

| # | Subject | Summary of Change to <i>Common Manual</i> | Type of Update | Effective Date |
|------|---|---|----------------|----------------|
| 1309 | Servicemembers' Civil Relief Act (SCRA) Eligibility and Interest Rate Reduction | The <i>Common Manual</i> has been updated to reflect that lenders must grant eligible servicemembers (including borrowers, endorsers, and comakers) the SCRA interest rate reduction as of July 1, 2016, based on the lender's comparison of its borrowers, endorsers, and comakers to the Department of Defense maintained database, the Defense Manpower Data Center (DMDC). The lender may not require a servicemember to request an interest rate reduction in writing and must allow the servicemember to provide alternative evidence if the DMDC data is inaccurate or incomplete. | Federal | July 1, 2016 |
| 1310 | Claim File Documentation | The <i>Common Manual</i> has been updated to correct errors in the claim documentation references for Bankruptcy, Death, and Total and Permanent Disability claims. | Correction | March 1, 2012 |

Batch 204 (Bulletin Language)

COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: January 15, 2016

| | | | |
|---|----------|-------------------------|--------|
| | DRAFT | Comments Due | |
| X | FINAL | Consider at GB meeting | Jun 16 |
| | APPROVED | with changes/no changes | |

SUBJECT: Servicemembers' Civil Relief Act (SCRA) Eligibility and Interest Rate Reduction

AFFECTED SECTIONS: 7.4.B Reduced Stafford Interest Rates
7.5.B Reduced PLUS Interest Rates
10.9.B Reduced Interest Rates
13.1.D Claim File Documentation
15.3.D Calculating the Interest Rate

POLICY INFORMATION: BATCH 204/Policy 1309

EFFECTIVE DATE/TRIGGER EVENT: SCRA interest rate reductions made on or after July 1, 2016

BASIS: §682.208(j); Preamble of the October 30, 2015, *Federal Register*, Vol. 80, No. 210, pp. 67206-67208.

CURRENT POLICY:
Current policy states that borrowers must request in writing, an interest rate reduction to 6% for performing eligible military service under the Servicemembers' Civil Relief Act (SCRA), and that the request must be received within 180 days of the completion of the borrower's eligible military service.

REVISED POLICY:
Revised policy reflects regulatory changes impacting the administration of SCRA interest rate benefits by lenders that become effective on July 1, 2016. As of that date, servicemembers are no longer required to request the interest rate reduction. The lenders must, at least monthly, compare their portfolio of borrowers, endorsers, and comakers who have outstanding loan balances to the Defense Manpower Data Center (DMDC), maintained by the Department of Defense, to identify those servicemembers who are performing or have performed eligible military service. Based on the comparisons, lenders must apply the interest rate reduction in accordance with the time period reflected in the DMDC to each borrower's loan(s). Lenders must also accept alternative evidence of military service status submitted by the borrower, endorser, or comaker that indicates that the information in the DMDC database may be inaccurate or incomplete, and reconcile it with the DMDC information before applying the rate reduction. Acceptable alternative evidence is limited to a copy of the servicemember's military orders or the certification of the servicemember's military service from an authorized official using an ED-approved form. Finally, the 180-day time period in which to request SCRA benefits is eliminated based on the lenders proactively using the DMDC database.

REASON FOR CHANGE:
This change is required to reflect regulatory changes that impact the administration of the interest rate reduction due to a servicemember's eligibility under the SCRA.

PROPOSED LANGUAGE - COMMON MANUAL:
Revise Subsection 7.4.B, page 5, column 2, paragraph 1, as follows:

7.4.B Reduced Stafford Interest Rates

...

