

Common Manual Policy Proposal Batch 208 Transmittal

January 19, 2017

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
1318	Mandatory and Mandatory Administrative Forbearance	<p>11.23.D Teacher Loan Forgiveness 11.24.C National Service, Loan Forgiveness, Department of Deferment Repayment, or Active Military State Duty</p> <p>Revised policy adds to Subsection 11.23.D an additional cross-reference to Subsection 11.24.C where the other TLF forbearance type is explained. In addition, revised policy in Subsection 11.24.C includes reference to the OMB-approved mandatory forbearance request forms, and new subheadings provide clarity on which eligibility criteria pertain to each forbearance type. Revisions also include additional regulatory citations.</p>	Federal	For mandatory forbearance forms distributed on or after June 1, 2016.
1319	FFELP Interest Rates	<p>7.4.A Current Stafford Interest Rates Figure 7-1 Stafford Loan Interest Rates Figure H-1 Summary of Variable-Rate Conversion Provisions</p> <p>Revised policy removes the fixed interest rates for FFELP Stafford loans first disbursed on or after July 1, 2010, as no new FFELP loans could be first disbursed on or after July 1, 2010. Revised policy adds the effective variable interest rates for FFELP Stafford loans from July 1, 2012 through June 30, 2017.</p>	Federal	Changes in FFELP variable interest rates on July 1, 2011 and thereafter.

Batch 208 (Approved)

COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: January 19, 2017

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	No changes	01/19/17

SUBJECT: Mandatory and Mandatory Administrative Forbearance

AFFECTED SECTIONS: 11.23.D Teacher Loan Forgiveness
11.24.C National Service, Loan Forgiveness, Department of Defense Repayment, or Active Military State Duty

POLICY INFORMATION: 1318/Batch 208

EFFECTIVE DATE/TRIGGER EVENT: For mandatory forbearance forms distributed on or after June 1, 2016

BASIS:
Dear Colleague Letter (DCL) GEN-16-02, issued January 29, 2016.

CURRENT POLICY:
Current policy in Subsection 11.23.D does not reference the other type of forbearance available to borrowers pursuing Teacher Loan Forgiveness (TLF). Current policy in Subsection 11.24.C does not reference the mandatory forbearance forms.

REVISED POLICY:
Revised policy adds to Subsection 11.23.D an additional cross-reference to Subsection 11.24.C where the other TLF forbearance type is explained. In addition, revised policy in Subsection 11.24.C includes reference to the OMB-approved mandatory forbearance request forms, and new subheadings provide clarity on which eligibility criteria pertain to each forbearance type. Revisions also include additional regulatory citations.

REASON FOR CHANGE:
To provide clarity and comprehensive information, and to reference in context the new forms that lenders must use to obtain borrower requests for mandatory forbearances.

PROPOSED LANGUAGE - COMMON MANUAL:
Revise Subsection 11.23.D, page 42, column 1, paragraph 2, as follows:

Teacher Loan Forgiveness

If a guarantor notifies a lender, or the lender receives reliable information from another source (such as a telephone call or letter from the borrower) that a borrower may be eligible for teacher loan forgiveness, the lender must grant a mandatory administrative forbearance on any affected loan for payments of principal and interest that are delinquent or that would be due during the following periods:

- For a period not to exceed 60 days while the lender is awaiting a completed Teacher Loan Forgiveness Application from the borrower.
- For the period beginning on the date that the lender receives a completed Teacher Loan Forgiveness Application and ending on the date the lender receives a denial of the forgiveness application or the forgiveness amount from the guarantor.
[§682.216(e)(1)(ii) and (iii)]

If teacher loan forgiveness may be applicable to any Stafford loan(s) that was paid in full by a Consolidation loan, the lender must grant this forbearance on the entire Consolidation loan.

See Subsection 11.24.C for more information on the Teacher Loan Forgiveness Forbearance and Subsection 13.9.A for more information about the teacher loan forgiveness program.

