to a Non-Term-Based Credit-Hour or Clock-Hour Program after a Withdrawal** Clarifies the impact on annual loan limits for a student that transfers into a different non-term program at the same school and who qualifies to remain in the same payment period. In addition, revised policy provides a cross-reference to existing text that explains the treatment of annual loan limits for a student who transfers into a non-term-based program under different circumstances.	Organizational	Not applicable.

COMMON MANUAL –GUARANTOR POLICY PROPOSAL

Date: January 16, 2014

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	no changes	Jan 16

SUBJECT: **Proof of Income Requirements**

AFFECTED SECTIONS:
10.8.C Income-Sensitive Repayment Schedule
10.8.D Income-Based Repayment Schedule
11.4.B Deferment Documentation—Economic Hardship
11.24.A Student Loan Debt Burden

POLICY INFORMATION: **Proposal 1291/Batch 197**

EFFECTIVE DATE/TRIGGER EVENT: Documentation of borrower income received by a lender on or after May 1, 2014, unless implemented earlier by the lender.

BASIS:
Income-Based (IBR) / Pay As You Earn / Income-Contingent (ICR) Repayment Plan Request form - OMB No. 1845-0102.

CURRENT POLICY:
Current policy states that other income documents are acceptable when documenting income for income-driven repayment plans, but does not outline examples of this documentation. Current policy also reflects information about documentation required for the economic hardship deferment and forbearance in instances where a borrower's debt exceeds the borrower's monthly income. Current policy further states that newly self-employed borrowers must provide documentation of the newly-formed business along with a self-certified statement of projected monthly income from all sources.

REVISED POLICY:
Revised policy states that in order for a borrower to provide evidence of his or her gross monthly income received from employment and other sources, he or she must provide one piece of supporting documentation for each source of income and, unless the frequency is clearly indicated on the documentation, the borrower must write on the documentation how often he or she is receiving the income or provide that information verbally to the lender. If the borrower is newly self-employed, he or she may provide a signed statement explaining the projected monthly income from all sources; no additional documentation is required.

REASON FOR CHANGE:
This change takes the information outlined on the Income-Based (IBR) / Pay As You Earn / Income-Contingent (ICR) Repayment Plan Request form and applies that guidance to other instances where the lender must document the borrower's income. The change aligns the requirements for documenting proof of income across instances where the lender must obtain proof of income.

CM Proposal 179 from Batch 24, approved in 1997, addresses acceptable documentation for a borrower who is newly self-employed and does not have documentation of income or has yet to file tax forms and it required that the borrower provide documentation of the newly formed business and documentation of the borrower's involvement in that business along with the self-certifying statement. The Committee had originally proposed that the self-employed borrower only needed to supply a self-certifying statement of income. It was in response to comments that the third-party external documentation requirement was added. Revisiting this policy in light of recent guidance from the Department via the newest income-based repayment plans form will benefit borrowers by standardizing documentation needed in all instances where a borrower needs to provide documentation of income.

PROPOSED LANGUAGE - *COMMON MANUAL*:
Revise Subsection 10.8.C, page 16, column 2, paragraph 3, as follows:

10.8.C
Income-Sensitive Repayment Schedule

If a borrower selects an income-sensitive repayment schedule, the borrower must provide the lender with information on the expected total monthly gross income the borrower receives from all sources. Except for a spousal Consolidation loan, expected total monthly gross income from all sources does not include income earned or received by a borrower's spouse.

To ensure the income information is current, the borrower cannot provide the income information any earlier than 90 days before the first payment due date. If the borrower's loan entered repayment without the lender's knowledge, the lender may obtain the income information earlier than 90 days before the first payment due date.

The lender will determine whether the borrower qualifies for an income-sensitive repayment schedule based on the borrower's expected total monthly gross income. If the borrower reports income the lender considers insufficient to establish a monthly payment that will repay the loan within the maximum applicable repayment period, the lender must request documentation showing the amount of the most recent total monthly gross income from employment and other sources received by the borrower. ~~This can include, if applicable, pay statements from employers and documentation of any income received by the borrower from other parties.~~ When establishing these payment amounts, a lender must ensure that no single installment is more than three times greater than any other installment. [§682.209(a)(6)(ii)]