For purposes of this provision, the maximum interest rate must take into consideration any amount of service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the Stafford loan. The lender must use the official Department of Defense electronic database, the Defense Manpower Data Center (DMDC), to identify all Stafford borrowers who are performing SCRA-eligible military service, and confirm the beginning and ending dates of the eligible service. The lender must:

- Compare all of its borrowers against the DMDC database at least monthly to accurately identify borrowers eligible for the SCRA interest rate reduction.
- Charge eligible borrowers interest of no more than 6% during periods of eligible service. This may include beginning, extending, or ending the borrower's period of eligibility based on new start or end date information.
- For each reservist and Guard member, identify the Order Notification Start Date which preceded the eligible military service period.
- Send written notification of the interest rate reduction to the borrower within 30 days of changing the interest rate.
[§682.208(j)(1)-(2) & (4)-(5)]

The lender may not require the borrower to ~~must~~ request the reduced interest rate in writing and ~~provide the lender with a copy of initial military orders and any orders that extend his or her military service. The borrower must provide the request and documentation not later than 180 days following the last date of the borrower's military service and must accept alternative evidence from the borrower of his or her military service that indicates the information in the DMDC is inaccurate or incomplete. The borrower may present alternative evidence at any time during or after the qualified military service. Acceptable alternative evidence includes one of the following:~~

- A copy of military orders.
- A certification of the borrower's service by an authorized official on a Department of Education approved form.
[§682.208(j)(3)]

If the lender determines that the DMDC information does not match the acceptable alternative evidence provided, the lender must apply the interest rate reduction for the longest period for which the borrower is eligible using the earliest start date and latest end date provided by a combination of the DMDC data and the acceptable alternative evidence. For a reservist, the start date of the 6% interest rate benefit period must be the order notification date.
[HEA §428(d); DCL GEN-08-12/FP-08-10; §682.208(j)(4)]

Revise Section 7.5.B, page 8, column 2, paragraph 1, as follows:

7.5.B
Reduced PLUS Interest Rates

...

For purposes of this provision, the maximum interest rate must take into consideration any amount of service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the PLUS loan. The 6% rate applies to any PLUS loan on which the servicemember is the only borrower, on any joint obligation where one borrower or both borrowers of the comade PLUS loan qualify as the servicemember, or any loan on which the servicemember is the endorser. The 6% rate does not apply to a Parent PLUS loan when only the dependent student for whom the loan was obtained is the servicemember, unless the dependent student is also the endorser. ~~The borrower or eligible endorser must request the lower interest rate in writing and provide the lender with a copy of initial military orders and any orders that extend his or her military service. The servicemember must provide the request and documentation not later than 180 days following the last date of applicable military service.~~

The lender must use the official Department of Defense electronic database, the Defense Manpower Data Center (DMDC), to identify all PLUS borrowers or endorsers who are performing SCRA-eligible military service, and confirm the beginning and ending dates of the eligible service. The lender must:

- Compare all of its borrowers or endorsers against the DMDC database at least monthly to accurately identify borrowers eligible for the SCRA interest rate reduction.
- Charge eligible borrowers or endorsers interest of no more than 6% during periods of eligible service. This may include beginning, extending, or ending the borrower's or

- endorser's period of eligibility based on new start or end date information.
- For each reservist and Guard member, identify the Order Notification Start Date which preceded the eligible military service period.
- Send written notification of the interest rate reduction to the borrower or endorser within 30 days of changing the interest rate.
[HEA §428(d); HEA §438(g); DCL GEN-08-12; §682.208(j)(1)-(2) & (4)-(5)]

The lender may not require the borrower to request the reduced interest rate in writing and must accept alternative evidence from the borrower or endorser of his or her military service that indicates the information in the DMDC is inaccurate or incomplete. The alternative evidence may be presented at any time during or after the qualified military service. Acceptable alternative evidence includes one of the following:

- A copy of military orders.
- A certification of the borrower's or endorser's service by an authorized official on a Department of Education approved form.
[§682.208(j)(3)]

If the lender determines that the DMDC information does not match the acceptable alternative evidence provided, the lender must apply the interest rate reduction for the longest period for which the borrower or endorser is eligible using the earliest start date and latest end date provided by a combination of the DMDC and the acceptable alternative evidence. For a reservist, the start date of the 6% interest rate benefit period must be the order notification date.
[HEA §428(d); DCL GEN-08-12/FP-08-10; §682.208(j)(4)]

For PLUS loans with an endorser, information must be compared to the DMDC database at least monthly, and the interest rate reduction must be applied based on an endorser performing eligible military service. If the PLUS loan borrower and endorser are both eligible for the SCRA interest rate reduction, and their military service periods overlap, the earliest start date from either party and the latest end date from either party must be used to give the longest eligible period of interest rate reduction possible. [§682.208(j)(6)]

