

## Summary of Changes Approved through June 2014

This summary lists changes made since the 2013 Annual Update of the *Common Manual*.  
 Following are the latest policy changes, which were approved January 16, April 17, and June 19, 2014.  
 Changes made before the 2013 Annual Update are noted in Appendix H.

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
<b>Chapter 5: Borrower Eligibility</b>			
5.3 Reinstatement of Title IV Eligibility after Default	Amends the definition of “timely” payments for purposes of SRA to 20 days and adds the new provision that a borrower who reinstates Title IV eligibility but does not obtain new Title IV funds before re-defaulting on a loan is not considered to have used the one-time reinstatement opportunity provided under the Act.	Reinstatement eligibility determinations made by the guarantor on or after July 1, 2014.	1297/199
5.10 Required High School Diploma or Equivalent	Adds that high school diplomas or transcripts from other countries may be an acceptable equivalent of the student eligibility general requirement that students must have a high school diploma or its equivalent to be eligible for Title IV aid. Schools may have the foreign diplomas or transcripts evaluated for validity by a credential evaluation service or the school itself, if qualified to do so.	Evaluating high school diploma equivalents for loans in the FFEL program upon publication of the 2007-2008 Financial Aid Handbook.	1303/200
<b>Chapter 6: School Certification</b>			
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.	Not applicable.	1292/197
<b>Chapter 10: Loan Servicing</b>			
10.8.C Income-Sensitive Repayment Schedule 10.8.D Income-Based Repayment Schedule	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.	Documentation of borrower income received by a lender on or after May 1, 2014, unless implemented earlier by the lender.	1291/197

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
10.12 Lender Disclosures during Repayment	Provides that a lender is exempt from the disclosure requirements if a borrower's difficulty making payments has been previously resolved. This may be either through contact with the borrower based on a previous disclosure or other communication between the lender and the borrower that included recognition that a borrower's payment difficulty could be resolved by a payment amount change or payment postponement.	For determining whether the lender must send the borrower-having-difficulty disclosure, effective for notifications of borrower difficulty occurring on or after July 1, 2014, unless implemented by the lender no earlier than November 1, 2013.  For establishing the 5-business-day timeframe for sending the 60-day delinquency disclosure effective for 60-days delinquencies occurring on or after July 1, 2014, unless implemented by the lender no earlier than November 1, 2013.	1298/199
<b>Chapter 11: Deferment and Forbearance</b>			
11.4.B Deferment Documentation—Economic Hardship	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.	Documentation of borrower income received by a lender on or after May 1, 2014, unless implemented earlier by the lender.	1291/197

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
<p>11.20.B Documentation Required for Authorized Forbearance</p> <p>11.20.C Forbearance Length</p> <p>11.20.H Forbearance of Defaulted Loans</p>	<p>States that if a lender grants a verbal forbearance request and affirmation of the obligation to repay the debt, the forbearance period is limited 120 days and cannot be granted consecutively. The lender must verbally review with the borrower or endorser the terms of the forbearance, including the consequences of interest capitalization, and all other repayment options available to the borrower or endorser.</p> <p>Also adds information regarding a borrower's or endorser's affirmation of the debt. An affirmation in this case means an acknowledgement of the loan by the borrower or endorser in a legally binding manner. The form of the affirmation of the debt may include, but is not limited to, one of the following:</p> <ul style="list-style-type: none"> <li>• A new signed repayment agreement or schedule, or another form of signed agreement to repay the debt;</li> <li>• A verbal acknowledgment and agreement to repay the debt documented by the lender in the borrower's file and confirmed by the lender in a notice to the borrower or endorser; or</li> <li>• A payment made on the loan by the borrower or endorser.</li> </ul> <p>Further, states that if the lender grants a discretionary forbearance based on a verbal agreement and affirmation of the debt, the lender must record the forbearance terms and the affirmation of the debt in the borrower's file. The lender must send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the forbearance agreement and affirmation of the debt as well as information on all other repayment options available to the borrower or endorser.</p>	<p>Forbearances granted by the lender on or after July 1, 2014, based on the borrower's or endorser's verbal request. The lender may choose to implement the provision no earlier than November 1, 2013.</p>	<p>1293/198</p>
<p>11.20.G Forbearance of Delinquent Loans</p> <p>Figure 11-2 Forbearance Eligibility Chart</p> <p>11.21.G Delinquency before a Deferment or Certain an Authorized Period of Forbearances</p>	<p>Retains information about processing an administrative forbearance to resolve an outstanding delinquency that precedes a deferment, but adds language that states that a lender may process an administrative forbearance to resolve an outstanding delinquency that precedes an authorized period of forbearance. This allows a borrower to exit the forbearance in a current status.</p>	<p>Administrative forbearances granted by the lender on or after July 1, 2014, to resolve a delinquency before an authorized period of forbearance. The lender may choose to implement the provision no earlier than November 1, 2013.</p>	<p>1295/198</p>

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
11.22 Discretionary Forbearance	<p>States that if a lender grants a verbal forbearance request and affirmation of the obligation to repay the debt, the forbearance period is limited 120 days and cannot be granted consecutively. The lender must verbally review with the borrower or endorser the terms of the forbearance, including the consequences of interest capitalization, and all other repayment options available to the borrower or endorser.</p> <p>Also adds information regarding a borrower's or endorser's affirmation of the debt. An affirmation in this case means an acknowledgement of the loan by the borrower or endorser in a legally binding manner. The form of the affirmation of the debt may include, but is not limited to, one of the following:</p> <ul style="list-style-type: none"> <li>• A new signed repayment agreement or schedule, or another form of signed agreement to repay the debt;</li> <li>• A verbal acknowledgment and agreement to repay the debt documented by the lender in the borrower's file and confirmed by the lender in a notice to the borrower or endorser; or</li> <li>• A payment made on the loan by the borrower or endorser.</li> </ul> <p>Further, states that if the lender grants a discretionary forbearance based on a verbal agreement and affirmation of the debt, the lender must record the forbearance terms and the affirmation of the debt in the borrower's file. The lender must send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the forbearance agreement and affirmation of the debt as well as information on all other repayment options available to the borrower or endorser.</p>	Forbearances granted by the lender on or after July 1, 2014, based on the borrower's or endorser's verbal request. The lender may choose to implement the provision no earlier than November 1, 2013.	1293/198
11.24.A Student Loan Debt Burden	<p>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.</p>	Documentation of borrower income received by a lender on or after May 1, 2014, unless implemented earlier by the lender.	1291/197
11.24.C National Service, Loan Forgiveness, Department of Defense Repayment, or Active Military State Duty	<p>States that a lender must grant a mandatory forbearance to a borrower who is performing qualifying service for student loan repayment under 10 U.S.C. 2171, 2173, 2174 or any other student loan repayment program administered by the Department of Defense (DOD).</p>	Forbearances granted by the lender for performing service that qualifies a borrower for Department of Defense loan repayment programs as of July 1, 2014. A lender may choose to implement the provision no earlier than November 1, 2013.	1294/198

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
<b>Chapter 12: Due Diligence in Collecting Loans</b>			
12.1.A Lender Disclosure Requirements	Provides that a lender is exempt from the disclosure requirements if a borrower's difficulty making payments has been previously resolved. This may be either through contact with the borrower based on a previous disclosure or other communication between the lender and the borrower that included recognition that a borrower's payment difficulty could be resolved by a payment amount change or payment postponement.	For determining whether the lender must send the borrower-having-difficulty disclosure, effective for notifications of borrower difficulty occurring on or after July 1, 2014, unless implemented by the lender no earlier than November 1, 2013.  For establishing the 5-business-day timeframe for sending the 60-day delinquency disclosure effective for 60-days delinquencies occurring on or after July 1, 2014, unless implemented by the lender no earlier than November 1, 2013.	1298/199
<b>Chapter 13: Claim Filing, Discharge, and Forgiveness</b>			
13.7 Rehabilitation of Defaulted FFELP Loans	Eliminates detailed information regarding the rehabilitation process.	None.	1302/199
13.8.B Closed School	Clarifies that if a school offers online and/or distance education programs, those programs are considered to be associated with the main campus of the school and a borrower who obtained loans for those programs would qualify for a closed school discharge only if the main campus of the school closes.	Closed school applications received on or after April 29, 1994.	1301/199
13.8.B Closed School	Extends the withdrawal or closure window to 120 days. Also adds that the Department may extend the 120-day window if the Department determines that exceptional circumstances related to the school's closing justify an extension.	Closed school discharge applications received on or after July 1, 2014.	1299/200
13.8.G Total and Permanent Disability	Provides the frequency (at least monthly) for which a lender must notify the guarantor that the borrower or some party to the loan has applied for total and permanent disability discharge and that the discharge application is under review by the Department.	Guarantor receipt of lender notifications that a borrower's total and permanent disability discharge application is under Department review on or after June 1, 2014, unless implemented no earlier than July 1, 2013, by the guarantor.	1296/199
<b>Chapter 16: Cohort Default Rates and Appeals</b>			
16.4.B School Appeals	Provides that the school may appeal on this basis if the PRI for that fiscal year is less than or equal to 0.0832.	July 1, 2014.	1300/199
<b>Appendix A: Interest Benefits and Special Allowance</b>			
Figure A-5 LaRS Special Allowance and Interest Rate Reporting for FFELP Loans	The National Council of Higher Education Resources (NCHER) Program Regulations Committee has provided an updated version of its LaRS Special Allowance and Interest Rate Reporting for FFELP Loans chart for inclusion in the Manual. This version is dated August 2010, and contains statutory changes made to special allowance codes as a result of HEOA and SAFRA.	Loans first disbursed between April 1, 2006, and July 1, 2010, for which the lender remains eligible for special allowance based on the average three-month commercial paper rate.	1305/200

must obtain data directly from the relevant guarantor's, lender's, or servicer's system and must display the data without any modification. The school must retain an image of the information it obtains from the real-time Website that clearly identifies the borrower, the status of the debt, and the source of the data. For a guarantor that is not the holder of the defaulted loan(s) to guarantee a new loan, the school or the borrower must obtain documentation that the default has been resolved (such as a copy of the original [promissory note](#) stamped "paid in full," information accessed directly from a loan holder's database, or a letter from the holder of the defaulted loan(s) stating that the borrower has resolved the default). The documentation must be included with the new loan request when it is sent to the guarantor for [guarantee](#) processing, unless the information is already available to the guarantor.

[HEA §428F(b); §668.35; §682.200; §682.401(b)(4); April 1996 Supplement to DCL 96-G-287/96-L-186, Q&A #6; *NSLDS Newsletter* Number 12, June 2006]

- ▲ Schools may contact individual guarantors for more information on documenting and submitting information regarding a prior loan default. See [Section 1.5](#) for contact information.

## 5.2.F Department of Justice Data Match

A separate data match is performed by the Central Processing System (CPS) against a file provided by the Department of Justice (DOJ). This data matching program provides information regarding individuals convicted of federal or state offenses involving drug trafficking or possession of a controlled substance who have been denied Title IV program benefits by federal or state courts. This ensures that federal student aid is not awarded to individuals subject to denial of these benefits under court orders. For more information on the DOJ data match, see the [09-10 FSA Handbook, Volume 1, Chapter 1, p. 1-12](#).

## 5.2.G Department of Veterans Affairs Data Match

If a student has indicated on the [Free Application for Federal Student Aid \(FAFSA\)](#) that he or she is an eligible veteran of the U.S. Armed Forces, the student is considered to be independent and does not have to provide parental income and asset information to apply for Title IV aid. The Central Processing System (CPS) matches data with the Department of Veterans Affairs (VA) to confirm that an applicant who states that he or she is a veteran on the FAFSA has engaged in active duty in the U.S. Armed Forces for purposes other than training, or was a cadet or

midshipman at a service academy; and was released under a condition other than dishonorable. For more information on the VA data match, see the [09-10 FSA Handbook, Application and Verification Guide, Chapter 2, p. AVG-26](#).

## 5.3 Reinstatement of Title IV Eligibility after Default

A borrower with one or more defaulted Title IV loans, or defaulted Title IV loans for which a judgment has been obtained, may have his or her eligibility for Title IV aid reinstated by requesting [reinstatement](#) and making [satisfactory repayment arrangements](#), and fulfilling those arrangements with the [holder](#) of each defaulted loan or with the holder of each defaulted loan for which a judgment has been obtained.

[§668.35(a) and (b); §682.401(b)(4)]

A borrower who receives loan funds for which he or she is ineligible due solely to his or her error may not have Title IV eligibility reinstated until the ineligible funds are repaid in full.

[§682.412]

To have eligibility for Title IV aid reinstated, a borrower must make six consecutive full monthly payments to the appropriate holder for each defaulted loan. These payments must be made on time (within ~~15~~20 days of the payment due date), voluntarily (directly by the borrower, regardless of whether there is a judgment against the borrower), and must be reasonable and affordable. Any court-ordered payments or involuntary payments obtained by state offsets or federal [Treasury offsets](#), wage garnishment, or income or asset execution will not count toward the six payments required for reinstatement. A lump sum [prepayment](#) of future installments does not satisfy the requirement for six consecutive monthly payments and will not reinstate a borrower's Title IV eligibility.

[§682.200(b)]<sup>1</sup>

Upon receipt of the borrower's new loan request or request for reinstatement of eligibility, the guarantor will review the most recent 6-month period. Each of the six required payments must be received within 15 days of the due dates for the 6 months immediately preceding receipt of the request.

[§682.200(b) definition of *undergraduate*]

A borrower whose Title IV eligibility is reinstated will regain loan eligibility for the [academic year](#) in which the borrower satisfies the payment requirements to regain

<sup>1</sup> Policy 1297 (Batch 199), approved April 17, 2014

Title IV eligibility. Accordingly, the [financial aid administrator](#) may certify a loan for the entire academic year, as long as the student is otherwise eligible. After a borrower's Title IV eligibility is reinstated, the borrower must continue to maintain [satisfactory repayment arrangements](#) on each loan that defaulted in order to continue to be eligible for additional Title IV aid. [[§682.200\(b\) definition of undergraduate](#)]

A borrower may reestablish Title IV eligibility only once. If a borrower has reestablished his or her eligibility and then fails to maintain satisfactory payment arrangements on that defaulted loan, or a defaulted loan for which a judgment has been obtained, the borrower may not reestablish his or her eligibility again under these provisions. However, if a borrower reinstates Title IV eligibility but does not obtain new Title IV funds before defaulting again on a loan, the borrower is not considered to have used the one-time reinstatement opportunity. An opportunity for [reinstatement](#) may be made available to a borrower regardless of whether any of the borrower's defaulted loans have been repurchased by an eligible lender.