The lender must collect and review the borrower's income documentation annually and adjust the borrower's payment amount accordingly. To ensure income information is current, the borrower cannot provide the information any earlier than 90 days before the payment is scheduled to be adjusted. <u>The borrower must provide at least one piece of supporting documentation for each source of income. Documentation may include paystubs, a copy of the borrower's most recently filed federal tax return, a letter(s) from his or her employer(s) listing income, interest or bank statements, dividend statements, or other documentation may also be used to verify income. Unless the frequency is clearly indicated on the documentation, the borrower must write on the documentation how often he or she is receiving the income, for example, "twice per month" or "every other week" or provide that information verbally to the lender. If these forms of documentation are unavailable, the borrower must provide a signed statement explaining the income source(s) and giving the name and the address of the source(s). If the borrower is self employed, he or she may provide a signed statement explaining the projected monthly income from all sources; no additional documentation is required.</u>

The lender must inform the borrower that the loan must be repaid within the maximum repayment period allowed. However, the lender must grant a forbearance to the borrower—or endorser, if applicable—for a period of up to 5 years in cases where the effect of decreased installment amounts paid under an income-sensitive repayment schedule would result in a loan not being repaid within the maximum repayment period (see Section 11.23). [§682.209(a)(6)(viii)(D)]

Revise Subsection 10.8.D, page 17, column 2, paragraph 5 as follows:

10.8.D
Income-Based Repayment Schedule

. . .

If the borrower's AGI is not available or if the lender believes that the borrower's AGI does not reflect the borrower's current income, ~~the lender must collect other documentation to verify the borrower's income.~~ <u>the borrower must provide at least one piece of supporting documentation for each source of income. Documentation may include paystubs, a copy of the borrower's most recently filed federal tax return, a letter(s) from his or her employer(s) listing income, interest or bank statements, dividend statements, or other documentation may also be used to verify income. Unless the frequency is clearly indicated on the documentation, the borrower must write on the documentation how often he or she is receiving the income, for example, "twice per month" or "every other week" or provide that information verbally to the lender. If these forms of documentation are unavailable, the</u>

borrower must provide a signed statement explaining the income source(s) and giving the name and the address of the source(s). If the borrower is self employed, he or she may provide a signed statement explaining the projected monthly income from all sources; no additional documentation is required.

Revise Subsection 11.4.B, page 10, column 1, paragraph 1, as follows:

11.4.B
Deferment Documentation—Economic Hardship

If a borrower requests an economic hardship deferment, the lender should forward to the borrower the following common deferment form:

HRD
Economic Hardship Deferment Request

~~Documentation should include pay stubs, a copy of the borrower's most recently filed federal tax return, or other official documents noting the borrower's income~~. The borrower must provide at least one piece of supporting documentation for each source of income. Documentation may include paystubs, a copy of the borrower's most recently filed federal tax return, a letter(s) from his or her employer(s) listing income, interest or bank statements, dividend statements, or other documentation may also be used to verify income. Unless the frequency is clearly indicated on the documentation, the borrower must write on the documentation how often he or she is receiving the income, for example, "twice per month" or "every other week" or provide that information verbally to the lender. If these forms of documentation are unavailable, the borrower must provide a signed statement explaining the income source(s) and giving the name and the address of the source(s). If the borrower is self employed, he or she may provide a signed statement explaining the projected monthly income from all sources; no additional documentation is required.

A borrower who qualifies for deferment based on his or her Peace Corps service is not required to submit income documentation, but must submit documentation from the Peace Corps showing that he or she is or will be serving as a volunteer.

~~A borrower who is newly self employed may not be able to provide traditional documentation of income. In order for a newly self-employed borrower to qualify for an economic hardship deferment, the borrower must provide the lender with a self-certifying statement of projected monthly income from all sources. In addition, the borrower must provide documentation of the newly formed business and documentation of the borrower's involvement in that business. Documentation that may be used for newly self employed borrowers includes, but is not limited to:~~

- ~~A statement from the borrower's accountant.~~
- ~~A copy of the Articles of Incorporation for the business venture.~~
- ~~A copy of the Business Charter showing the borrower's involvement.~~
- ~~An application for a tax identification number~~

Revise Subsection 11.24.A, page 42, column 2, paragraph 4, as follows:

11.24.A
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.

Before granting a forbearance to a borrower or endorser, in this case, the lender must require the borrower or endorser to submit at least the following documentation:

- Evidence of the amount of the most recent total monthly gross income received by the borrower or endorser from employment and other sources. The borrower must provide at least one piece of supporting documentation for each source of income. Documentation may include paystubs, a copy of the borrower's most recently filed federal tax return, a letter(s) from his or her employer(s) listing income, interest or bank statements, dividend statements, or other documentation may also be used to verify income. Unless the frequency is clearly indicated on the documentation, the borrower must write on the documentation how often he or she is receiving the income, for example, "twice per month" or "every other week" or provide that information verbally to the lender. If these forms of documentation are unavailable, the borrower must provide a signed statement explaining the income source(s) and giving the name and the address of the source(s). If the borrower is self employed, he or she may provide a signed statement explaining the projected monthly income from all sources; no additional documentation is required.