When the borrower's, comaker's, or endorser's period of military service ends, the lender is not permitted to assess any additional charge or fee on the loan to compensate for the difference between the applicable interest rate and the maximum permissible charges under the SCRA.
[*Federal Register* dated July 23, 2009, p. 36565]

Revise Section 10.9.B, page 22, column 2, paragraph 1, as follows:

10.9.B Reduced Interest Rates

On at least a monthly basis, lenders are required to use the Defense Manpower Data Center (DMDC), the official Department of Defense database, to identify all ~~if the~~ borrowers, endorsers, and comakers who qualify~~ies~~ for reduced interest rate benefits under Section 207 of the Servicemembers Civil Relief Act (SCRA). ~~The lender and requests an interest rate reduction in writing, the lender~~ is required to reduce the interest rate on any loan that is accruing interest at a higher rate, so that it does not charge the borrower, endorser, or comaker an interest rate that exceeds 6% for the period of the borrower's qualifying military service that occurs on or after August 14, 2008.
[§682.208(j)(1) & (2)]

For purposes of this provision, interest includes service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the loan. A borrower, endorser, or comaker may qualify for the 6% rate if all of the following criteria are met:

- The borrower has an outstanding Stafford, PLUS, or Consolidation loan that was made prior to the date that the servicemember entered active duty military service.

- The borrower, comaker, or endorser is an eligible servicemember.
- The beginning and ending dates of the borrower's eligible military service, and of the preceding order notification period in the case of a reservist or Guard member, are reflected in the DMDC.
[§682.208(j)(1) & (2)]
- ~~The borrower, comaker, or endorser requests the reduced interest rate in writing and provides to the lender a copy of his or her initial military orders and any orders that extend military service.~~
- ~~The borrower provides the written request and documentation not later than 180 days following the last date of the borrower's qualifying military service.~~

For PLUS loan endorsers and joint consolidation comakers, the endorser and comaker information must be compared to the DMDC database at least monthly, and the interest rate reduction must be applied based on an endorser or comaker performing eligible military service. If the PLUS loan borrower and endorser are both eligible for the SCRA interest rate reduction, and their military service periods overlap, the earliest start date from either party and the latest end date from either party must be used to give the longest eligible period of interest rate reduction possible. The same logic should be applied to both comakers of joint consolidation loans.

The borrower may provide the lender alternative evidence of the eligible military service to demonstrate eligibility in the case that the DMDC information is inaccurate or incomplete at any time during and after the military service. Acceptable alternative evidence includes either of the following:

- A copy of the borrower's military orders.
- A certification of the borrower's, endorsers or comaker's service by an authorized official on a Department of Education approved form.
[§682.208(j)(3)]

Revise Section 13.1.D, page 5, column 1, paragraph 5, as follows:

6. Reduced Interest Rate Documentation

Documentation supporting the granting of a reduced interest rate under the Servicemembers Civil Relief Act if, at the time the lender files a claim with the guarantor, the borrower, comaker, or endorser is receiving this benefit. This documentation must include the borrower's written request for the reduced interest rate and the applicable military orders documents relevant to the dates for which the benefit was granted, including any one or, as applicable, any combination of the following:

- The Defense Manpower Data Center (DMDC) information identifying the servicemember's eligible service period beginning and ending dates.
- Copy of the servicemember's military orders.
- A certification of the borrower's, endorsers or comaker's service by an authorized official on a Department of Education approved form.

Revise Section 15.3.D, page 10, column 1, paragraph 6, as follows:

If a Consolidation loan borrower or comaker of a joint consolidation loan is performing or has performed qualifying military service under Section 207 of the Servicemembers Civil Relief Act (SCRA) and requests a lower interest rate in writing, the lender must reduce the interest rate on any loan that is accruing interest at a higher rate so that it does not charge the borrower or comaker an interest rate that exceeds 6% for the period of the borrower's qualifying military service occurring on or after August 14, 2008. The borrower is not required

~~must to~~ provide the lender with a copy of ~~initial~~ military orders ~~and or~~ any orders that extend his or her military service ~~not later than 180 days following the last date of the applicable period of military service~~. The lender must use the official Department of Defense maintained database, the Defense Manpower Data Center (DMDC), to identify all borrowers, endorsers, or comakers who are performing eligible military service for this interest rate reduction. The Consolidation loan must have been made before the eligible borrower entered qualifying military service. The loan is considered “made” for this purpose on the date that the Consolidation loan itself was disbursed, and not the dates on which the underlying loans were disbursed.