[[§668.35\(c\)](#); [§682.200\(b\) definition of undergraduate satisfactory repayment arrangements](#)]<sup>1</sup>

See [Section H.4](#) for information about a statutory or regulatory waiver authorized by the [HEROES Act](#) that may impact these requirements.

## 5.4 Prior Loan Written Off

A [borrower](#) is ineligible for a [FFELP](#) loan if he or she has had a prior FFELP loan partially or totally written off by a [guarantor](#) (i.e., the [guarantor](#) has stopped all collection activity on the written-off portion). To become eligible to receive a new FFELP loan, a borrower must reaffirm the written-off loan, provide confirmation of that [reaffirmation](#) to the school, and meet the requirements of [Subsection 5.2.D](#). Reaffirmation is the borrower's legally binding acknowledgment of a loan repayment obligation that has been partially or totally written off and agreement to the [reinstatement](#) of the borrower's repayment obligation. A borrower whose prior FFELP loan has been partially or totally written off by a lender is not required to reaffirm the written-off loan as a condition of eligibility for a new FFELP loan.

The reaffirmation may include, but is not limited to, the following:

- Making a payment on the loan. [[§682.201\(a\)\(4\)\(ii\)\(B\)](#)]
- Signing a new repayment agreement or [promissory note](#) that includes the original terms and conditions applicable to the loan being reaffirmed. [[§682.201\(a\)\(4\)\(ii\)\(A\)](#)]

The reaffirmed amount must include all principal and interest accrued on the written-off portion of the loan through the date on which the borrower reaffirms his or her commitment to repay the loan. It may also include [collection costs](#), [late charges](#), court costs, and attorney fees. Any outstanding charges, such as interest, collection costs, late charges, court costs, or attorney fees, may be [capitalized](#) as of the date the loan is reaffirmed. [[§682.201\(a\)\(4\)\(i\)](#); [DCL 96-L-186/96-G-287, Q&A #4, #7, #8, #9, and #11](#)]

<sup>1</sup> Policy 1297 (Batch 199), approved April 17, 2014



based on the student's self-certification on the [Free Application for Federal Student Aid \(FAFSA\)](#). The school is notified of the student's eligibility on the [Institutional Student Information Record \(ISIR\)](#). However, if the school has conflicting information regarding a drug conviction that affects the student's eligibility, this discrepancy must be resolved.

[HEA §484(r)(1); §668.40(a); DCL GEN-06-05]

Convictions that are reversed, set aside, or removed from the student's record, or a determination arising from a juvenile court proceeding, do not affect eligibility and do not need to be reported by the student.

[§668.40(a)(2)]

A student who is convicted of a drug-related offense that occurred while the student was [enrolled](#) in school and receiving Title IV aid loses Title IV eligibility as follows:

- For the possession of illegal drugs:
  - 1st offense: one year from the date of conviction.
  - 2nd offense: two years from the date of the second conviction.
  - 3rd offense: indefinitely from the date of the third conviction.

[§668.40(b)(1)]
- For the sale of illegal drugs:
  - 1st offense: two years from the date of conviction.
  - 2nd offense: indefinitely from the date of the second conviction.

[§668.40(b)(2)]

A school must provide a student who loses Title IV eligibility due to a drug-related conviction with a timely, separate, clear, and conspicuous written notice. The notice must advise the student of his or her loss of Title IV eligibility and the ways in which the student may regain that eligibility.

[HEA §485(k)(2)]

A student may regain eligibility at any time by successfully completing an approved drug rehabilitation program or successfully passing two unannounced drug tests conducted by an approved drug rehabilitation program, and by informing the school that he or she has done so. A student regains Title IV eligibility on the date he or she successfully completes the program, or in the case of a student who successfully passes two unannounced drug tests, on the date that the student passes the second unannounced drug test. A drug rehabilitation program is considered approved for these purposes if it includes at

least two unannounced drug tests and meets one of the following criteria:

[HEA §484(r)(2)(B); §668.40(c)]

- The program received or is qualified to receive funds directly or indirectly under a federal, state, or local government program.
 

[§668.40(d)(2)(i)]
- The program is administered or recognized by a federal, state, or local government agency or court.
 

[§668.40(d)(2)(ii)]
- The program received or is qualified to receive payment directly or indirectly from a federally or state-licensed insurance company.
 

[§668.40(d)(2)(iii)]
- The program administered or recognized by a federally or state-licensed hospital, health clinic, or medical doctor.
 

[§668.40(d)(2)(iv)]

For a student whose Title IV eligibility is reinstated after a drug conviction, the maximum [loan period](#) that a school may certify is the [academic year](#) during which the student regains eligibility. However, the school may not certify eligibility prior to the date on which eligibility is regained. A student who loses eligibility during a loan period is immediately ineligible to receive subsequent [disbursements](#) of FFELP funds and is required to repay any Title IV funds received after the date he or she loses eligibility. Schools are not required to recalculate a student's loan amount.

[§668.40(c)]

## 5.10 Required High School Diploma or Equivalent

To be eligible for [Title IV](#) aid, the student must have a high school diploma or its equivalent. Historically some students may have been admitted under prior ability-to-benefit provisions; see [History of Ability-to-Benefit Provisions, Appendix H.3](#). A school must develop and follow procedures to evaluate the validity of a student's claim of high school completion if the school or the Department has reason to believe that the student's high school diploma is not valid or the student obtained a diploma from an entity that does not provide secondary school education (see also [Section 4.2](#)).

[§668.16(p); §668.32(e)(1) and (2)]



The following are considered equivalent to a high school diploma for establishing Title IV eligibility:

- A General Education Development (GED) Certificate—or a state certificate issued after a student passes an approved examination that the state recognizes as an equivalent to the GED. [§668.32(e)(3)]
- An academic transcript in a recognized program. A school may admit a limited number of students without high school diplomas or equivalent certificates who have excelled academically in high school and met the school’s admissions standards. If such a student completes a program of at least two years that is acceptable for full credit toward a bachelor’s degree, the academic transcript for that program would be considered the equivalent of a high school diploma. [10-11 FSA Handbook, Volume 1, Chapter 1, p. 1-6]
- A high school diploma or transcript from another country, as long as the diploma is equivalent to a U.S. high school diploma. If a student who completed high school in a foreign country is unable to obtain a copy of his or her high school diploma or transcript, he or she may obtain a copy of a “secondary school leaving certificate” (or other similar document) through the appropriate central government agency (e.g., the Ministry of Education) of the country where the student completed high school. Schools may hire a credential evaluation service to determine the validity of the diploma, transcript, or secondary school leaving certificate, or the school itself may make the determination itself if qualified to do so. [§668.16(p); 07-08 FSA Handbook, Volume 1, Chapter 1; GEN-13-16]<sup>1</sup>

## 5.11 Ability-to-Benefit Provisions

If a school is aware that a student has a disqualifying status that would not permit the student to be employed in the occupation for which the school’s program prepares students, the student is not eligible to receive Title IV aid. A student should not be considered to have an ability to benefit if, at the time of loan certification, the student would not meet the requirements for employment in the student’s state of residency in the occupation for which the student is training. The disqualifying factor may be a physical or mental condition, age, criminal record, or any other reason

<sup>1</sup> Policy 1303 (Batch 200), approved June 19, 2014

accepted by the Department. The school will not be held responsible for improper certification if it could not reasonably be expected to be aware of the student’s disqualifying condition. For information about false certification loan discharge based on ability-to-benefit provisions, see Subsection 13.8.D. [§682.402(e)(13)]

## 5.12 Student Enrollment Requirements

Each eligible student who is seeking a Stafford loan—or on whose behalf a PLUS loan is being sought—must meet the following enrollment requirements:

- The student must not be enrolled in either an elementary or secondary school. [§668.32(b)]
- The student must be enrolled or accepted for enrollment as a regular student in one of the following:
  - An eligible degree or certificate program on at least a half-time basis at a participating school approved by the Department and the guarantor (except as noted below), or the student’s coursework is partially or totally offered through distance education subject to the limitations described in Section 5.13. [§668.38; §682.201(a)]
  - A study-abroad program that is approved for credit by the participating school at which the student is enrolled, whether or not the study-abroad program is a required part of the student’s degree program (see Subsection 5.14.B). [§668.39]

A student who has previously obtained a bachelor’s or professional degree is eligible for loan assistance, provided he or she meets all applicable eligibility criteria.

There are two exceptions to the FFELP eligibility requirement that a student be enrolled or accepted for enrollment as a regular student in a degree or certificate program:

- *Preparatory Coursework*  
A student who is not enrolled in a degree or certificate program is eligible for Stafford or PLUS loans for a period of up to one year if the student is taking preparatory courses necessary for his or her enrollment

### 6.3.E Excused Absences in Clock-Hour Programs

For the purposes of determining whether a student has successfully completed the clock hours in a payment period, a school may count an excused absence (an absence the student does not have to make up) if:

- The school has a written policy that permits excused absences.
- The number of excused absences under the written policy for purposes of determining payment periods does not exceed the lesser of:
  - The school’s accrediting agency’s excused absence policy.
  - The excused absence policy of any state agency that licenses or legally authorizes the school to operate in the state.
  - Ten percent of the clock hours in the payment period.

[§668.4(e)]

### 6.3.F Students Returning to a Non-Term-Based Credit-Hour or Clock-Hour Program after a Withdrawal

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)]

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:

- 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 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.<sup>1</sup>~~

<sup>1</sup> Policy 1292 (Batch 197), approved January 16, 2014

- ~~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(e)(3)]<sup>1</sup>

## 6.4 Determining the Disbursement Schedule

Federal regulations require a school to specify a [disbursement](#) schedule that provides for disbursements to be made on a payment-period basis for each Stafford and PLUS loan it certifies. The school, or a [guarantor](#) acting on behalf of the school, may subsequently modify that schedule. The school may delegate its responsibility for assigning disbursement dates to a guarantor with whom it participates.

A school should attempt to assign disbursement dates with which the lender may reasonably comply. The school should not specify a [disbursement date](#) that will likely pass before the loan is guaranteed. An expired disbursement date may result in delayed processing of the loan.

In establishing the disbursement schedule, a school must allow for necessary mail and processing time. The school should provide the dates on which it would expect the lender to issue the [check](#) or [master check](#) or generate the [EFT](#) transaction—not the date on which the school anticipates receiving the funds. In addition, the school must schedule disbursement dates that comply with applicable delivery requirements. For more information on delivery requirements, see [Section 8.7](#).

The requirement that disbursements be made on a payment-period basis (see [Section 6.3](#) for information regarding payment periods) does not eliminate any applicable multiple disbursement requirement (see [Subsection 6.4.A](#)) for a school to deliver [loan proceeds](#) in substantially equal installments, with no installment exceeding one half of the loan amount. See [Subsection 6.4.A](#) for information about

multiple disbursement and [Section 8.7](#) for information about proportional disbursement and special delivery requirements for programs with nonstandard terms. [[§682.604\(c\)\(6\)](#) and [\(7\)](#)]

### 6.4.A Multiple Disbursements and Low Cohort Default Rate Exemptions

The school must establish a [disbursement](#) schedule that ensures that a Stafford or PLUS loan is disbursed in two or more installments, regardless of the loan amount. A school may deliver a Stafford or PLUS loan in a single installment only in the following cases:

- For a loan disbursement made on or after October 1, 2011, the school has a [cohort default rate](#) of less than 15% for each of the three most recent fiscal years for which data are available, and any one of the following conditions applies:
  - The loan is certified for a [period of enrollment](#) that is not more than one semester, trimester, or quarter.
  - In a nonstandard term-based program with terms that are substantially equal and at least 9 weeks of instructional time in length ([SE9W](#)), the loan is certified for a period of enrollment that is not more than one nonstandard term. However, a school must schedule at least two disbursements of a loan made for a single, nonstandard term that is SE9W, but that is more than 4 months in length.
  - In a nonstandard term-based program with terms that are not SE9W - i.e., the terms are not substantially equal or each term is not at least 9 weeks of instructional time in length - or in a non-term-based program, the loan is certified for a period of enrollment that is not more than 4 months. [[HEA §428G\(a\)\(4\)](#); [§685.301\(b\)\(6\)\(i\)\(A\)\(2\)\(ii\)](#)]
- The loan is certified to a student [enrolled](#) in a study-abroad program, and the school at which the student will receive course credit for the study-abroad program has an official [cohort default rate](#) that is less than 5% for the most recent fiscal year for which data are available. [[HEA §428G\(e\)](#); [§682.604\(c\)\(8\)\(ii\)](#); [§685.303\(b\)\(4\)\(i\)\(B\)](#)]

<sup>1</sup> Policy 1292 (Batch 197), approved January 16, 2014

Lenders must offer all borrowers their choice of repayment schedule no more than 6 months before the first payment due date. Details regarding [repayment schedule](#) options are outlined in [Subsections 10.8.A](#) through [10.8.E](#). For more information on Consolidation loan repayment, see [Section 15.5](#).

A borrower must select a repayment schedule within 45 days of the lender's notification and advise the lender of that choice. If a borrower does not respond within 45 days—or selects an ISR or an IBR schedule but does not provide the required [documentation](#)—the lender must establish a [standard repayment schedule](#). A borrower also may request a change in his or her repayment schedule. A lender must comply with an [eligible borrower's](#) request to revise his or her choice of repayment schedule at least once annually, except that a borrower may request IBR at any time.

A lender must combine, to the extent practicable, all FFELP loans owed by a borrower to the lender into a single account to be repaid under a single repayment schedule. For loans serviced in this manner, the word “loan” in this section means all of the borrower's loans that are combined by the lender into that account. However, for [National Student Loan Data System \(NSLDS\)](#) reporting, the [Department](#) requires that a lender maintain repayment [records](#) for each loan—even though the lender combined the loans into a single repayment schedule.  
[§682.209(a)(6)(xi); §685.210(b)]

## 10.8.A Standard Repayment Schedule

When a lender establishes a [standard repayment schedule](#), the lender should schedule the borrower's payment amounts to be one of the following:

- An installment amount that is the same amount for each installment payment made during the repayment period, except that the borrower's final payment may be slightly more or less than the other payments.
- An installment amount that will be adjusted to reflect annual changes in the loan's [variable interest rate](#).