Revise Subsection 11.24.C, page 44, column 1, paragraph 1, as follows:

National Service, Loan Forgiveness, Department of Defense, 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 four criteria:

National Service Position

- The borrower 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. There is no OMB-approved form for this forbearance.
[§682.211(h)(2)(ii)(A)]

U.S. Department of Defense Student Loan Repayment Programs

- The borrower 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~~1~~, 2173, 2174 or any other 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. The lender must forward to the borrower the Mandatory Forbearance Request: Medical Internship/Residency Program, National Guard Duty, or Department of Defense Loan Repayment Program (SERV) form.
[§682.211(h)(2)(ii)(B); §682.211(h)(4)(ii); DCL GEN-16-02]

Teacher Loan Forgiveness

- The borrower 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 this a forbearance to a borrower, the lender must forward the Teacher Loan Forgiveness Forbearance Request (TLFF) form to ~~require~~ the borrower or 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)]

National Guard Duty Active State Duty

- The borrower 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. The lender must forward to the borrower the Mandatory Forbearance Request: Medical Internship/Residency Program, National Guard Duty, or Department of Defense Loan Repayment Program (SERV) form.
[§682.211(h)(2)(iii); DCL GEN-16-02]

Note: Lenders may offer discretionary forbearance to borrowers who do not qualify for mandatory forbearance.

PROPOSED LANGUAGE - COMMON BULLETIN:

Mandatory and Mandatory Administrative Forbearance

Revised policy adds an additional cross-reference to Subsection 11.23.D, provide clarity to Subsection 11.24.C on certain mandatory forbearance types, and reference the applicable OMB-approved common forbearance request forms. Revisions also include additional regulatory citations. Common policy also explains in which cases use of the common mandatory forbearance forms is required and in which cases the lender may obtain alternate documentation.

GUARANTOR COMMENTS: None.

IMPLICATIONS:

Borrower: The borrower must complete forms correctly and supply required supporting documentation, as applicable, to qualify for mandatory forbearance.

School: If a school is providing guidance on forbearance to former students, school must ensure that they are providing correct forms and information about documentation requirements or forbearance application alternatives.

Lender/Service: The lender/service must ensure proper forms are provided to borrowers, and that the appropriate forms and required documentation are used to grant these mandatory forbearance types.

Guarantor: The guarantor may need to amend program review parameters to include providing access to and ensuring the appropriate processing of required mandatory forbearance request forms.

U.S. Department of Education: None.

To be completed by the Policy Development and Maintenance Contractor (PDMC)

POLICY CHANGE PROPOSED BY:

Policy Development and Maintenance Contractor.

DATE SUBMITTED TO POLICY DEVELOPMENT AND MAINTENANCE CONTRACTOR:

September 9, 2016

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

January 12, 2017

PROPOSAL DISTRIBUTED TO:

CM Governing Board Chair
CM Guarantor Designees
Interested Industry Groups and Others

Comments Received from:

MDHE, NCHER, NELA, OCAP, PPSV, TG, UHEAA, USA Funds

Responses to Comments

Most commenters supported this proposal as written. We thank all commenters for their thorough review.

COMMENT: One commenter recommended changing the date of the Policy Proposal to be the date of current distribution, whether for public comment or to the Governing Board.

Response:

The PDMC agrees.

Change:

The date was changed to the appropriate distribution date.

COMMENT: One commenter recommended several formatting changes to ensure the proposal strictly aligns with the prior Policy Committee's Formatting Guide.

Response:

Although the PDMC refers to the PC's Formatting Guide when developing proposals, we may take liberty to deviate from it on occasion.

Change:

Some of the suggested formatting changes were made.

COMMENT: One commenter recommended that the Revised Policy statement be revised to be in the present tense, as follows:

~~Revisions will~~ Revised policy adds to in Subsection 11.23.D an additional cross-reference to Subsection 11.24.C where the other TLF forbearance type is explained. In addition, revised policy in Subsection 11.24.C includes reference to the OMB-approved mandatory forbearance request forms, and new subheadings provide clarity on which eligibility criteria pertain to each forbearance type. Revisions also include additional regulatory citations.

Response:

The PDMC agrees.

Change:

The proposed Revised Policy statement was revised.

COMMENT: One commenter recommended that the Common Bulletin language have a title and announce approved changes in the present perfect tense, as follows:

Mandatory and Mandatory Administrative Forbearance

~~The Common Manual has been revised to~~ Revisions will add an additional cross-reference to Subsection 11.23.D, provide clarity to Subsection 11.24.C on certain mandatory forbearance types, and reference the applicable OMB-approved common forbearance request forms. Revisions also included additional regulatory citations. Common policy also explains in which cases use of the common mandatory forbearance forms is required and in which cases the lender may obtain alternate documentation.

Response:

The PDMC agrees.

Change:

The proposed Common Bulletin language has been revised as requested.