- Evidence of the amount of the monthly payments owed by the borrower or endorser to other entities for the most recent month for the borrower's or endorser's Title IV loans. [§682.21(h)(2) and (4)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Proof of Income Requirements

The *Common Manual* is updated to clarify that, for the purposes of provided documentation of monthly income, a borrower may provide one piece of supporting documentation for each source of income. For example, documentation includes paystubs, a copy of the borrower's most recently filed federal tax return, a letter(s) from his or her employer(s) listing income, interest or bank statements, or dividend statements. Unless the frequency is clearly indicated on the documentation, the borrower must write on the documentation how often he or she is receiving the income, for example, "twice per month" or "every other week" or provide that information verbally to the lender. If these forms of documentation are unavailable, the borrower may attach a signed statement explaining the income source(s) and giving the name and the address of the source(s). If the borrower is self-employed, he or she may provide the signed statement explaining the projected monthly income from all sources; no additional documentation is required.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower will need to consider this clarification when providing proof of income. A borrower will benefit from standardized documentation required in all instances where the borrower needs to provide documentation of income.

School:

A school will need to provide students with the correct proof of income criteria.

Lender/Servicer:

A school may need to update its counseling materials.

Guarantor:

None.

U.S. Department of Education:

None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

The Student Loan Servicing Alliance (SLSA)

DATE SUBMITTED TO CM POLICY COMMITTEE:

May 21, 2013

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

January 9, 2014

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

Comments Received from:
AES/PHEAA, ASA, College Assist, FAME, Great Lakes, MDHE, MGA, NASFAA, NCHER, NELA, OCAP, PPSV, SCSL, TG, TSAC, UHEAA, USA Funds, and VSAC.

Responses to Comments

Many commenters supported this proposal as written. Some commenters recommended wordsmithing changes that were considered 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 suggested revising the Common Bulletin language by changing “may” to “must” to accurately reflect the intended policy as follows:

> “The *Common Manual* is updated to clarify that, for the purposes of provided documentation of monthly income, a borrower ~~may~~ must provide one piece of supporting documentation for each source of income.

Response:
The Committee agrees.

Change:
The sentence has been revised as recommended.

COMMENT:
One commenter suggested revising the Implications statement for a school as follows:

> “A school will need to provide students with the correct proof of income criteria during required exit counseling.”

Response:
The Committee appreciates the commenter’s suggestion; however exit counseling requirements do not prescribe this level of detail. Schools or third party servicers that do provide this information during exit counseling may need to update their exit and other counseling materials.

Change:
The school implication statement has been revised to read as follows:

> “A school may need to update its counseling materials.”

COMMENT:
One commenter recommended revising the Effective Date/Trigger Event date to be a more specific date based on the date that the form could no longer be accepted.

Response:

The Committee agrees that the effective date should be date specific. However, the effective date in this case is based on the idea that this is a Guarantor proposal for which we provide a prospective date (usually 6 months or so) which lead us to using May 2014. The last date for processing an older version of an income-driven repayment plan form was April 30, 2013.

Change:
The effective date has been changed to May 1, 2014.

COMMENT:
Two commenters recommended that Subsections 10.8.C, 10.8.D, 11.4.B, and 11.24.A be revised to add that

borrowers may either provide written documentation of how often the borrower is receiving income or provide that information verbally to the lender.

Response:
The Committee agrees.

Change:
The income frequency documentation statement has been modified as follows:

> "Unless the frequency is clearly indicated on the documentation, the borrower must write on the documentation how often he or she is receiving the income, for example, "twice per month" or "every other week~~.~~" or provide that information verbally to the lender."

an/tmh

COMMON MANUAL - ORGANIZATIONAL POLICY PROPOSAL

Date January 16, 2014

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with changes	Jan 16

SUBJECT: **Students Returning to a Non-Term-Based Credit Hour or Clock-Hour Program after a Withdrawal**

AFFECTED SECTIONS: **6.3.F Students Returning to a Non-Term-Based Credit-Hour or Clock-Hour Program after a Withdrawal**

POLICY INFORMATION: **1292/Batch 197**

EFFECTIVE DATE/TRIGGER EVENT: Not applicable.

BASIS:

Federal Register dated November 1, 2007, Volume 72, Number 211, pp. 61971 – 61972.