The lender must require the borrower to repay the loan under a standard repayment schedule if the borrower meets either of the following criteria:

- The borrower does not select an [income-sensitive](#), [income-based](#), [graduated](#), or extended (if applicable) repayment schedule within 45 days after being notified by the lender to choose a repayment schedule.
- The borrower chooses an income-sensitive repayment schedule or an income-based repayment schedule but does not provide the [documentation](#) requested by the lender within the time period specified by the lender.  
[§682.209(a)(6)(v) and (vi); §685.210(a)(2)]

## 10.8.B Graduated Repayment Schedule

When a lender establishes a [graduated repayment schedule](#), the amount of the borrower's installment payment is scheduled to change (usually increasing) over the repayment period. When establishing these payment amounts, a lender must ensure that no single installment is more than three times greater than any other installment.

A lender is not required to have a separate payment agreement with the borrower if the graduated repayment schedule provides for the borrower to pay less than the minimum annual payment amount.  
[§682.209(a)(6)(vii)(B)]

## 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. 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.<sup>1</sup>

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)]

## 10.8.D Income-Based Repayment Schedule

Beginning on July 1, 2009, a borrower may request to repay any eligible loan under an income-based repayment (IBR) plan. A borrower who requests the IBR plan on or after July 1, 2013, must repay all of his or her eligible loans held by that lender under the IBR plan. If a borrower previously excluded IBR-eligible loans prior to July 1, 2013, the borrower may continue to exclude such loans from IBR as

long as the borrower remains under the IBR plan. If the borrower has multiple lenders and wants to repay all eligible loans under the IBR plan, the borrower must request IBR from each lender separately. Eligible FFELP and Direct loans include the outstanding balances on all loans except:

- A defaulted loan.
- A FFELP or Direct parent PLUS loan.
- A FFELP or Direct Consolidation loan that repaid a FFELP or Direct parent PLUS loan.

[§682.215(b)(3)]

A borrower may request an income-based repayment plan through the use of the Income-Based (IBR) / Pay As You Earn / Income-Contingent (ICR) Repayment Plan Request form.

If a borrower selects IBR, the lender must determine, based on the borrower's documentation, if the borrower has a partial financial hardship (PFH) for the initial year in which the borrower selects this repayment plan and annually for each subsequent year that the borrower remains in the plan. A PFH exists if the borrower has an annual payment amount based on the loan balance of all of his or her eligible, outstanding FFELP and Direct loans that exceeds 15% of the difference between the borrower's adjusted gross income (AGI) and 150% of the poverty guideline for the borrower's family size and state of residence. The annual payment amount is calculated under a standard repayment schedule and based on a 10-year repayment period. The loan balance used is the greater of the following:

- The amount due on all eligible loans when the borrower initially entered repayment (i.e., *standard-standard*).
- The amount due on all eligible loans when the borrower requests the IBR plan (i.e., *permanent-standard*).

The poverty guideline refers to the income by state and family size as published annually by the U.S. Department of Health and Human Services (DHHS). If a borrower is not a resident of a state listed in the poverty guidelines, the lender uses the DHHS poverty guideline for the 48 contiguous states.

To enable the lender to determine whether the borrower has a PFH, the lender must collect documentation of the borrower's AGI that is acceptable to the lender.

<sup>1</sup> Policy 1291 (Batch 197), approved January 16, 2014



If the borrower's AGI is not available or the lender believes that the borrower's reported AGI does not reasonably reflect the borrower's current income, ~~the lender must collect other documentation to verify 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.

[§682.215(e)(1)(i) and (ii); §685.221(e)(1)(i) and (ii)]<sup>1</sup>

For married borrowers filing federal income taxes separately, AGI includes only the borrower's income. Married borrowers who file separately are not required to include their spouse's income and may not include their spouse's eligible debt when determining eligibility for PFH under the Income-Based Repayment plan. However, married borrowers who reside in community property states and file separately must divide all community income equally between each other when filing federal income taxes. As a result, such borrowers may state that their reported AGI does not reasonably reflect their own current income. In these cases, the Department encourages loan holders to request and use alternative documentation to determine the borrower's eligibility for PFH and the PFH payment amount.

[Final Rules published in the *Federal Register* dated November 1, 2012, p. 66112]

For a married borrower filing taxes jointly, AGI includes both the borrower's and spouse's income. A married borrower who files a joint tax return may include with his or her eligible loans any eligible loans owed by the borrower's spouse for purposes of determining PFH eligibility. If the lender does not hold at least one of the spouse's eligible loans, the lender must obtain the spouse's consent for the lender to obtain information about the spouse's eligible loans from the National Student Loan

Data System or obtain from the borrower or spouse other documentation, acceptable to the lender, of the spouse's eligible loan information. In this situation, the lender must:

Step 1: Determine each spouse's percentage of the couple's total eligible loan debt.

Step 2: Adjust the borrower's monthly payment amount by multiplying the calculated total payment amount by the percentage calculated in Step 1.

If a borrower's loans are held by multiple lenders, the lender must adjust the monthly payment amount by multiplying the payment calculated in Step 2 by the percentage of the total outstanding principal balance of eligible loans held by the lender.

Step 3: Apply the PFH payment amount rules explained under the Payment Amount Calculation subheading below.

[§682.215(a)(1) and (b)(1)(ii); §682.215(e)(1)(iii); §685.221(a)(1) and (b)(2)(ii)]

The borrower must provide a self-certification of family size to the lender. If the borrower fails to certify family size, the lender must assume a family size of one. Family size includes the following:

- The borrower and the borrower's spouse.
- The borrower's children, including unborn children who will be born during the year for which the borrower certifies family size, if the borrower provides more than half of the children's support.
- Other individuals who, at the time the borrower certifies family size, live with the borrower and receive more than half of their support from the borrower and will continue to receive this support from the borrower for the year being certified. Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.

### Payment Amount Calculation

The borrower's maximum annual payment to determine PFH is limited to no more than 15% of the amount by which the borrower's annual adjusted gross income exceeds 150% of the DHHS poverty guideline for the borrower's family size. The result is divided by 12 to obtain the monthly payment amount.

*PFH Eligibility and Payment Amount Calculation Example:*

<sup>1</sup> Policy 1291 (Batch 197), approved January 16, 2014

must notify the borrower promptly in writing that the funds have been received.

[§682.209(i)]

If the lender applies funds received from the school to the borrower's account after it has established the borrower's repayment terms, the lender is strongly encouraged to recalculate the repayment terms when doing so will result in a reduced payment amount. If the lender recalculates the repayment terms and the borrower's payment amount is reduced due to the returned funds, the lender must provide the borrower with a revised repayment disclosure. Under no circumstances should the lender advance the borrower's payment due date as a result of funds being returned by the school. School requirements for the [return of Title IV funds](#) are outlined in [Section 9.5](#).

## 10.12 Lender Disclosures during Repayment

A lender must provide a borrower in repayment a bill or statement that corresponds to each installment period for which a payment is due and that includes, in simple and understandable terms, each of the following:

- The original principal amount of the borrower's loan.
- The borrower's current balance, as of the time of the bill or statement.
- The interest rate on the loan.
- The total amount of interest that the borrower has paid on the loan since the last bill or statement.
- The aggregate amount the borrower has paid on the loan, as well as separate aggregate amounts identifying the interest paid, the fees paid, and the amount paid against the principal balance.
- A description of each fee charged for the most recent preceding installment period.
- The payment amount, the due date for the payment to avoid additional fees, and the amount of any such fees.
- The lender's or loan servicer's address and toll-free phone number for repayment options, payment, and billing error purposes.
- A reminder of the borrower's option to change [repayment plans](#), a listing of the repayment plans available to the borrower, a link to the Department's

Website for more information on the repayment plans, and directions to the borrower on how to request a change in repayment plan.

These disclosures may be provided to a borrower based on the lender's or loan servicer's current system methodology and, therefore, may be disclosed at the loan, account, or borrower level.

[HEA §433(e)(1); §682.205(c)(3); Preamble to the Notice of Proposed Rulemaking, *Federal Register* dated July 23, 2009, pp. 36571-36572; DCL GEN-08-12/FP-08-10]

### Exception for Invalid Address

A lender is not required to send the disclosures listed above, including the bill or statement, if the lender does not have a valid address for the borrower. However, if the lender receives a valid address for the borrower before the borrower's loan becomes 241 days delinquent, the lender must resume sending the required bill or statement (the lender is not required to resend previously undeliverable bills or statements), as well as any other disclosure information not previously provided.

[§682.205(j)]

### Required Lender Disclosure for a Borrower Having Difficulty Making Payments

If a borrower notifies the lender that he or she is having difficulty making scheduled payments, the lender must provide, in simple and understandable terms, a description of each of the following:

- The repayment plans available to the borrower, including how the borrower can request a change in repayment plan.
- The requirements for obtaining a [forbearance](#) on a loan, including costs associated with the forbearance.
- The other options available to the borrower to avoid default, including any fees or costs associated with those options.

These disclosures are not required if the borrower's difficulty has been resolved through contact or other communication between the lender and the borrower. (See [Subsection 12.1.A](#) for information regarding additional required lender disclosures during repayment.) [HEA §433(e)(2); §682.205(a)(4)(ii); DCL GEN-08-12/FP-08-10]<sup>1</sup>

<sup>1</sup> Policy 1298 (Batch 199), approved April 17, 2014



## 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.

[DCL GEN-98-16]

~~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.<sup>1</sup>~~

## 11.4.C Length of Deferment—Economic Hardship

The [deferment](#) begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends on the date the condition establishing the borrower's eligibility for the deferment ends. This deferment may be granted for periods of up to 1 year at a time and may be renewed for a total that, collectively, do not exceed 3 years. For a borrower who is serving as a volunteer in the Peace Corps, the deferment may be granted for the lesser of the borrower's full term of service or the borrower's remaining period of [economic hardship](#) deferment eligibility under the 3-year maximum. [HEA §428(b)(1)(M)(iv); §682.210(s)(6); DCL GEN-98-16]

## 11.4.D Simplified Deferment Processing

A lender may grant an [eligible borrower](#) an economic hardship deferment based on information that the borrower has been granted an economic hardship deferment by another FFELP loan [holder](#) or the Department (for a Direct loan) for the same time period. The borrower must request the deferment either verbally or in writing but does not have to provide a completed economic hardship deferment form or the other required documentation listed in [Subsection 11.4.B](#).

In granting the deferment in this manner, the lender may rely in good faith on the information obtained from another FFELP loan holder, the Department, or an authoritative electronic database maintained or authorized by the Department, unless the lender has information indicating that the borrower does not qualify for the economic hardship deferment. The lender must resolve any discrepant information before granting an economic hardship deferment in this manner.

If the lender grants the economic hardship deferment using this simplified process, it must notify the borrower that the deferment has been granted and that the borrower has the

<sup>1</sup> Policy 1291 (Batch 197), approved January 16, 2014

If two individuals are jointly liable for repayment of a PLUS loan or Consolidation loan, a lender may grant **forbearance** on repayment of the loan only if the ability of each individual to make scheduled payments has been impaired based on the same or differing conditions—except in cases when one **comaker** has applied for a total and permanent disability loan **discharge** (see **Subsection 11.20.F**, Forbearance of a Loan for a Comaker during the TPD Conditional Period).

[§682.211(a)(3)]

A consolidating lender that establishes more than a single loan servicing record for the subsidized, unsubsidized, and HEAL portions of the Consolidation loan, must grant a forbearance on the entire loan. The forbearance must be applied for the same period of time to each portion of the loan.

If a lender denies a borrower's request for forbearance, the lender must document the reason for denial in the borrower's file or the servicing history of the loan (see **Subsection 3.4.A**).

A lender may not charge an administrative or other fee in connection with granting forbearance on a loan. A lender also is prohibited from reporting to **nationwide consumer reporting agencies** any adverse information regarding the repayment status of a loan solely as a result of granting forbearance to the borrower.

[HEA §428(c)(3)(A)(iii)]

A **lender** should use **forbearance** as a tool to bring a delinquent or **defaulted** loan current. The lender should not grant any discretionary forbearance that will result in the **borrower** remaining delinquent. However, this restriction does not apply if, for example, the loan exits the forbearance with a delinquent status due to a nonsufficient funds (NSF) payment that was made before the forbearance was granted. For more information on granting a forbearance on a delinquent or defaulted loan, see **Subsection 11.20.G**.

[HEA §428(c)(3)]

## 11.20.A Forbearance Types

There are four types of forbearance available to borrowers and, in some cases, endorsers:

- **Administrative forbearance** (see **Section 11.21**).
- **Discretionary forbearance** (see **Section 11.22**).
- **Mandatory administrative forbearance** (see **Section 11.23**).
- **Mandatory forbearance** (see **Section 11.24**).

**Figure 11-2**, the Forbearance Eligibility Chart, may help schools and lenders identify general information about discretionary, administrative, mandatory, and mandatory administrative forbearances, including situations in which these forbearance types may be used by a borrower and an **endorser**, if applicable. The chart also provides information about the length of the forbearance and general information about required documentation. For detailed information about each forbearance, see the applicable section.