[HEA §428(d); HEA §438; DCL GEN-08-12/FP-08-10; *Federal Register* dated July 23, 2009, p. 36565; §682.208(j)(1) & (2)]

When the borrower’s or comaker’s period of military service ends, the lender is not permitted to assess any additional charge or fee to compensate for the difference between the applicable interest rate and the maximum permissible charges under the SCRA.

[*Federal Register* dated July 23, 2009, p. 36565]

For joint consolidation comakers, the comaker information must be compared to the DMDC database at least monthly, and the interest rate reduction must be applied based on a comaker performing eligible military service. If both joint consolidation comakers are eligible for the SCRA interest rate reduction, and their military service periods overlap, the earliest start date from either party and the latest end date from either party must be used to give the longest eligible period of interest rate reduction possible.

[§682.208(j)(1) & (2)]

For purposes of this provision, the maximum interest rate must take into consideration any amount of service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the Consolidation loan. The 6%-rate is applicable to any Consolidation loan on which the servicemember is the only borrower or on any joint obligation where one borrower or each of the borrowers on a comade (spousal) Consolidation loan qualifies as an eligible servicemember. The borrower ~~may~~must provide the lender alternative evidence if the DMDC information is inaccurate or incomplete at any time during or after the completion of the military service by providing a copy of the his/her military orders or having an authorized official certify the military service time period on a Department of Education approved form and provide to the lender a copy of initial military orders and any orders that extend his or her military service. The borrower must provide the request and documentation not later than 180 days following the last date of the borrower’s military service. See Subsection 10.9.B for more details regarding the parameters for granting the reduced interest rate. [HEA §428(d); DCL GEN-08-12/FP-08-10; §682.208(j)(3)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Servicemembers Civil Relief Act (SCRA) Eligibility and Interest Rate Reduction

The *Common Manual* has been updated to reflect that lenders must grant eligible servicemembers (including borrowers, endorsers, and comakers) the SCRA interest rate reduction as of July 1, 2016, based on the lender’s comparison of its borrowers, endorsers, and comakers to the Department of Defense maintained database, the Defense Manpower Data Center (DMDC). The lender may not require a servicemember to request an interest rate reduction in writing and must allow the servicemember to provide alternative evidence if the DMDC data is inaccurate or incomplete.

GUARANTOR COMMENTS:

None

IMPLICATIONS:

Borrower:

An eligible borrower, endorser or comaker will receive the interest rate reduction automatically if the borrower, endorser, or comaker is performing eligible military service instead of being required to apply in writing. The eligible servicemember may provide alternative evidence to the lender should the DMDC database information be inaccurate or incomplete.

School:

None

Lender/Servicer:

The lender/servicer will be required to at least monthly compare all borrowers, endorsers and comakers to the Defense Manpower Data Center (DMDC) to determine servicemember eligibility and apply the interest rate reduction appropriately.

Guarantor:

The guarantor may need to amend its claim examination policies and procedures to ensure receipt of appropriate documentation regarding a servicemember's eligibility for the SCRA interest rate reduction.

U.S. Department of Education:

None

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

January 15, 2016

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

Comments Received from: ASA, FLDOE, Great Lakes, MDHE, NASFAA, NCHER, NELA, OCAP, PPSV, SCCL, TG, UHEAA, USAF, XCS

Responses to Comments

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

COMMENT:

One commenter requested adding language to clarify that the DMDC's SCRA database reflects separate and distinct military periods separately and does not merge them into one continuous period.

Response:

The Committee agrees.

Change:

The Policy Language has been revised as follows:

**10.9.B
Reduced Interest Rates**

For purposes of this provision, interest includes service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the loan. A borrower, endorser or comaker may qualify for the 6% rate if all of the following criteria are met:

- The borrower has an outstanding Stafford, PLUS, or Consolidation loan that was made prior to the date that the servicemember entered active duty military service.
- The borrower, comaker or endorser is an eligible servicemember.
- The beginning and ending dates of the borrower's eligible military service, and of the preceding order notification period in the case of a reservist or Guard member, are reflected in the DMDC.
[\$682.208(j)(1) & (2)]

COMMENT:

One commenter suggested changing “Department of Education approved form” to “Department-of-Education-approved form.”