CURRENT POLICY:

Current policy does not adequately clarify the impact on annual loan limits and loan periods for a student that transfers into a different non-term-based program at the same school and who qualifies to remain in the same payment period, or who withdraws and returns to the same non-term-based program at the same school within 180 days. In addition, current policy does not cross-reference the reader to existing text that explains the treatment of annual loan limits for a student that transfers into a non-term-based program under different circumstances.

REVISED POLICY:

Revised policy clarifies the impact on annual loan limits for a student that transfers into a different non-term program at the same school and who qualifies to remain in the same payment period. In addition, revised policy provides a cross-reference to existing text that explains the treatment of annual loan limits for a student who transfers into a non-term-based program under different circumstances.

REASON FOR CHANGE:

This change is necessary to clarify Subsection 6.3.F and provide a cross-reference to existing Manual text in Subsection 6.11.A that comprehensively explains how annual loan limits were impacted by a student's transfer into a non-term-based program under Department regulations and policies that were in effect as of the termination of FFELP originations.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Subsection 6.3.F, page 13, column 1, by adding a new paragraph 3, as follows:

> If a student withdraws from a program but re-enters that same program within 180 days, the school is required to place the student in the same payment period in which the student was originally enrolled when the withdrawal occurred. The student is again eligible to receive any loan funds for which he or she was eligible prior to the withdrawal, including any funds that may have been returned by the school or student as part of the Return of Title IV Funds process.
> [§668.4(f)]
>
> <u>In addition, a school may consider a student who transfers to a different program at the same school to remain in the same payment period if all of the following conditions are met:</u>
>
> - <u>The student is continuously enrolled at the school.</u>
> - <u>The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers into the new program.</u>
> - <u>The payment periods are substantially equal in length in weeks of instructional time and credit or clock hours.</u>

- There are minimal or no changes in institutional charges associated with the payment period.

- The credits from the payment period the student is transferring out of are accepted toward the new program.

[§668.4(g)(3)]

In both of the instances above, the student remains in the same academic year. The school may not originate a new annual loan limit for the student until he or she completes both the number of credit or clock hours, and the number of weeks of instructional time in the program's Title IV academic year definition.

~~If, however~~, For a student who returns to the same program after 180 days or, at any time, either transfers into a different program at the same school that does not meet the criteria noted above or enrolls in another school, the applicable school must calculate a new payment period for the remainder of the student's program based on how program progress is measured. For purposes of calculating payment periods only, the length of the program is the number of credit hours or clock hours and the number of weeks of instructional time that the student has remaining in the program he or she entered or re-entered. If the remaining hours and weeks constitute one half of an academic year or less, the remaining hours constitute one payment period. In this case, the student begins a new academic year upon transfer into a different program, enrollment at another school, or re-entry into the same program at the same school after 180 days. However, the school must determine whether the student's new academic year overlaps with the immediately preceding academic year in order to determine the student's initial Stafford loan eligibility. See Subsection 6.11.A under the subheading *Transfer Students* for additional information about determining the frequency of annual loan limits for students enrolled in clock-hour programs or non-term-based, credit-hour programs.
[§668.4(g)(1) and (2)]

~~There is one exception to this rule: a school may consider a student who transfers to a different program at the same school to remain in the same payment period if all of the following conditions are met:~~

- ~~The student is continuously enrolled at the school.~~
- ~~The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers into the new program.~~
- ~~The payment periods are substantially equal in length in weeks of instructional time and credit or clock hours.~~
- ~~There are little or no changes in institutional charges associated with the payment period~~
- ~~The credits from the payment period the student is transferring out of are accepted toward the new program.~~

~~[§668.4(g)(3)]~~

PROPOSED LANGUAGE - COMMON BULLETIN:

Students Returning to a Non-Term-Based Credit Hour or Clock-Hour Program after a Withdrawal

The *Common Manual* has been revised to clarify the impact on annual loan limits for a student that transfers into a different non-term program at the same school and who qualifies to remain in the same payment period. In addition, revised policy provides a cross-reference to existing text that explains the treatment of annual loan limits for a student who transfers into a non-term-based program under different circumstances.

IMPLICATIONS:

Borrower:
None.

School:
None.

Lender/Servicer:
None.

Guarantor:
None.

U.S. Department of Education:
None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
March18, 2009

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
January 9, 2014

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

Comments Received From:
AES/PHEAA, ASA, College Assist, FAME, Great Lakes, HESC, MDHE, MGA, NASFAA, NCHER, NELA, OCAP, PPSV, SCSL, SLSA, TG, TSAC, UHEAA, USA Funds, and VSAC.

Responses to Comments
All of the commenters supported this proposal as written. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

om/edited-as 1292/K094