## 11.20.B Documentation Required for Authorized Forbearance

In cases where a forbearance agreement is required, a lender and a borrower or endorser may agree to the terms of the forbearance verbally or in writing. A lender that grants a forbearance based on a written agreement with the borrower or endorser may use any form or format that is acceptable to the **guarantor**, and the lender must retain a copy of the agreement. A lender that grants a forbearance based on a verbal agreement with the borrower or endorser must send a notice confirming the terms of the forbearance agreement to the borrower or endorser within 30 days of the date that agreement was made and record the forbearance terms in the borrower's file. In order to grant a forbearance after the date of **default** based on either a verbal or a written agreement with the borrower or endorser, the lender must also obtain a new signed agreement to repay the debt or a written or verbal affirmation of the obligation to repay the debt (see **Subsection 11.20.G**). For each forbearance period, regardless of whether a written agreement is required, the lender must document in the borrower's file or the loan's servicing history the forbearance beginning and ending dates and the reason for granting forbearance. [HEA §428(c)(3)(A) and (c)(10); §682.211(b)(1); §682.211(d); §682.414(a)(4)(ii)(G); §685.205(a)(8)]<sup>1</sup>

<sup>1</sup> Policy 1293 (Batch 198), approved January 16, 2014

## 11.20.C Forbearance Length

~~With the exception of administrative and mandatory forbearances that are not subject to a maximum time frame or are~~ In certain cases, forbearances are subject to ~~other~~ specific regulatory time frames (see [Subsection 11.20.G](#) and [Sections 11.21, 11.23, and 11.24](#)). ~~If not otherwise regulated,~~ a lender may grant a single discretionary forbearance for up to one year at a time if both the borrower or endorser and the lender agree. This one year includes any past and future forbearance months. For example, a forbearance that is granted for 3 months retroactively may extend only 9 months into the future.<sup>1</sup>

Occasionally, a borrower's temporary economic hardship will continue to prevent the borrower or endorser from resuming regularly scheduled loan payments after the first forbearance expires. If additional forbearance is warranted, the lender must reach a new agreement with the borrower either verbally or in writing.  
[§682.211(c)]

Federal regulations require that a single forbearance be granted for no longer than a 12-month interval. The Department has indicated that it does not interpret this provision of the regulations to prohibit a lender, in applying the 12-month maximum forbearance period, from granting forbearance for a retroactive as well as a prospective period as long as the period of each forbearance agreement does not exceed 12 months. As it relates to granting a forbearance to a borrower for a prospective period, a lender is expected to clarify the end date of the period requested by the borrower because the forbearance period must not extend beyond the date for which the borrower requests and otherwise qualifies for this relief. However, when a delinquent borrower submits a forbearance request, but does not properly identify the period of forbearance or identifies a period of forbearance that does not correspond to the delinquency status of the borrower's loan, the lender may grant the forbearance retroactively to resolve the borrower's delinquency, provided the duration of each forbearance agreement does not exceed the maximum 12-month limit. The lender is expected to notify the borrower of the actual forbearance period granted. If the lender has lost insurance on the loan, the lender must perform a cure to reinstate the guarantee on the loan. See [Section 14.5](#) for more information about curing a loan to reinstate the guarantee.

<sup>1</sup> Policy 1293 (Batch 198), approved January 16, 2014

## 11.20.D Payment of Interest during Forbearance

In cases when a forbearance agreement is required, the borrower and the lender must agree to the way in which the interest accruing during the forbearance will be paid. If interest during a period of deferment is forborne, the lender must notify the borrower at the time of the deferment that interest payments are to be forborne.

If payments of interest are forborne, they may be capitalized. For more information on capitalizing interest, see [Section 10.10](#).  
[§682.202(b)]

## 11.20.E Reporting Forbearances

Under the Department's National Student Loan Data System (NSLDS) reporting requirements, a lender must report forbearances to the guarantor, including the date each forbearance begins. When a forbearance ends, the lender must report the new loan status and the effective date. For more information on lender reporting, see [Section 3.5](#).

## 11.20.F Forbearance of a Loan for a Comaker during the TPD Conditional Period

When one comaker of a joint Consolidation loan or a comade PLUS loan applies for a total and permanent disability (TPD) loan discharge, the forbearance eligibility requirements apply only to the non-disabled comaker during the conditional discharge period. The lender must ensure that the delinquency on a comade loan, if any, at the time the conditional discharge period begins does not worsen.

A lender may grant discretionary forbearance on the repayment of the entire loan if the ability of the non-disabled comaker to make payments is impaired during the conditional discharge period for the disabled comaker.

The lender must explore with the non-disabled comaker any other available options such as alternative repayment agreements, deferments, discretionary forbearance, or reduced-payment forbearance. As a last resort, the lender may apply an administrative forbearance to ensure that the loan does not become delinquent or that an existing delinquency does not increase during the conditional discharge period. The administrative forbearance may be applied only for the time period that the nondisabled

comaker is solely responsible for the loan's repayment and may not begin earlier than the date the loan holder receives either the disabled comaker's loan discharge application, or the notification from the guarantor that a loan discharge application was submitted to the guarantor, whichever is earlier. The administrative forbearance may not end later than the date the lender receives notification of the final discharge determination. (See [Subsection 10.6.C](#) for repayment options; [Sections 11.2 to 11.19](#) for deferment information; [Section 11.22](#) for information on discretionary forbearance; and [Subsection 11.22.A](#) for information on reduced-payment forbearance.)

## 11.20.G Forbearance of Delinquent Loans

~~A lender must not administratively forbear a delinquent borrower in cases where the borrower is delinquent before a mandatory forbearance or certain mandatory administrative forbearances. A lender should resolve any delinquencies that exist before these types of forbearance by working with the borrower to grant a discretionary forbearance. This requirement to resolve existing delinquency using a discretionary forbearance does not apply to mandatory administrative forbearances granted for military mobilization, local or national emergencies, or a designated disaster area (see [Subsection 11.23.B](#) for more information).~~

## 11.20.H Forbearance of Defaulted Loans

### 11.20.G Forbearance of Defaulted Loans<sup>1</sup>

A lender may grant a discretionary forbearance to a borrower or endorser to resolve a delinquency and permit the resumption of payments after the date of default only if the forbearance is granted prior to the lender's receipt of the claim payment. In order to grant a forbearance after the date of default, the lender must obtain a verbal or written agreement regarding the terms of the discretionary forbearance, ~~and a new signed agreement~~. The lender must also obtain a written or verbal affirmation of the obligation to repay the debt. At the lender's discretion, the signed agreement to repay the debt or written affirmation of the obligation to repay the debt may be included in the context of a written forbearance agreement or may be separate.-

An affirmation in this case means an acknowledgement of the loan by the borrower or endorser in a legally binding manner. The form of the affirmation may include, but is not limited to, one of the following:

- A new signed repayment agreement or schedule, or another form of signed agreement to repay the debt;
- A verbal acknowledgment and agreement to repay the debt documented by the lender in the borrower's file and confirmed by the lender in a notice to the borrower or endorser; or
- A payment made on the loan.

If the forbearance is based on the borrower's or endorser's verbal request and affirmation of the obligation to repay the debt, all of the following provisions apply:

- The forbearance period is limited to 120 days.
- A forbearance based on a verbal request and affirmation of the debt must not be granted consecutively.
- The lender must verbally review with the borrower or endorser the terms of the forbearance, including the consequences of interest capitalization, and all other repayment options available to the borrower or endorser.

If the lender grants a discretionary forbearance based on a verbal agreement and affirmation of the debt, the lender must record the forbearance terms and the affirmation of the debt in the borrower's file, ~~and~~ The lender must send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the forbearance agreement and affirmation of the debt as well as information on all other repayment options available to the borrower or endorser. (See [Section 11.22](#) for more information about granting a discretionary forbearance.) The lender is not required to obtain ~~a new signed agreement~~ an affirmation of the obligation to repay the debt if an administrative forbearance is granted in conjunction with an authorized deferment that begins prior to the 270th day of delinquency.

[§682.211(b) and (d); §685.205(a)(8)]<sup>2</sup>

<sup>1</sup> Policy 1295 (Batch 198), approved January 16, 2014

<sup>2</sup> Policy 1293 (Batch 198), approved January 16, 2014

## **11.20.I** **Borrower Contact during Forbearance**

## **11.20.H** **Borrower Contact during Forbearance**

When a lender grants a [forbearance](#), the lender must provide to the borrower or the [endorser](#), as applicable, information to assist the borrower or endorser in understanding the effect of interest [capitalization](#) on the loan's principal balance, and the total amount of interest to be paid over the life of the loan.

If the lender and borrower or endorser agree verbally to a discretionary forbearance, the lender must record the forbearance terms in the borrower's file and send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the forbearance agreement.

During the forbearance period, the lender must contact the borrower or endorser not less than once every 180 days. The lender must inform the borrower or endorser of all the following:

- The obligation to repay the loan.
- The outstanding balance of principal and interest on the loan.
- That interest will accrue on the loan for the entire [forbearance](#) period.
- The amount of interest accrued since the last forbearance notice was provided to the borrower or [endorser](#).
- The amount of interest that will be capitalized on the loan, projected as of the date of the notice, and the date that the [capitalization](#) will occur.
- The borrower's or endorser's option to pay the interest before it is capitalized.
- That the borrower or endorser may opt to discontinue the forbearance at any time.

This notification requirement does not apply to the postponement of [interest](#) payments during a [deferment](#) period.

[[HEA §428\(c\)\(3\)](#); [§682.211\(e\)](#); [DCL GEN-08-12/FP-08-10](#)]

## **11.20.J** **Establishing Repayment after Forbearance**

## **11.20.I** **Establishing Repayment after Forbearance<sup>1</sup>**

A [borrower's](#) first payment due date after an authorized forbearance generally must be no later than 60 days after the date that the forbearance expires. For a Stafford, PLUS, or SLS loan, federal regulations permit the lender to extend the first due date an additional 30 days beyond the standard 60-day limit, if the extension is necessary to permit the lender to comply with requirements that the repayment disclosure be sent to the borrower no less than 30 days before the first payment on the loan is due.

A borrower must be notified of any [interest](#) capitalized due to the forbearance. The notice should include the new [principal balance](#) and any other repayment term changes (such as a new monthly payment amount) resulting from the interest being capitalized. The lender may develop its own format for disclosing such information or may use a [repayment schedule](#) and disclosure form provided by a [guarantor](#). For more information on disclosure of repayment terms, see [Section 10.7](#).  
[[§682.205\(c\)](#); [§682.209\(a\)\(3\)\(ii\)\(B\)](#)]

<sup>1</sup>. Policy 1295 (Batch 198), approved January 16, 2014

## Forbearance Eligibility Chart

Figure 11-2

TYPE	LENGTH
<b>Discretionary</b>	
Financial difficulties due to personal problems when the borrower is unable to make regularly scheduled payments <sup>1</sup>	The period established in the terms of the forbearance agreement (not to exceed 12-month increments); no maximum
Reduced-Payment Forbearance <sup>1</sup>	
<b>Mandatory</b>	
Medical or Dental Internship/Residency <sup>2, 3</sup>	12-month increments (or a lesser period equal to actual period during which the borrower is eligible); no maximum
Department of Defense Student Loan Repayment Programs <sup>3</sup>	
National Service <sup>2, 3</sup>	
Active Military State Duty <sup>2, 3, 9</sup>	
Student Loan Debt Burden <sup>4, 5</sup>	12-month increments; 3 years maximum
Teacher Loan Forgiveness <sup>2, 3</sup>	Period while borrower maintains forgiveness eligibility. 12-month increments
<b>Mandatory Administrative</b>	
Local or National Emergency <sup>7</sup>	Period specified by the Department or guarantor plus 30 days following the period
Military Mobilization <sup>8</sup>	
Designated Disaster Area <sup>7</sup>	
Repayment Accommodation	3-year maximum for variable interest rate; 5-year maximum for income-sensitive repayment
Death	Date lender receives reliable notification of death to date lender receives death certificate or other acceptable documentation, not to exceed 60 days
Teacher Loan Forgiveness <sup>2, 6</sup>	The period while the lender is awaiting a completed loan forgiveness application, not to exceed 60 days Date lender receives a completed loan forgiveness application to date lender receives either a denial or the loan forgiveness amount from the guarantor
<b>Administrative</b>	
Borrower Ineligible for Deferment <sup>6</sup>	Beginning date to ending date of the ineligible deferment
Delinquency before a Deferment or Certain Forbearances <sup>6*</sup>	First date of overdue payment to the day before the beginning date of deferment or other forbearance type
Delinquency under Income-Based Repayment (IBR) <sup>6</sup>	First date of overdue payment to the date the new calculated monthly payment amount is determined
Forgiveness under Income-Based Repayment <sup>6</sup>	60 days for lender to collect and process documentation to determine a borrower's eligibility
Late Notification of Out-of-School Dates <sup>6</sup>	Date borrower should have entered repayment to date first or next payment was established
Bankruptcy Filing <sup>6</sup>	The earlier of the first date of overdue payment or receipt of reliable information that the borrower has filed bankruptcy to date of discharge determination or repurchase
Total and Permanent Disability	Date the Department includes in its notification to the lender that the borrower intends to apply for a TPD loan discharge application. Forbearance extends for not more than 120 days. Date the Department includes in its notification to the lender that it has received the borrower's TPD loan discharge application and extends until the Department approves or denies the application.



TYPE	LENGTH
Spouses and Parents of Victims of September 11, 2001 <sup>6</sup>	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination
Repurchase of a Non-Bankruptcy Claim <sup>6</sup>	The period that the loan was held by the guarantor due to a claim purchase
Death	Date after mandatory administrative forbearance due to reliable notification of death ends to date lender receives death certificate or other acceptable documentation, not to exceed 60 days
Closed School	Period of unofficial closure notice as specified by guarantor
Closed School or False Certification <sup>6</sup>	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination
False Certification—Identity Theft <sup>6</sup>	Date eligibility requirements sent to individual to date request and documentation returned, not to exceed 60 days; and from date guarantor receives documentation to date of determination
Delinquency after Deferment or Mandatory Forbearance <sup>6</sup>	Deferment or mandatory forbearance end date to establishment of next payment due date
Documentation Collection and Processing <sup>6</sup>	Date borrower requests deferment, forbearance, change in repayment plan, or loan consolidation to date supporting documentation is processed by lender, not to exceed 60 days
Unpaid Refund Discharge	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination The period during guarantor review and ending on the date lender receives the guarantor's determination for a borrower who requests a review of a denial determination
Unpaid Refund <sup>6</sup>	End date of initial 60-day mandatory administrative forbearance to receipt of completed discharge request, and during period of determination of discharge eligibility
New Out-of-School Dates after Conversion <sup>6</sup>	Original repayment start date to adjusted start date
Loan Sale or Transfer <sup>6</sup>	First date of delinquency to date loan is sold or transferred, if the loan is less than 60 days delinquent
Ineligible Summer Bridge Extension <sup>6</sup>	Day after expiration of borrower's last in-school deferment to the 30th day after fall classes begin
Cure <sup>6</sup>	Date of earliest unexcused violation to date lender receives a full payment or new signed repayment agreement
Natural Disasters, Local or National Emergency, Military Mobilization <sup>6</sup>	From date borrower affected, not to exceed 3 months for each occurrence
Repayment Alignment-SLS/Stafford <sup>4</sup>	First payment due date to last day of the longest applicable Stafford loan grace period
Repayment Alignment-PLUS/Stafford <sup>10</sup>	Until end of in-school deferment or post-enrollment deferment on PLUS loan disbursed on or after July 1, 2008, or until end of grace on Stafford loan

\* Policy 1295 (Batch 198), approved January 16, 2014

Note: For detailed information about each forbearance situation, refer to the applicable subsection.