Response:

The Committee disagrees. “Department of Education” is a proper noun and proper nouns are not hyphenated in individual pieces. The commenter can refer to the Common Manual style guide.

Change:

No change made.

COMMENT:

A couple of commenters suggested adding information to chapter 15 regarding how to address when two comakers’ military service periods are completely separate from each other so as not to also reduce the interest rate for an in-between period during which neither comaker was performing military service.

Response:

The Committee agrees.

Change:

The Policy Language has been revised to insert a new third paragraph, as follows:

**15.3.D
Calculating the Interest Rate**

...

...

For joint consolidation comakers, the comaker information must be compared to the DMDC database at least monthly, and the interest rate reduction must be applied based on a comaker performing eligible military service. If both joint consolidation comakers are eligible for the SCRA interest rate reduction, and their military service periods overlap, the earliest start date from either party and the latest end date from either party must be used to give the longest eligible period of interest rate reduction possible.
[§682.208(j)(1) & (2)]

COMMENT:

One commenter recommended adjusting the effective date/trigger event to clarify that it is SCRA interest rate reductions made on or after July 1, 2016, instead of just including the date.

Response:

The Committee agrees.

Change:

The effective date/trigger event has been revised to:

SCRA interest rate reductions made on or after July 1, 2016.

COMMENT:

One commenter recommended modifying the Revised Policy statement to better encapsulate all of the changes for SCRA interest rate reductions taking effect on July 1.

Response:

The Committee agrees.

Change:

The Revised Policy statement has been edited to:

Revised policy reflects regulatory changes impacting the administration of SCRA interest rate benefits by lenders that become effective on July 1, 2016. As of that date, servicemembers are no longer required to request the interest rate reduction. The lenders must, at least monthly, compare their

portfolio of borrowers, endorsers, and comakers who have outstanding loan balances to the Defense Manpower Data Center (DMDC), maintained by the Department of Defense, to identify those servicemembers who are performing or have performed eligible military service. Based on the comparisons, lenders must apply the interest rate reduction in accordance with the time period reflected in the DMDC to each borrower's loan(s). Lenders must also accept alternative evidence of military service status submitted by the borrower, endorser, or comaker that indicates that the information in the DMDC database may be inaccurate or incomplete, and reconcile it with the DMDC information before applying the rate reduction. Acceptable alternative evidence is limited to a copy of the servicemember's military orders or the certification of the servicemember's military service from an authorized official using an ED-approved form. Finally, the 180-day time period in which to request SCRA benefits is eliminated based on the lenders proactively using the DMDC database.

COMMENT:

One commenter advised that the *Common Manual* convention is to not point out the effective date in the manual language, but to include the effective date/trigger event in the History Appendix.

Response:

The Committee agrees.

Change:

References to July 1, 2016 being the start date for the required preemptive DMDC check have been removed.

COMMENT:

One commenter suggested using a bulleted format in subsection 7.4.B to more effectively present the information related to Stafford loan borrowers. Another commenter requested adding a clarification that SCRA-eligible Guard members are also eligible for the 6% interest rate reduction, even though Guard members are not referenced in the regulation.

Response:

The Committee agrees.

Change:

The Policy Language has been revised as follows:

**7.4.B
Reduced Stafford Interest Rates**

For purposes of this provision, the maximum interest rate must take into consideration any amount of service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the Stafford loan. The lender must use the official Department of Defense electronic database, the Defense Manpower Data Center (DMDC), to identify all Stafford borrowers who are performing SCRA-eligible military service, and confirm the beginning and ending dates of the eligible service. The lender must:

- Compare all of its borrowers against the DMDC database at least monthly to accurately identify borrowers eligible for the SCRA interest rate reduction.
 - Change eligible borrowers' interest of no more than 6% during periods of eligible service. This may include beginning, extending, or ending the borrower's period of eligibility based on new start or end date information.
 - For each reservist and Guard member, identify the Order Notification Start Date which preceded the eligible military service period.
 - Send written notification of the interest rate reduction to the borrower within 30 days of changing the interest rate.
- [\$682.208(j)(1)-(2) & (4)-(5)]