- <sup>1</sup> Lender must document the borrower's request, the reason for the forbearance, and the terms of the forbearance agreement.
- <sup>2</sup> For borrowers only.
- <sup>3</sup> A request and supporting documentation from the authorized official(s) indicating the beginning and ending dates, and a verbal or written agreement are required.
- <sup>4</sup> A request is required.
- <sup>5</sup> A request and supporting documentation of monthly income and monthly payments on Title IV education loan obligations, and a verbal or written agreement are required.
- <sup>6</sup> Lender must notify the borrower (or individual or endorser, if applicable) and document the beginning and ending dates and reason for the forbearance in borrower history record.
- <sup>7</sup> Notice from the Department or guarantor is required.
- <sup>8</sup> Documentation showing borrower is subject to a military mobilization is required.
- <sup>9</sup> For military service that begins on or after October 1, 2007, or includes that date.
- <sup>10</sup> Lender must notify borrower forbearance has been granted; notice must inform borrower of option to cancel forbearance and continue paying on the PLUS loan.



## 11.21.G Delinquency before a Deferment or Certain an Authorized Period of Forbearances

A lender may process an administrative forbearance to resolve an outstanding delinquency that precedes a deferment or an authorized period of forbearance ~~any of the events listed below~~. The forbearance may be granted from the date on which the borrower's delinquency began and may be extended through the day before the first date on which the borrower is eligible for the deferment or forbearance.<sup>1</sup>

- ~~A deferment.~~
- ~~An administrative forbearance granted due to a military mobilization, a local or national emergency, or a natural disaster (see Subsection 11.21.N).~~
- ~~A mandatory administrative forbearance granted due to exceptional circumstances—a military mobilization, a local or national emergency, or a designated disaster area (see Subsection 11.23.B).~~

[§682.211(f)(2); §682.211(f)(12); §682.211(i)(2); §685.205(a)(8)]<sup>1</sup>

## 11.21.H Delinquency after a Deferment or Mandatory Forbearance

A lender may grant an [administrative forbearance](#) for a period of [delinquency](#) that may remain after a borrower ends a period of [deferment](#) or [mandatory forbearance](#). The administrative forbearance may be applied to resolve any [delinquency](#) that exists on the date the deferment or mandatory forbearance ends, regardless of when the delinquency originally occurred, and may be extended until the date the borrower's next payment is due. For example, if the lender properly grants a borrower's request for a deferment or mandatory forbearance where the end date is in the past or if the borrower will still have a period of delinquency at the conclusion of a deferment or mandatory forbearance, a lender may process an administrative forbearance to resolve the outstanding delinquency. The lender may apply the administrative forbearance concurrently with the application of the deferment or mandatory forbearance and need not wait until the deferment or mandatory forbearance ends before applying the administrative forbearance.

[§682.211(f)(10)]

<sup>1</sup> Policy 1295 (Batch 198), approved January 16, 2014

## 11.21.I Delinquency under Income-Based Repayment (IBR)

If the lender received the borrower's income information more than 10 days after the specified annual deadline and the borrower's monthly payment amount is recalculated to the permanent-standard amount, the lender may grant an administrative forbearance with respect to payments that are overdue or would be due at the time the new calculated income-based monthly payment amount is determined only if the new income-based monthly payment amount is zero or is less than the borrower's previously calculated income-based monthly payment amount. The lender may not capitalize interest that accrues during the portion of this administrative forbearance period that covers payments due after the end of the prior annual payment period. (See [Subsection 10.8.D](#) for information on income-based repayment plans.)  
[§682.211(f)(16); §682.215(e)(9); §685.221(e)(9)]

## 11.21.J Documentation Collection and Processing

The lender may grant a [forbearance](#) for a period not to exceed 60 days if the lender determines it is warranted in order to collect and process supporting documentation following a borrower's request for a deferment, forbearance, change in repayment plan, or loan consolidation. A new administrative forbearance period for each occurrence may be granted by the lender. The lender must document the reasons for granting each forbearance in the borrower's loan history.

[§682.211(f)(11)]

The lender must not capitalize [interest](#) accrued during this period of administrative forbearance unless it receives documentation or information that results in the granting of a deferment or other forbearance type that would be concurrent with this period in which case [capitalization](#) is permitted.

[HEA §428(c)(3)(D); HEA §428H(e)(7)]

## 11.21.K Forgiveness under Income-Based Repayment (IBR)

The lender may grant a forbearance for a period not to exceed 60 days in order to collect and process documentation in order to determine a borrower is eligible for loan [forgiveness](#) under the [income-based repayment plan](#). If so granted, the lender must notify the borrower that

In addition, after the lender receives the [discharge](#) application, the lender may grant another [administrative forbearance](#) to cover the period needed by the [guarantor](#) to determine the borrower's eligibility for an unpaid [refund](#) discharge.

The lender must notify the borrower or [endorser](#) that a [forbearance](#) was granted for any of the above periods. See [Subsection 13.8.H](#) for more information on unpaid refund discharges.

[§682.402(1); §685.216(e)]

## 11.21.U Repayment Plan Change

The lender may grant an administrative forbearance to cover a period of delinquency that exists at the time a borrower chooses a different [repayment plan](#)— for example, from [standard](#) to [income-based](#).

[§682.211(f)(14)]

## 11.22 Discretionary Forbearance

A lender is encouraged to grant a discretionary forbearance to assist a borrower or [endorser](#) in fulfilling the repayment obligations on the loan and to help prevent [default](#). The lender may grant forbearance based on either a written or verbal agreement with the borrower. (See [Subsection 11.20.B](#) for more information about a lender's responsibilities when a forbearance is based on a verbal agreement.) Situations in which the lender may choose to grant forbearance include, but are not limited to:

- The borrower has personal problems (such as [economic hardship](#)) that are temporarily affecting the borrower's or endorser's ability to make scheduled payments.
- The borrower is unemployed but has already received the maximum unemployment [deferment](#).
- The borrower has had poor health or a prolonged illness or disability but does not meet applicable disability deferment criteria.
- The borrower is attending [school](#) or is a full-time volunteer in an organization and the school or organization does not meet the appropriate deferment criteria.

- The borrower or endorser wants to change the payment amount or payment due date on a loan that requires the lender to bring the loan current first or forgo some [due diligence](#) activities (see [Subsection 10.11.C](#) for information on changing due dates).

If the discretionary forbearance is based on a verbal agreement, the lender must send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the forbearance. Certain rules apply to verbal discretionary forbearance requests and affirmation of the debt received after default but prior to claim payment (see [Subsection 11.20.G](#)).<sup>1</sup>

## 11.22.A Reduced-Payment Forbearance

One type of discretionary forbearance a lender may grant is a reduced-payment forbearance. Under this type of discretionary forbearance, the borrower or endorser and the lender agree to establish temporary payment terms for the duration of the forbearance that may be inconsistent with the minimum annual payment amount. This agreement may be verbal or written.

When establishing the temporary payment terms for the period of forbearance, the lender and borrower or endorser may agree to a payment amount that is greater than, equal to, or less than the amount of accruing interest.

As with other types of discretionary forbearance, a lender must obtain a signed forbearance agreement that establishes the terms of the forbearance or document the terms of any verbal agreement. If the reduced-payment forbearance agreement is verbal, the lender must document the borrower's request, the reason for the forbearance, and the terms of the forbearance agreement. The lender must also send, within 30 days of the agreement, a notice to the borrower or endorser confirming the terms of the forbearance agreement. In addition to other applicable forbearance notification requirements (see [Section 11.20](#)), the lender must provide the following information regarding the reduced-payment forbearance in its notification to the borrower or endorser:

- The required payment amount during the reduced-payment forbearance.
- The address to which payments must be sent.
- The consequences, if any, of [delinquency](#) on the payments required during the forbearance period.

<sup>1</sup> Policy 1293 (Batch 198), approved January 16, 2014

## 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.<sup>1</sup>
- 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.  
[§682.211(h)(2) and (4)]

## 11.24.B Medical or Dental Internship or Residency

A lender must grant forbearance to a qualified borrower who meets either of the following criteria:

- The borrower has exhausted his or her eligibility for a medical or dental internship/residency deferment.
- The borrower’s promissory note does not provide for a medical or dental internship/residency deferment.

Eligibility requirements are the same as for a borrower who has requested a medical or dental internship/residency deferment (see Section 11.7), except that the borrower does not need to be a new borrower before July 1, 1993, to qualify for forbearance. In addition, the documentation requirements are the same for both deferment and forbearance (see Subsection 11.7.A). A lender must grant forbearance in 12-month increments unless the actual period during which a borrower is eligible is less than 12 months. See Subsection 11.20.H for information regarding notices that the lender must send when granting forbearance and during the forbearance period.

For a medical or dental internship or residency, the forbearance must cover one of the following:

- The length of time remaining in the borrower’s medical or dental internship or residency that must be successfully completed before the borrower may begin professional practice or service.
- The length of time the borrower is serving in a medical or dental internship or residency program leading to a degree or certificate awarded by an institution of higher education, a hospital, or a health care facility offering postgraduate training.

For a borrower in an internship or residency that is not in the medical or dental field, the borrower may qualify for a mandatory forbearance based on the criterion that the borrower’s debt payments exceed his or her monthly income (see Subsection 11.24.A) or for a discretionary forbearance (see Section 11.22).

<sup>1</sup> Policy 1291 (Batch 197), approved January 16, 2014

## 11.24.C

### National Service, Loan Forgiveness, Department of Defense Repayment, or Active Military State Duty

The lender must grant forbearance in yearly increments—or a lesser period equal to the actual period during which the borrower is eligible—for any period during which the borrower meets one of the following criteria:

- Serves in a national service position for which the borrower receives a national service educational award under the National and Community Service Trust Act of 1993 ([AmeriCorps](#)). Before granting a forbearance to a borrower or [endorser](#) under this program, the lender must require the borrower or endorser to submit documentation of the beginning and ending dates for the period the borrower is serving in a national service position.
- Performs service that would qualify the borrower for partial loan repayment under the Student Loan Repayment Programs administered by the U.S. Department of Defense [authorized](#) under [10 U.S.C. 2171, 2173, 2174](#) or any Department of Defense [programs for repayment of student loans](#). Before granting a [forbearance](#) to a borrower or [endorser](#) under this program, the lender must require the borrower or endorser to submit documentation of the beginning and ending dates for which the U.S. Department of Defense considers the borrower to be eligible for a partial repayment of the borrower's loan under the Student Loan Repayment Programs. [\[§682.211\(h\)\(4\)\(ii\)\]<sup>1</sup>](#)
- Maintains eligibility for loan forgiveness under the Teacher Loan Forgiveness Program and, at the time of each annual request, the lender believes that the cancellation amount will satisfy the anticipated outstanding loan balance at the time of the expected cancellation. Before granting a [forbearance](#) to a borrower, the lender must require the borrower to submit the following:
  - Documentation showing the beginning and anticipated ending dates of the period during which the borrower expects to perform the qualifying teacher service for that year (see [Subsection 13.9.A](#)).

- A self-certifying statement of the borrower's intent to satisfy the teacher loan [forgiveness](#) requirements. [\[§682.211\(h\)\(2\)\(ii\)\(C\); §682.211\(h\)\(4\)\(iii\); §682.215\(e\)\(1\)\(i\)\]](#)

- Serves on active military state duty as a member of the National Guard (including a member in retired status) during a time when the governor activates National Guard personnel for active state duty for a period of more than 30 consecutive days, and the Guard's activities are paid with state or federal funds. The forbearance is for a borrower who qualifies for a post-active duty student [deferment](#), but who does not qualify for a military service deferment or other deferment while engaged in active military state duty (see [Section 11.12](#) for more information on the post-active duty student deferment). The forbearance begins on the day after the end of the [grace period](#) for a Stafford loan that has not entered repayment, or begins on the day after the end of the in-school deferment for a FFELP loan in repayment.

Note: Lenders may offer discretionary forbearance to borrowers who do not qualify for [mandatory forbearance](#).

## 11.24.D

### Applying a Mandatory Forbearance Retroactively

A lender may grant [mandatory forbearance](#) retroactively, but single periods of forbearance may not exceed 12 months. The forbearance ends on the date that is 12 months after the date on which it began, or the date on which the borrower's eligibility ends, whichever is earlier.

<sup>1</sup> Policy 1294 (Batch 198), approved January 16, 2014

Chapter 12 identifies the minimum **due diligence** requirements to which **lenders** must adhere in order to retain the **guarantee** on the loan. Due diligence is the term used to describe the required activities and timelines applicable to the collection of FFELP loans.

Compliance with due diligence requirements is crucial; failure to meet these requirements within their respective time frames may result in an inability to collect the loan, rejection of a lender's **claim**, **cancellation** of the **guarantee** on the loan, or a reduction of the interest that would normally be paid at the time of claim purchase. Except as detailed in **Subsection 12.4.B** and as noted otherwise throughout this chapter, due diligence requirements described in this chapter are for loans with monthly repayment obligations. Lenders with loans with repayment obligations less frequent than monthly should contact their **guarantor** with questions regarding the unique servicing requirements for these loans. (See **Section 1.5** for guarantor contact information.)

The lender must adhere to the federal requirements to ensure prompt collection of any delinquent loan payments and to preserve the guarantee on the loan. These requirements preempt any **state** law—including state statutes, regulations, or rules—that would conflict with or hinder a lender's satisfaction of the requirements or frustrate the purposes of these requirements. However, these requirements do not preempt the provisions of the **Fair Credit Reporting Act (FCRA)** that provide relief to a borrower while a lender determines the legal enforceability of a loan after receiving a valid identity theft report or notification from a **nationwide consumer reporting agency** of an alleged identity theft.

[§682.411(o)]

Any reference to a borrower in this chapter also refers to any applicable **comaker**—one of two PLUS borrowers who are jointly and severally liable for repayment (as applicable to a PLUS loan made prior to April 16, 1999) or one of two Consolidation loan borrowers who are jointly and severally liable for repayment (as applicable to a Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006). Therefore, due diligence activities required for the borrower are also required for the comaker. For example, if the lender is required to send a letter at a certain point of **delinquency**, it must send the same letter to both borrowers. Failure to perform collection activities on one or both comakers is a violation of due diligence provisions and will result in **interest** penalties or the loss of the loan's **guarantee**.

[§682.507(a)(2)]

**Endorser** requirements differ from those for borrowers and comakers, and are identified in each applicable section and highlighted in **Subsection 12.4.E**.

## 12.1 Collection Philosophies, Goals, and Minimum Standards

The lender's collection practices must focus on preventing the **default** of its delinquent and **ineligible borrower** loans. The lender should develop a systematic and thorough approach to collecting on its loans, using, at a minimum, the due diligence standards prescribed in this chapter. In addition, the lender may use its own consumer loan collection practices. Lenders are strongly encouraged to develop standards that are in the best interest of both borrowers and the **FFELP**.

### 12.1.A Lender Disclosure Requirements

When a borrower is 60 days delinquent, the lender must provide a notice with all of the following information in simple and understandable terms:

- The date on which the loan will **default** if no payment is made.
- As of the date of the notice, the minimum payment the borrower must make to avoid default, including the payment amount needed either to bring the loan current or to pay the loan in full.
- A description of borrower options to avoid default, including a description of, and the requirements for obtaining a **deferment** or a **forbearance** and an explanation of any relevant fees or costs associated with such options.
- Loan **discharge** options for which the borrower may be eligible.
- Additional resources of which the lender is aware from which the borrower may receive additional advice and assistance on loan repayment, including nonprofit organizations, advocates, and counselors (including the Student Loan Ombudsman of the U.S. Department of Education).



The lender must provide this disclosure notice within five **business** days of the date the borrower becomes 60 days delinquent, unless the lender has sent a similar notice to that borrower within the preceding 120 days. (See [Section 10.12 for information regarding additional required lender disclosures during repayment.](#))

[HEA §433(e)(1); §682.205(a)(5)(ii); §682.205(a)(5) and (c)(5)]<sup>1</sup>

### Exception for Invalid Address

A lender is not required to send the disclosures listed above if the lender does not have a valid address for the borrower. However, if the lender receives a valid address for the borrower before the borrower's loan becomes 241 days delinquent, the lender must send the required information not previously provided.

[§682.205(j)]

## 12.2 Situations Requiring Collection Activities

The collection activities that are known as “due diligence” in the FFELP must be performed in the following situations:

- A **borrower** is delinquent in making payments.
- A lender is unable to determine the address of a borrower whose loan is delinquent.
- A borrower is determined to be ineligible for a loan (due to the borrower's or student's error).

A loan is considered delinquent if the lender has not received a borrower's payment by the day after the payment due date. A **lender** must ensure that the due date of the first payment is established according to the requirements described in [Section 10.5](#).

[§682.411(b)]

## 12.3 Factors Relating to Collection Activities

There are a number of factors related to servicing a FFELP loan that lenders must consider in conducting collection activities. The following subsections identify some of these factors.

### 12.3.A Bankruptcy Petition Filing

Lenders must suspend collection activities upon receipt of official notice that the borrower has filed a **bankruptcy** petition.

[§682.402(f)(2)]

Some guarantors permit the suspension of collection activities in response to “unofficial” notification of a borrower's bankruptcy filing. These provisions are noted in [Appendix C](#).

See [Subsection 13.8.A](#) for more information regarding acceptable notifications with respect to a borrower's filing of a bankruptcy petition.

### 12.3.B Deferment of Loans in Delinquency or Default

If, at any time during the performance of collection activities, a lender learns that a borrower may be eligible for a **deferment**, the lender must explain the conditions for obtaining the deferment and make the deferment option available. A lender must grant a deferment to a borrower whose delinquent loan is not in **default** if the borrower is eligible for the deferment. See [Subsection 11.1.F](#) for more information about deferment of delinquent loans.

[§682.210(a)(7)]

A lender *must* grant a deferment to a borrower whose loan is in default if the borrower's deferment eligibility began *before* the date of default. A lender *may* grant a deferment to a borrower whose loan is in default if the borrower's deferment eligibility begins *after* the date of default and the borrower makes payment arrangements acceptable to the lender to resolve the default prior to the payment of a default **claim** by a **guarantor**. See [Subsection 11.1.G](#) for more information about deferment of defaulted loans.

[§682.210(a)(8)]

Collection activities are no longer required if a deferment, or the combination of a deferment and other actions (e.g., **forbearance** or payments), brings the loan current. If the loan remains delinquent, see [Subsections 12.4.A and 12.4.B](#) for more information on collection activities required for a **rolling delinquency**.

<sup>1</sup> Policy 1298 (Batch 199), approved April 17, 2014

previously rehabilitated on or after August 14, 2008, is eligible for rehabilitation.

[HEA §428F(a)(5); §682.405(a)(1); §685.211(f); *Federal Register* dated October 29, 2009, p. 55979; DCL GEN-08-12/FP-08-10]

- ▲ Contact the guarantor for information about its rehabilitation program. See [Section 1.5](#) for contact information.

To rehabilitate a FFELP loan, a borrower must make nine, on-time (i.e., received within 20 days of the due date), full monthly payments to the guarantor or its contracted vendor during a period of 10 consecutive months. Payments must be made voluntarily by the borrower and must be equal to or greater than the amount determined to be reasonable and affordable. Payments obtained by state offsets or federal Treasury offsets, wage garnishment, trustee payments, or income or asset execution will not satisfy requirements for rehabilitation.

[HEA §428F(a)(1)(A); §682.405(a)(2); §685.211(f)(1)]

See [Section H.4](#) for information about a statutory or regulatory waiver authorized by the [HEROES Act](#) that may impact these requirements.

The nine payments must be received during the 10-month period immediately preceding the rehabilitation of the defaulted loan. Payments will be considered voluntary if made directly by the borrower. A lump sum [prepayment](#) of future installments cannot be used to satisfy the requirement that the borrower make nine payments during a period of 10 consecutive months. If the borrower fails to send nine payments on time during the 10-month period in which payments are required for rehabilitation, he or she must begin the entire cycle again. A new cycle will begin from the time a new, on-time, voluntary, reasonable and affordable payment is received—regardless of any prepayments of future installments the borrower may have made.

The [guarantor](#) will make the determination of what constitutes a reasonable and affordable payment based on each [borrower's](#) financial circumstances. Factors to be considered include the borrower's monthly income (and that of his or her spouse, if applicable), the monthly expenses of the borrower and any spouse or dependents, and the unpaid balance on all [FFELP](#) loans held by other [holders](#). ~~If the borrower's reasonable and affordable payment is determined to be less than \$50 or the amount of the accruing interest on the borrower's loan(s), the guarantor will document the basis for the determination and~~

~~retain it in the borrower's file, which will be forwarded to the purchasing lender.~~

~~§682.405(b)~~

A guarantor will assist a borrower in securing the purchase of each [defaulted](#) loan by an eligible [lender](#) only after:

- The borrower satisfies his or her obligation to make nine payments during a period of 10 consecutive months, as prescribed above.
- The borrower authorizes the guarantor to capitalize [collection costs](#).
- The borrower requests assistance in obtaining a [rehabilitation repurchase](#).
- ~~The guarantor determines that the borrower is a good candidate for rehabilitation. A borrower may not be considered a good candidate for rehabilitation if he or she will be required to make monthly payments after the rehabilitation that are considerably higher than the amount determined to be reasonable and affordable for the borrower.~~

If the guarantor is unable to secure a lender, the borrower will be responsible for obtaining an eligible lender to purchase his or her defaulted loan(s).

~~The guarantor or its contracted vendor acting on its behalf will notify the borrower of repayment terms, including what has been determined to be the reasonable and affordable payment amount. If the borrower's financial circumstances change after the determination, the borrower may request that the repayment terms be adjusted. The borrower must include documentation substantiating his or her request for a recalculation of the reasonable and affordable payment amount previously established.~~ [§682.405(b)(1)(iii)]<sup>1</sup>

Within 30 days of receiving notification of the rehabilitation from the guarantor, the prior holder of the loan must request that any [nationwide consumer reporting agency](#) to which the default status or other equivalent record was reported, remove the default status or other equivalent record from the borrower's credit history. [HEA §428F(a)(1)(A); §682.405(a); §682.405(b)(3)(ii); §685.211(f)(1); DCL GEN-08-12/FP-08-10]

- ▲ Contact the guarantor for information about its process for lender notification of a rehabilitated loan. See [Section 1.5](#) for contact information.

<sup>1</sup> Policy 1302 (Batch 199), approved April 17, 2014



documentation to be filed with a bankruptcy claim, see [Subsection 13.1.D](#).  
[§682.402(g)(2)(iv)(A)]

If a borrower files a petition for undue hardship (or adversary complaint), the lender must file a [claim](#) within 15 days of receiving the petition or within 15 days of the date the [guarantor](#) provides the lender with the [bankruptcy](#) information and instructs the lender to file a claim, whichever is earlier. If the lender receives an extension of time from the bankruptcy court for filing a response to the [undue hardship petition \(adversary complaint\)](#), the claim must be filed no less than 25 days before the expiration of that extended period or within 15 days of the date the guarantor provides the lender with the bankruptcy information and instructs the lender to file a claim, whichever is later.  
[§682.402(g)(2)(iv)(B)]

Failure to submit a dischargeable bankruptcy claim by the end of the claim filing deadline will result in permanent [cancellation](#) of the [guarantee](#) on the loan—unless the lender can demonstrate that the bankruptcy action has been concluded and that the loan was not discharged or that the bankruptcy action in which the loan was originally discharged has been reversed. If this is the case, the lender need not [cure](#) the violation but must return the loan to the appropriate status and resume servicing activities. If the loan was 270 days or more delinquent at the time the [borrower](#) filed [bankruptcy](#), the [lender](#) may treat the loan as a [default](#). The lender may file a default [claim](#) within 90 days of being notified of the bankruptcy action’s conclusion or reversal or by the 360th day of [delinquency](#), whichever is earlier. The claim, if purchased, will be subject to an [interest](#) penalty, and the lender will be required to repay all [interest benefits](#) and [special allowance](#) payments for amounts received or otherwise payable from the date on which the loan should have been filed as a bankruptcy claim through the date on which the lender received notice that the loan was not dischargeable or that the [discharge](#) had been reversed.

If a lender incurred [due diligence](#) violations or timely filing violations that resulted in [cancellation](#) of the [guarantee](#), and those violations remained uncured as of the date it received notification of the bankruptcy filing, the lender may not file a bankruptcy claim. These violations cannot be [cured](#)—unless the debt is not discharged at the conclusion of the bankruptcy action, in which case the lender may attempt to cure the violations after the loan is returned to a repayment status.

## Dismissal or Reversal of Bankruptcy Action

After a [guarantor](#) purchases a bankruptcy claim, it may diligently contest the discharge of the loan with the bankruptcy court. Generally, a loan will be considered dischargeable only if the borrower has filed a successful petition for undue hardship (or adversary complaint). The guarantor must, under federal regulations, require a lender to [repurchase](#) a loan that was filed as a bankruptcy claim if the bankruptcy is subsequently dismissed by the court or if the loan is determined to be nondischargeable. The loan may not necessarily be sold to the lender that filed the bankruptcy claim.  
[§682.402(j)(1)]

A lender will be notified if it is required to repurchase a loan. If a lender is required to repurchase a loan for the preceding reason, the loan should be treated as though it were in an [administrative forbearance](#) from the date the borrower filed bankruptcy to the date the repurchase occurred and the lender received the supporting [documentation](#) from the guarantor. The lender may include in the administrative forbearance any period before the date of the bankruptcy petition for which the borrower was delinquent. For more information on claim repurchase, see [Section 13.5](#).  
[§682.402(j)(2)]

## 13.8.B Closed School

If a [borrower](#) (or a student for whom a [parent](#) obtained a PLUS loan) is unable to complete his or her [program of study](#) due to the closing of a [school](#), the borrower may qualify to have his or her applicable loans discharged. A borrower is eligible for loan [discharge](#) of all or part of his or her Consolidation loan for the amount of the closed school loan discharge that would have been applicable to the borrower’s underlying loan(s). A borrower is not eligible for loan discharge if the student’s program of study, either traditional, distance, or online, was terminated by the school, but the school did not close at that time. For Title IV eligibility purposes, a distance education program is not considered to be a separate location of a school. A location is a physical site where a student can receive instruction in 50% or more of an eligible program. A borrower who obtained loans for a distance or online education program would qualify for a closed school discharge on those loans only if the main campus of the school closes. An online or distance education program is considered to be associated with the school’s main campus. An entire school or location must close for a borrower to be eligible for loan discharge.<sup>1</sup>

<sup>1</sup> Policy 1301 (Batch 199), approved April 17, 2014

In most cases, to qualify for a closed school loan discharge, a borrower must complete, certify, and submit to his or her lender or guarantor the Loan Discharge Application: School Closure form approved by the Department. The borrower may be eligible to have a loan discharged if he or she meets all the following criteria:

- The borrower (or student for whom a **parent** obtained a PLUS loan) received any part of the proceeds of a **FFELP** loan on or after January 1, 1986, to attend a school that later closed.
- The borrower (or student) did not complete the program of study at the school for which the loan was obtained because the school closed while the student was **enrolled** or on an approved **leave of absence**, or the student withdrew within ~~90~~**120** days of the **school's** closing. The Department may extend the 120-day period due to exceptional circumstances related to a school's closing.

The Department will determine whether an exceptional circumstance exists on a case-by-case basis.  
[§682.402(d)(1)(i); §685.214(c)(1)(B)]<sup>1</sup>

- The **borrower** (or student) did not complete—and is not currently in the process of completing—the same or a similar **program of study** through a teach-out at another school, by transferring to another school all or a portion of the academic credits or clock hours earned at the closed school, or by benefiting by any other means from the training provided by the closed school.