COMMENT:

One commenter suggested using a bulleted format in subsection 7.5.B to more effectively present the information related to PLUS loan borrowers and including more information about lender requirements to coincide with subsection 7.4.B. A few commenters also requested a clarification in the language to address when two comakers' military service periods are completely separate from each other so as not to also reduce the interest rate for an in-between period during which neither comaker was performing military service. And one commenter requested adding a clarification that the interest rate reduction is not applicable for Parent

PLUS loans when the dependent student for whom a loan was obtained is an SCRA-eligible servicemember, unless the student is also the endorser or comaker.

Response:

The Committee agrees.

Change:

The Policy Language has been revised as follows:

7.5.B

Reduced PLUS Interest Rates

For purposes of this provision, the maximum interest rate must take into consideration any amount of service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the PLUS loan. The 6% rate applies to any PLUS loan on which the servicemember is the only borrower, on any joint obligation where one borrower or both borrowers of the comade PLUS loan qualify as the servicemember, or any loan on which the servicemember is the endorser. The 6% rate does not apply to a Parent PLUS loan when only the dependent student for whom the loan was obtained is the servicemember, unless the dependent student is also the endorser or comaker. The borrower or eligible endorser must request the lower interest rate in writing and provide the lender with a copy of initial military orders and any orders that extend his or her military service. The servicemember must provide the request and documentation not later than 180 days following the last date of applicable military service. The lender must use the official Department of Defense electronic database, the Defense Manpower Data Center (DMDC), to identify all PLUS borrowers, endorsers, and comakers who are performing SCRA-eligible military service, and confirm the beginning and ending dates of the eligible service. The lender must:

- Compare all of its borrowers, endorsers, and comakers against the DMDC database at least monthly to accurately identify borrowers eligible for the SCRA interest rate reduction.
- Charge eligible borrowers, endorsers, and comakers interest of no more than 6% during periods of eligible service. This may include beginning, extending, or ending the borrower's, endorser's, or comaker's period of eligibility based on new start or end date information.
- For each reservist and Guard member, identify the Order Notification Start Date which preceded the eligible military service period.
- Send written notification of the interest rate reduction to the borrower, endorser, or comaker within 30 days of changing the interest rate.
[HEA §428(d); HEA §438(g); DCL GEN-08-12; §682.208(j)(1)-(2) & (4)-(5)]

The lender may not require the borrower to request the reduced interest rate in writing and must accept alternative evidence from the borrower, endorser or comaker of his or her military service that indicates the information in the DMDC is inaccurate or incomplete. The alternative evidence may be presented at any time during or after the qualified military service. Acceptable alternative evidence includes one of the following:

- A copy of military orders.
- A certification of the borrower's, endorser's or comaker's service by an authorized official on a Department of Education approved form.
[§682.208(j)(3)]

If the lender determines that the DMDC information does not match the acceptable alternative evidence provided, the lender must apply the interest rate reduction for the longest period for which the borrower, endorser or comaker is eligible using the earliest start date and latest end date provided by a combination of the DMDC and the acceptable alternative evidence. For a reservist, the start date of the 6% interest rate benefit period must be the order notification date.
[HEA §428(d); DCL GEN-08-12/FP-08-10; §682.208(j)(4)]

COMMENT:

One commenter questioned why consolidation loans were being mentioned in the PLUS loan section.

Response:

The Committee agrees that consolidation loans should be excluded from this section.

Change:

All mention of consolidation loans has been removed from the section and moved to subsection 10.9.B to clarify how the interest rate reduction must be applied in PLUS loan cases with endorsers and consolidation loan cases with comakers.

COMMENT:

One commenter recommended bulleting the reduced interest rate documentation information in subsection 13.1.D for clarity..

Response:

The Committee agrees.