Additionally, lenders must note the following regarding loans eligible for closed school loan discharge:

- Loan **discharge** is not restricted to loans made for attendance at an **eligible school** that closed. If an ineligible school or branch certified **FFELP** loan **applications** under an eligible school identification number, and the ineligible school or branch subsequently closed, those loans also may qualify for discharge.
- A legally enforceable loan that has lost reinsurance as a result of a **due diligence** violation is eligible for discharge and **claim** payment if the **borrower** meets all discharge requirements. In processing such claims, a **guarantor** will not assess penalties for the due diligence violations.

If a loan **discharge** is approved, the discharge cancels the obligation of the borrower to repay the outstanding principal, accrued interest, **collection costs**, and late fees on all eligible loans made for the student's enrollment in the program of study being pursued when the school closed. It also qualifies the borrower for reimbursement of any amount paid voluntarily or through forced collection on the amount discharged.

[HEA §437(c); §682.402(d)(2); §685.212(d); §685.214(b)(1)]

The guarantor or the Department may initiate the discharge process if either determines that the borrower is eligible for discharge based on information in its possession. If, however, the borrower initiates the process by requesting a discharge based on a school closure, the borrower must complete, certify, and submit to the lender or guarantor the Loan Discharge Application: School Closure form. Through submission of this loan discharge application, the borrower:

- Agrees to provide, as requested, other reasonably available true and correct **documentation** that demonstrates the borrower's eligibility for discharge.
- Agrees to cooperate with the Department or its designee in any enforcement action or attempt to recover discharged loan amounts, and to transfer and relinquish to the Department any right to a **refund** on a discharged loan.
- States whether the student has made a claim with respect to the school's closing with any third party, such as the **holder** of a performance bond or tuition recovery program. If so, the borrower must disclose in the discharge application the amount of any payment received by the borrower (or student) or credited to the loan obligation.

In some cases, the guarantor will send a loan discharge application to the lender. The lender will then forward the discharge application to the borrower according to the requirements outlined in this subsection. In other cases, a guarantor may send the loan discharge application directly to a potentially **eligible borrower** and notify the lender of this action. In such cases, the guarantor also may have the borrower return the application directly to the guarantor for a determination of eligibility. The guarantor will then notify the lender of the borrower's eligibility or ineligibility for discharge of the loan.

<sup>1</sup> Policy 1299 (Batch 200), approved June 19, 2014

The lender may capitalize any interest accrued and not paid during this period.

[§682.407(c)(3); §685.218(c)(3)]

### Claim Payment

The claim payment amount includes the sum of the remaining **principal balance** and interest accrued on the loan, unpaid **collection costs** incurred by the lender and applied to the borrower's account within 30 days of the date those costs were actually incurred, and unpaid interest up to the date the lender should have filed the claim.

In the case of a partial discharge of a Consolidation loan, the claim payment includes the amount specified in the preceding paragraph for the portion of the Consolidation loan attributable to the eligible victim or eligible public servant.

[§682.407(c)(9)]

The amount payable on an approved claim includes the unpaid interest that accrues during each of the following periods:

- During the period before the claim is filed, not to exceed 60 days from the date the lender determines that the borrower qualifies for a discharge.
- During a period not to exceed 30 days following the date the lender receives a claim returned by the guarantor for additional documentation necessary for the claim to be approved by the guarantor.
- During the period required by the guarantor to approve the claim and to authorize payment or to return the claim to the lender for additional documentation, not to exceed 90 days.

[§682.407(c)(10)]

### Notifying the Borrower and Any Endorser

After being notified that the guarantor has paid a discharge claim, the lender must notify the borrower that the loan has been discharged, or partially discharged in the case of a Consolidation loan. Except in the case of a partially discharged Consolidation loan, the lender must return to the sender any payments received by the lender after the date the guarantor paid the discharge claim and notify the borrower and any **endorser** that there is no further obligation to repay the loan(s).

[§682.407(c)(11); §685.218(c)(5)]

## 13.8.G Total and Permanent Disability

*Note: See Section 5.5 for more information about eligibility requirements that a borrower must meet in order for the borrower to receive a new loan after he or she has received a loan discharge due to total and permanent disability.*

The lender must refer to the Department any borrower or borrower's representative who asserts that the borrower is totally and permanently disabled. The Department will notify the lender if the borrower notifies the Department of their intent to apply for a total and permanent disability **discharge** and will instruct the lender to suspend collection activity for a period not to exceed 120 days. The Department will also notify the lender if it receives a loan discharge application, and will instruct the lender to suspend collection activities pending ~~their~~ the Department's review of the application. The lender must notify the guarantor that the borrower or some party to ~~the~~ a loan has applied for total and permanent disability discharge and that the discharge application is under review. A lender must report to the guarantor its receipt of these TPD review notices at least monthly.

[§682.402(c)(2)(ii) and §682.402(c)(2)(vi)]<sup>1</sup>

A borrower typically is not eligible for discharge of a loan that has already been paid in full when the Department receives the borrower's total and permanent disability loan discharge application.

A total and permanent disability **discharge** request based on a determination by the U.S. Department of Veterans Affairs (VA) or the Social Security Administration (SSA) has different eligibility criteria than one that is not based on a VA or SSA determination, as applicable, as outlined below.

Note: References to "standard" total and permanent disability in **Subsection 13.8.G** include both the SSA total and permanent disability determinations and the physician certification determinations.

<sup>1</sup> Policy 1296 (Batch 199), approved April 17, 2014

The timeline for submitting a challenge, adjustment, or appeal begins on the sixth business day following the transmission date of the eCDR package as posted on the Department's Website and lasts for 45 days. The loan record detail report (LRDR) is included in the eCDR package. The school has 5 business days from the transmission date of the eCDR package, as posted on the Department's Website to report any problem with receipt of the eCDR package. If the school reports a transmission problem within the 5-day period and the Department determines that the problem was not caused by the school, the timeline for submitting a challenge, adjustment, or appeal will be extended for that school to account for retransmission of the [eCDR notification package](#) once the technical problem is resolved. The school's 45-day timeline for submitting a challenge, adjustment, or appeal will begin with the school's receipt of the eCDR package. If the school does not notify the Department of a transmission problem within the 5 business days following the transmission date of the eCDR package, the Department will not extend the timeline for submitting a challenge, adjustment or appeal.

If the school intends to appeal its official cohort default rate based on improper loan servicing and collection and the [loan record detail report](#) was not included with the official cohort default rate notice, the school must request the loan record detail report within 15 days after receiving that notice. A school must request loan servicing records from the guarantor, with a copy of that request sent to the Department (unless the disputed loans have been assigned to the Department) within 15 days after receiving the loan record detail report. (Guarantors may charge for copies of loan servicing records.) Based on the Department's determination of the number of loans improperly serviced, it will use a statistically valid methodology to exclude the corresponding percentage of borrowers from both the numerator and denominator of the calculation of the school's [cohort default rate](#), and electronically correct the rate that is publicly released. Additional steps for this appeal process are detailed in the [Cohort Default Rate Guide](#) and federal regulations. [[§668.186](#); [§668.193\(c\)](#) and [\(f\)](#); [§668.205](#); [Cohort Default Rate Guide](#)]

### Economically Disadvantaged Population Appeals

If a school is subject to loss of its [FFELP](#), [FDLP](#), or Federal [Pell Grant](#) Program eligibility due to high cohort default rates but can successfully demonstrate that it serves an economically disadvantaged student population, the school may submit this type of appeal if an independent auditor certifies that the school's low-income rate is two-thirds or more and that either of the following conditions exist: [[§668.194\(a\)](#)]

- The school offers an associate, baccalaureate, graduate, or [professional degree](#), and its program completion rate is 70% or more. [[§668.194\(a\)\(1\)](#)]
- The school does not offer an associate, baccalaureate, graduate, or professional degree, and its job placement rate is 44% or more. [[§668.194\(a\)\(2\)](#)]

The components and formulas for calculating the school's low-income rate, completion rate, and placement rate are carefully detailed in the [Cohort Default Rate Guide](#). An economically disadvantaged population appeal must include, in addition to the school's assertions and documentation, an independent auditor's opinion that the school's assertions meet the requirements for an economically disadvantaged population appeal and are fairly stated in all material respects. [[§668.194\(b\)](#) through [\(d\)](#)]

A school appealing on the basis of an economically disadvantaged student population must submit its management's written assertions as described in the [Cohort Default Rate Guide](#), within 30 days after receiving the official cohort default rate notice. The auditor's opinion must be submitted to the Department within 60 days after receiving the notice. Detailed instructions for this appeal process can be found in the [Cohort Default Rate Guide](#) and federal regulations. [[§668.194\(f\)](#); [Cohort Default Rate Guide](#)]

### Participation Rate Index (PRI) Appeals

The PRI puts into perspective the impact of the school's [cohort default rate](#) on the federal fiscal interest. Thus, a low PRI indicates that the overall impact of a school's students' defaults is not significant in terms of federal dollars. (See [Section 16.1](#) for information regarding the calculation of the PRI.) A school that is subject to a loss of [FFELP](#), [FDLP](#), or Federal [Pell Grant](#) Program eligibility may use the PRI appeal based on ~~either~~ any one of the following conditions:

- The school has one cohort default rate over 40% and the PRI for that cohort's fiscal year is less than or equal to ~~0.06015~~ 0.0832. [[§668.195\(a\)\(1\)](#); [§668.204\(c\)\(1\)\(i\)](#)]<sup>1</sup>
- The school has three consecutive two-year cohort default rates of 25% or more and the PRI for any of the three cohorts' fiscal years is less than or equal to 0.0375. [[HEA §435\(A\)\(8\)](#); [§668.195\(a\)\(2\)](#)]

<sup>1</sup> Policy 1300 (Batch 199), approved April 17, 2014

# LaRS Special Allowance and Interest Rate Reporting for FFELP Loans

## Figure A-5

LaRS Special Allowance and Interest Rate Reporting For FFELP Loans							
Loan Type Code		Special Allowance Factor					
SF <sup>1</sup>	Subsidized Stafford and Subsidized FISL loans	SA	3.50% round up to 1/8%	SL	3.10%	CK	2.09%
PL	PLUS (parent) loans and Grad PLUS loans	SB	3.50%	CA, CE	1.74%	CI ENFP <sup>6</sup>	1.34%
PL <sup>2</sup>	PLUS (student) and ALAS loans	SD	3.25%	CB, CF	2.34%	CJ, CM ENFP <sup>6</sup>	1.94%
SU	Unsubsidized Stafford loans	SE, SG	3.10%	CC, CG	2.64%	CK ENFP <sup>6</sup>	2.24%
SL	SLS loans	SH	2.50% / 3.10% (see below)	CD, CH	2.64%	X* <sup>4,7</sup>	3.50%
SL <sup>3</sup>	PLUS (student) and ALAS loans	SJ	2.20%	CI	1.19%		
CL	Consolidation loans	SK	2.80%	CJ, CM	1.79%		
Special Allowance Codes - For loans made or purchased with taxable funds or tax-exempt funds not subject to the minimum/maximum rules <sup>4</sup>							
SA	All loans first disbursed prior to 10-1-1981. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4, rounded up to the nearest 1/8 percent)	SB	All loans first disbursed on/after 10-1-1981 through 10-16-1986 and loans first disbursed on/after 10-17-1986 through 11-15-1986 with a loan period begin date prior to 11-16-1986. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4)				
SC	All loans first disbursed during sequester periods (1st four quarters after first disbursement). These sequester periods included 3-1-1986 to 9-30-1986 and 10-1-1989 to 12-31-1989. (Formulas no longer in effect)	SD	All loans first disbursed on/after 10-17-1986 through 11-15-1986 with a loan period begin date on/after 11-16-1986 through 11-15-1986 with a loan period begin date prior to 9-30-1992. (Formula: Average 90-day Tbill + 3.25% - Interest Rate / 4)				
SE	All loans first disbursed on/after 10-1-1992 through 6-30-1994, and consolidation loans based on applications received by the lender prior to 11-13-1997. (Formula: Average 90-day Tbill + 3.10% - Interest Rate / 4)	SG	All Stafford and PLUS loans first disbursed on/after 7-1-1994 through 6-30-1998 (except Stafford loans first disbursed on/after 7-1-1995 through 6-30-1998 while in school, grace, or deferment status) and consolidation loans based on applications received by the lender on/after 11-13-1997 through 9-30-1998. (Formula: Average 90-day Tbill + 3.10% - Interest Rate / 4)				
SH	All Stafford loans first disbursed on/after 7-1-1995 through 6-30-1998 while in school, grace, or deferment status, and PLUS loans first disbursed on/after 7-1-1998 through 12-31-1999. (Stafford Formula: Average 90-day Tbill + 2.50% - Interest Rate / 4) (PLUS Formula: Average 90-day Tbill + 3.10% - Interest Rate / 4)	SJ	All Stafford loans first disbursed on/after 7-1-1998 through 12-31-1999 while in school, grace, or deferment status. (Formula: Average 90-day Tbill + 2.20% - Interest Rate / 4)				
SK	All Stafford loans first disbursed on/after 7-1-1998 through 12-31-1999 while in a status other than in-school, grace or deferment status. (Formula: Average 90-day Tbill + 2.80% - Interest Rate / 4)	SL	Consolidation loans based on applications received by the lender on/after 10-1-1998 through 12-31-1999. (Formula: Average 90-day Tbill + 3.10% - Interest Rate / 4)				
CA	All Stafford loans first disbursed on/after 1-1-2000 through 3-31-2006 while in school, grace, or deferment status. (Formula: Average 3-month CP + 1.74% - Interest Rate / 4)	CB	All Stafford loans first disbursed on/after 1-1-2000 through 3-31-2006 while in a status other than in-school, grace, or deferment status. (Formula: Average 3-month CP + 2.34% - Interest Rate / 4)				
CC	Consolidation loans based on applications received by the lender on/after 1-1-2000 through first disbursed on/before 3-31-2006. (Formula: Average 3-month CP + 2.64% - Interest Rate / 4)	CD	PLUS loans first disbursed on/after 1-1-2000 through 3-31-2006. (Formula: Average 3-month CP + 2.64% - Interest Rate / 4)				
CE	All Stafford loans first disbursed on/after 4-1-2006 through 9-30-2007 while in school, grace, or deferment status. (Formula: Average 3-month CP + 1.74% - Interest Rate / 4, subject to excess interest rebates)	CF	All Stafford loans first disbursed on/after 4-1-2006 through 9-30-2007 while in a status other than in-school, grace, or deferment status. (Formula: Average 3-month CP + 2.34% - Interest Rate / 4, subject to excess interest rebates)				
CG	Consolidation loans first disbursed on/after 4-1-2006 through 9-30-2007. (Formula: Average 3-month CP + 2.64% - Interest Rate / 4, subject to excess interest rebates)	CH	PLUS loans first disbursed on/after 4-1-2006 through 9-30-2007. (Formula: Average 3-month CP + 2.64% - Interest Rate / 4, subject to excess interest rebates)				
CI	All Stafford loans first disbursed on/after 10-1-2007 through 6-30-2010 while in school, grace, or deferment status, including loans held by an ENFP <sup>5</sup> . (Formula: Average 3-month CP + 1.19% - Interest Rate / 4, subject to excess interest rebates) (ENFP Formula: Average 3-month CP + 1.34% - Interest Rate / 4, subject to excess interest rebates)	CJ	All Stafford loans first disbursed on/after 10-1-2007 through 6-30-2010 while in a status other than in-school, grace, or deferment status, including loans held by an ENFP <sup>5</sup> . (Formula: Average 3-month CP + 1.79% - Interest Rate / 4, subject to excess interest rebates) (ENFP Formula: Average 3-month CP + 1.94% - Interest Rate / 4, subject to excess interest rebates)				
CK	Consolidation loans first disbursed on/after 10-1-2007 through 6-30-2010, including loans held by an ENFP <sup>5</sup> . (Formula: Average 3-month CP + 2.09% - Interest Rate / 4, subject to excess interest rebates) (ENFP Formula: Average 3-month CP + 2.24% - Interest Rate / 4, subject to excess interest rebates)	CM	PLUS loans first disbursed on/after 10-1-2007 through 6-30-2010, including loans held by an ENFP <sup>5</sup> . (Formula: Average 3-month CP + 1.79% - Interest Rate / 4, subject to excess interest rebates) (ENFP Formula: Average 3-month CP + 1.94% - Interest Rate / 4, subject to excess interest rebates)				

## LaRS Special Allowance and Interest Rate Reporting for FFELP Loans *(continued)*

Special Allowance Codes - For loans made or purchased with tax exempt funds subject to the minimum/maximum rules <sup>4</sup>			
SA	All loans first disbursed prior to 10-1-1980. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4, rounded up to the nearest 1/8 percent)	XA	All loans first disbursed on/after 10-1-1980 through 9-30-1981. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)
XB	All loans first disbursed on/after 10-1-1981 through 9-30-1992. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)	XC	All loans first disbursed during sequester periods (1st four quarters after first disbursement). These sequester periods include 3-1-1986 to 9-30-1986 and 10-1-1989 to 12-31-1989. (Formulas no longer in effect)
XE	All loans first disbursed on/after 10-1-1992 through 6-30-1994, and consolidation loans based on applications received by the lender prior to 11-13-1997. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)	XG	All Stafford and PLUS loans first disbursed on/after 7-1-1994 through 6-30-1998 (except Stafford loans while in school, grace, or deferment) and consolidation loans based on applications received by the lender on/after 11-13-1997 through 9-30-1998. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)
XH	All Stafford loans first disbursed on/after 7-1-1995 through 6-30-1998 while in school, grace, or deferment, and PLUS loans first disbursed on/after 7-1-1998 through 3-31-2006 <sup>4,2</sup> , for quarters prior to 4-1-2006. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)	XJ	All Stafford loans first disbursed on/after 7-1-1998 through 3-31-2006 <sup>4,2</sup> while in school, grace, or deferment. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)
XK	All Stafford loans first disbursed on/after 7-1-1998 through 3-31-2006 <sup>4,2</sup> while in a status other than in-school, grace or deferment. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)	XL	Consolidation loans based on applications received by the lender on/after 10-1-1998 through first disbursement on/before 3-31-2006 <sup>4,2</sup> . (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)
XM	All Stafford loans first disbursed on/after 4-1-2006 through 6-30-2010 while in school, grace, or deferment, held by lenders eligible for the HERA of 2005 special exemptions <sup>5</sup> . (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)	XN	All Stafford loans first disbursed on/after 4-1-2006 through 6-30-2010 while in a status other than in-school, grace or deferment, held by lenders eligible for the HERA of 2005 special exemptions <sup>5</sup> . (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)
XO	Consolidation loans first disbursed on/after 4-1-2006 through 6-30-2010, held by lenders eligible for the HERA of 2005 special exemptions <sup>5</sup> . (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)	XP	PLUS loans first disbursed on/after 4-1-2006 through 6-30-2010, held by lenders eligible for the HERA of 2005 special exemptions <sup>5</sup> . (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)
XQ	PLUS loans first disbursed on/after 1-1-2000 through 3-31-2006 <sup>4,2</sup> , for quarters beginning on/after 4-1-2006, which loans would have been reported under the "XH" category for quarters prior to 4-1-2006. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)		

Interest Rate Codes	
Fixed	For fixed rate loans, report applicable rate as with two decimal point places.
.07	Stafford loans at a fixed rate of 7% or less.
.99999 Fixed	For Consolidation loans based on applications received by the lender on/after 10-1-1998 where the fixed interest rate is a weighted average of the underlying loan interest rates rounded up to the nearest 1/8 of a percent. Report the applicable fixed interest rate of the loan with five decimal places.
CVAR	PLUS loans and SLS loans made in 1986 and 1987 where the interest rate changes each January 1.
VAR	PLUS and SLS loans with first disbursements on or after 7-1-1987, but before 10-1-1992, where the interest rate changes each July 1.
EVAR	All FFELP loans that were guaranteed as variable rate loans with first disbursements on or after 10-1-1992 and Consolidation loans based on applications received by the lender between 11-13-1997 and 9-30-1998, inclusive, where the interest rate changes each July 1, and HEAL portions of Consolidation loans.
FVAR#	Stafford loans that were originally guaranteed as fixed rate loans, but were converted to a variable rate, where the interest rate now changes each July 1. Includes 8/10% loans except for those that fall under the FVARX category. FVAR# includes FVAR7, FVAR8, FVAR9, FVAR10.
FVARX	FFELP Stafford loans with a 8/10% interest rate first disbursed to prior borrowers on or after 7-23-1992 but before 10-1-1992, when such loans reach the 49 <sup>th</sup> month of repayment and beyond.
.068	All Stafford loans (subsidized and unsubsidized) made on or after 7-1-2006 (except subsidized Stafford loans made to undergraduate students as noted below).
.085	All PLUS loans (parent and Grad) made on or after 7-1-2006.
.060	Subsidized Stafford loans made to undergraduate students on or after 7-1-2008 through 6-30-2009.
.060 <sup>6</sup>	All FFELP loan types first disbursed on/after 7-1-2008 that are subject to the SCRA interest rate limitation.
.056	Subsidized Stafford loans made to undergraduate students on/after 7-1-2009 through 6-30-2010.



## LaRS Special Allowance and Interest Rate Reporting for FFELP Loans *(continued)*

Valid Special Allowance, Loan Type, and Interest Rate Code Reporting Combinations									
Subsidized Stafford		Unsubsidized Stafford		PLUS <sup>5</sup>		SLS <sup>5</sup>		Consolidation	
Taxable	Tax-exempt <sup>4</sup>	Taxable	Tax-exempt <sup>4</sup>	Taxable	Tax-exempt <sup>4</sup>	Taxable	Tax-exempt <sup>4</sup>	Taxable	Tax-exempt <sup>4</sup>
SA SF .07	SA SF .07	SE SU .07	XE SU .07	SA PL .09	XA PL .09	SA SL .09	XA SL .09	SC CL .09	XC CL .09
SA SF .09	XA SF .07	SE SU .08	XE SU .08	SB PL .14	XB PL .14	SB SL .14	XB SL .14	SC CL .10	XC CL .10
SB SF .07	XA SF .09	SE SU .09	XE SU .09	SB PL .12	XB PL .12	SB SL .12	XB SL .12	SC CL .11	XC CL .11
SB SF .08	XB SF .07	SE SU EVAR	XE SU EVAR	SB PL CVAR	XB PL CVAR	SB SL CVAR	XB SL CVAR	SC CL .12	XC CL .12
SB SF .09	XB SF .08	SE SU FVAR7	XE SU FVAR7	SC PL .12	XB PL VAR	SC SL .12	XB SL VAR	SD CL .09	XB CL .09
SC SF .07	XB SF .09	SE SU FVAR8	XE SU FVAR8	SC PL VAR	XC PL .12	SC SL VAR	XC SL .12	SD CL .10	XB CL .10
SC SF .08	XB SF .10	SE SU FVAR9	XE SU FVAR9	SD PL .12	XC PL VAR	SD SL .12	XC SL VAR	SD CL .11	XB CL .11
SC SF .09	XB SF FVAR7	SE SU FVAR10	XE SU FVAR10	SD PL CVAR	XE PL EVAR	SD SL VAR	XE SL EVAR	SD CL .12	XB CL .12
SD SF .07	XB SF FVAR8	SG SU EVAR	XG SU EVAR	SD PL VAR	XG PL EVAR	SD SL CVAR		SE CL .01-.25	XE CL .01-.25
SD SF .08	XB SF FVAR9	SH SU EVAR	XH SU EVAR	SE PL EVAR	XH PL EVAR	SE SL EVAR		SG CL EVAR	XG CL EVAR
SD SF .09	XB SF FVAR10	SJ SU EVAR	XJ SU EVAR	SG PL EVAR	XP PL EVAR			SL CL #####	XL CL #####
SD SF .10	XB SF FVARX	SK SU EVAR	XK SU EVAR	SH PL EVAR	XP PL .085			CC CL #####	XO CL #####
SD SF FVAR7	XC SF .07	CA SU EVAR	XM SU EVAR	CD PL EVAR	XQ PL EVAR			CG CL #####	XO CL .06000 <sup>8</sup>
SD SF FVAR8	XC SF .08	CB SU EVAR	XN SU EVAR	CH PL EVAR	XP PL .060 <sup>8</sup>			CK CL #####	
SD SF FVAR9	XC SF .09	CE SU EVAR	XM SU .068	CH PL .085				CK CL .06000 <sup>8</sup>	
SD SF FVAR10	XE SF .07	CF SU EVAR	XN SU .068	CM PL .085					
SD SF FVARX	XE SF .08	CE SU .068	XM SU .060 <sup>8</sup>	CM PL .060 <sup>8</sup>					
SE SF .07	XE SF .09	CF SU .068	XN SU .060 <sup>8</sup>						
SE SF .08	XE SF EVAR	CI SU .068							
SE SF .09	XE SF FVAR7	CJ SU .068							
SE SF EVAR	XE SF FVAR8	CI SU .060 <sup>8</sup>							
SE SF FVAR7	XE SF FVAR9	CJ SU .060 <sup>8</sup>							
SE SF FVAR8	XE SF FVAR10								
SE SF FVAR9	XG SF EVAR								
SE SF FVAR10	XH SF EVAR								
SG SF EVAR	XJ SF EVAR								
SH SF EVAR	XK SF EVAR								
SJ SF EVAR	XM SF EVAR								
SK SF EVAR	XN SF EVAR								
CA SF EVAR	XM SF .068								
CB SF EVAR	XN SF .068								
CE SF EVAR	XM SF .060 <sup>8</sup>								
CF SF EVAR	XN SF .060 <sup>8</sup>								
CE SF .068	XM SF .056								
CF SF .068	XN SF .056								
CI SF .068									
CJ SF .068									
CI SF .060 <sup>8</sup>									
CJ SF .060 <sup>8</sup>									
CI SF .056									
CJ SF .056									

**Notes**

<sup>1</sup> Stafford Nonsubsidized and FISL Nonsubsidized loans disbursed prior to 10-1-1981 are included within SF loan types.

<sup>2</sup> Loans disbursed prior to 10-17-1986 and **unable** to distinguish from PLUS (parent) loans.

<sup>3</sup> Loans disbursed prior to 10-17-1986 and **able** to distinguish from PLUS (parent) loans.

<sup>4</sup> Loans originally made or purchased with tax-exempt funds originally issued prior to 10-1-1993 receive ½ the regular special allowance rate but not less than 9.5% minus the applicable interest rate. Loans made or purchased with tax-exempt funds originally issued on or after 10-1-1993, loans held in tax-exempt bond issues that were refunded on or after 10-1-2004, and loans made or purchased on or after 2-8-2006 regardless of funding source (except those held by lenders eligible for the HERA of 2005 special exemptions), receive regular special allowance and must be reported using the taxable special allowance codes.

<sup>5</sup> PLUS and SLS loans first disbursed on/after 7-1-1987 but before 6-30-1994 7-1-1994, and PLUS loans first disbursed on/after 7-1-1998 but before 4-31-1999 1-1-2000 do not receive any special allowance if the annual interest rate calculation does not exceed the applicable maximum interest rate. PLUS loans first disbursed on/after 1-1-2000 will receive special allowance for quarters beginning 4-1-2006, even if the annual interest rate calculation does not exceed the applicable maximum interest rate.

<sup>6</sup> Eligible Not-For-Profit (ENFP) holders may receive the increased Special Allowance Factor on loans made on or after October 1, 2007 if they meet the statutory and regulatory requirements for ENFP holders and are designated as such in the Department of Education's Lender Reporting System (LaRS).

<sup>7</sup> The HERA created a special exception for loans made or purchased through December 31, 2010, if the holder (1) Was, as of February 8, 2006, and during the quarter for which the special allowance is paid, a unit of the state or local government or a nonprofit private entity; (2) Was, as of February 8, 2006, and during the quarter, not owned or controlled by, or under the common ownership or control with, a for-profit entity; and (3) Held, directly or through any subsidiary, affiliate, or trustee, a total unpaid balance of principal equal to or less than \$100 million on loans for which special allowances were paid under section 438(b)(2)(B) in the most recent quarterly payment prior to September 30, 2005. Loans eligible for this special exception must have been first disbursed on or after April 1, 2006 but before July 1, 2010.

<sup>8</sup> FFELP loans first disbursed on/after 7-1-2008 must be reported at the 6% rate when a borrower's interest rate is limited to 6% under the Servicemembers Civil Relief Act if the loan's applicable rate is higher than 6%. This also includes subsidized Stafford loans to graduates that have a 6.8% applicable rate.