Change:

The Policy Language has been revised as follows:

**13.1.D
Claim File Documentation**

6. Reduced Interest Rate Documentation

Documentation supporting the granting of a reduced interest rate under the Servicemembers Civil Relief Act if, at the time the lender files a claim with the guarantor, the borrower, comaker, or endorser is receiving this benefit. This documentation must include ~~the borrower's written request for the reduced interest rate and the applicable military orders~~ documents relevant to the dates for which the benefit was granted, including any one or, as applicable, any combination of the following:

- The Defense Manpower Data Center (DMDC) information identifying the servicemember's eligible service period beginning and ending dates.
- Copy of the servicemember's military orders.
- A certification of the borrower's, endorsers or comaker's service by an authorized official on a Department of Education approved form.

COMMENT:

One commenter recommended modifying the Proposed Language – Common Bulletin information to provide more information and clarity.

Response:

The Committee agrees.

Change:

The Proposed Language – Common Bulletin information has been revised as follows:

Servicemembers Civil Relief Act (SCRA) Eligibility and Interest Rate Reduction

The *Common Manual* has been updated to reflect that lenders must grant eligible servicemembers (including borrowers, endorsers, and comakers) the SCRA interest rate reduction as of July 1, 2016, based on the lender's comparison of its borrowers, endorsers, and comakers to the Department of Defense maintained database, the Defense Manpower Data Center (DMDC). The lender may not require a servicemember to request an interest rate reduction in writing and must allow the servicemember to provide alternative evidence if the DMDC data is inaccurate or incomplete.

COMMENT:

One commenter recommended including more information in the Borrower Implications statement to outline what a borrower can do if the DMDC information is inaccurate or incomplete.

Response:

The Committee agrees.

Change:

The Implications section has been revised to:

Borrower:

An eligible borrower, endorser or comaker will receive the interest rate reduction automatically if the borrower, endorser, or comaker is performing eligible military service instead of being required to apply in writing. The eligible servicemember may provide alternative evidence to the lender should the DMDC database information be inaccurate or incomplete.

COMMENT:

One commenter advised that the *Common Manual* does not govern guarantors, and the Guarantor Implications statement should be adjusted to reflect that.

Response:

The Committee agrees.

Change:

The Implications section has been revised to:

Guarantor:

The guarantor may need to amend its claim examination policies and procedures to ensure receipt of appropriate documentation regarding a servicemember's eligibility for the SCRA interest rate reduction.

AN

COMMON MANUAL – CORRECTION POLICY PROPOSAL

Date: February 8, 2016

| | | | |
|---|----------|-------------------------|--------|
| | DRAFT | Comments Due | |
| X | FINAL | Consider at GB meeting | Jun 16 |
| | APPROVED | with changes/no changes | |

SUBJECT: Claim File Documentation

AFFECTED SECTIONS: 13.1.D Claim File Documentation

POLICY INFORMATION: Batch 204/Policy Proposal 1310

EFFECTIVE DATE/TRIGGER EVENT: Claims filed by the lender on or after March 1, 2012.

BASIS:
§682.402; Federal Register Vol. 57, No. 244, page 60323, dated December 18, 1992.

CURRENT POLICY:
Current policy references items 1 – 7 as general documentation requirements that must be included with a claim, followed by additional documentation requirements for special claim types.

REVISED POLICY:
Revised policy updates the references to the General Documentation Requirements to include items 6 and 7 under the subsequent Additional Documentation Requirements subsection for Bankruptcy, Death, and Total and Permanent Disability claims. .

REASON FOR CHANGE:
Items 6 and 7 were added to the General Documentation Requirements list for claim filing in 2010 and 2011, respectively; however, the subsequent references under “Additional Documentation Requirements” were not updated at that time. This change is necessary to correct the references for claim file documentation required under “Additional Documentation Requirements” for Bankruptcy, Death, and Total and Permanent Disability claims.

PROPOSED LANGUAGE - COMMON MANUAL:
Revise Subsection 13.1.D, page 5, column 2, paragraph 1, as follows:

7. Bankruptcy Documentation

If the lender filed any required document with the bankruptcy court, either manually or in an electronic format, it must include a printed copy of that document in any claim that it submits.

Additional Documentation Requirements

In addition to the general documentation requirements applicable to the claim being filed, the following special claim types require further documentation as outlined.

Closed School Claims, False Certification Claims, and Unpaid Refund Discharges

...

Revise Subsection 13.1.D, page 5, column 2, paragraph 5, as follows:

Bankruptcy Claims

For a bankruptcy claim, the lender must submit—in addition to the preceding items 1 through 56—notification of the bankruptcy filing, such as the Notice of the First Meeting of Creditors (the Notice) or other proof of filing directly received from the borrower’s attorney, the bankruptcy court, or from another source; a copy of the Proof of Claim filed by the lender, if required; and all other pertinent documents sent to or received from the bankruptcy court. If the lender filed any required document with the bankruptcy court in an electronic format, it must include a printed copy of that document in any claim that it files.

...

Revise Subsection 13.1.D, page 6, column 1, paragraph 1, as follows:

Death Claims

For a death claim, the lender must submit—in addition to the preceding items 1 through 57— an original or certified copy, or an accurate and complete photocopy of the original or certified copy, of the death certificate (see Subsection 13.8.C). The use of a fax or electronic version of the death certificate is not permitted. In the event of an exceptional circumstance and on a case-by-case basis, the lender must submit other reliable documentation approved by the guarantor's CEO.

...

Revise Subsection 13.1.D, page 6, column 1, paragraph 2, as follows:

Total and Permanent Disability Claims

When the Department notifies the lender to file the TPD claim with the guarantor, the lender must submit the preceding items 1 through 67; and each of the following:

...

PROPOSED LANGUAGE - COMMON BULLETIN:

Claim File Documentation

The *Common Manual* has been updated to correct errors in the claim documentation references for Bankruptcy, Death, and Total and Permanent Disability claims.

GUARANTOR COMMENTS:

None

IMPLICATIONS:

Borrower:

None

School:

None

Lender/Servicer:

This correction will simplify for lenders/servicers what documentation is required for claim filing.

Guarantor:

This correction will reduce the need for returning claims to lenders/servicers based on inadequate documentation.

U.S. Department of Education:

None

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

October 26, 2015

DATE SUBMITTED TO CM POLICY COMMITTEE:

February 8, 2016

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

Date Submitted to GB for Approval

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

Comments Received from: ASA, FLDOE, Great Lakes, MDHE, NASFAA, NCHER, NELA, OCAP, PHEAA, PPSV, SCSL, TG, UHEAA, USA Funds and XES.

Responses to Comments

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

COMMENT:

The Policy Committee originally proposed the deletion of the following item from the list of general claim filing documentation requirements:

7. Bankruptcy Documentation

If the lender filed any required document with the bankruptcy court, either manually or in an electronic format, it must include a printed copy of that document in any claim that it submits.

This deletion was proposed because it seemed redundant for bankruptcy documentation to be included in both the General Documentation Requirements and in the Additional Documentation Requirements for *Bankruptcy Claims*. One commenter, however, indicated that item *7. Bankruptcy Documentation* should not be removed from 13.1.D General Documentation Requirements, as lenders/servicers may miss the requirement to submit bankruptcy documentation for claims filed as a “Default Claim” prior to a borrower filing bankruptcy. This is why the documentation requirements were detailed separately to ensure bankruptcy documentation would be submitted as applicable.

Response:

The committee agrees. Item *7. Bankruptcy Documentation* will be left in the General Documentation Requirements to ensure bankruptcy documentation is provided for any claim types as applicable.

Change:

Because General Documentation Requirement item *7. Bankruptcy Documentation* will be retained, the Proposed Language for Death Claims and Total and Permanent Disability Claims will be modified as follows:

Revise Subsection 13.1.D, page 6, column 1, paragraph 1, as follows:

Death Claims

For a death claim, the lender must submit—in addition to the preceding items 1 through ~~57~~—an original or certified copy, or an accurate and complete photocopy of the original or certified copy, of the death certificate (see Subsection 13.8.C). The use of a fax or electronic version of the death certificate is not permitted. In the event of an exceptional circumstance and on a case-by-case basis, the lender must submit other reliable documentation approved by the guarantor’s CEO.

...

Revise Subsection 13.1.D, page 6, column 1, paragraph 2, as follows:

Total and Permanent Disability Claims

When the Department notifies the lender to file the TPD claim with the guarantor, the lender must submit the preceding items 1 through ~~67~~; and each of the following:

...

ks/edited- kh