COMMENT: One commenter noted a typographical error in both the existing *Common Manual* language and the proposed *Common Manual* language, and suggested a wording change to the proposed language, as follows:

U.S. Department of Defense Student Loan Repayment Programs

- The borrower 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. The lender must forward to the borrower the Mandatory Forbearance Request: Medical Internship/Residency Program, National Guard Duty, or Department of Defense Loan Repayment Program (SERV) form.
[\$682.211(2)(ii)(B); §682.211(h)(4)(ii); DCL GEN-16-02]

In the third line--“...authorized under 10 U.S.C. 2171, 2173, 2174...”

While not really noticeable, instead of 2171, the intended second “1” here actually appears to be a lower case “L”. This should be changed.

In the same line, I would suggest adding the word “other”, to make this read “...or any other Department of Defense programs...”

Finally, the first cite 682.211(2)(ii)(B), I believe should be 682.211(h)(2)(ii)(B)

Response:

The PDMC agrees.

Change:

The changes were made as requested.

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 19, 2017

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	No changes	01/19/17

SUBJECT: FFELP Interest Rates

AFFECTED SECTIONS: 7.4.A Current Stafford Interest Rates
Figure 7-1 Stafford Loan Interest Rates
Figure H-1 Summary of Variable-Rate Conversion Provisions

POLICY INFORMATION: 1319/Batch 208

EFFECTIVE DATE/TRIGGER EVENT: Changes in FFELP variable interest rates on July 1, 2011 and thereafter.

BASIS: HEA Sections 427A & 455.

CURRENT POLICY:
Current policy includes fixed interest rates for FFELP Stafford loans first disbursed on or after July 1, 2010. Current policy does not include the variable interest rates in effect for FFELP Stafford loans after June 30, 2011.

REVISED POLICY:
Revised policy removes the fixed interest rates for FFELP Stafford loans first disbursed on or after July 1, 2010, as no new FFELP loans could be first disbursed on or after July 1, 2010. Revised policy adds the effective variable interest rates for FFELP Stafford loans from July 1, 2012 through June 30, 2017.

REASON FOR CHANGE:
To update applicable Manual text and the corresponding Figures.

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

The interest rate on all Stafford loans first disbursed on or after July 1, 2006, is a fixed rate of 6.8% for the life of the loan, except for subsidized Stafford loans made to undergraduate borrowers and first disbursed as follows:

- On or after July 1, 2008, and before July 1, 2009, the interest rate is 6%.
- On or after July 1, 2009, and before July 1, 2010, the interest rate is 5.6%.
- ~~On or after July 1, 2010, and before July 1, 2011, the interest rate is 4.5%.~~
- ~~On or after July 1, 2011, and before July 1, 2012, the interest rate is 3.4%.~~

[§682.202(a)(1)(ix) and (x)]

Interest rates applicable to Stafford loans first disbursed on or after July 1, 2006, are listed in Figure 7-1.

Revise Figure 7-1 (see attached document)

Revise Figure H-1 (see attached document)

PROPOSED LANGUAGE - COMMON BULLETIN:
FFELP Interest Rates

The *Common Manual* has been revised to update the Manual's text and corresponding Figures that display fixed and variable interest rates for FFELP Stafford loans. The changes to Subsection 7.4.A and Figure 7-1

removed fixed interest rates that never became effective for FFELP loans. The changes to Figure H-1 added variable interest rates changes to date.

GUARANTOR COMMENTS:

None

IMPLICATIONS:

Borrower: None.

School: None.

Lender/Service: The lender/service must ensure that correct fixed and variable interest rates are charged on FFELP Stafford loans.

Guarantor: None.

U.S. Department of Education: None.

To be completed by the Policy Development and Maintenance Contractor (PDMC)

POLICY CHANGE PROPOSED BY:

Policy Development and Maintenance Contractor.

DATE SUBMITTED TO POLICY DEVELOPMENT AND MAINTENANCE CONTRACTOR:

October 6, 2016

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

January 12, 2017

PROPOSAL DISTRIBUTED TO:

CM Governing Board Chair
CM Guarantor Designees
Interested Industry Groups and Others

Comments Received from:

MDHE, NCHER, NELA, OCAP, PPSV, TG, UHEAA, USA Funds

Responses to Comments

Most commenters supported this proposal as written. We thank all commenters for their thorough review.

COMMENT: One commenter recommended changing the date of the Policy Proposal to be the date of current distribution, whether for public comment or to the Governing Board.

Response:

The PDMC agrees.

Change:

The date was changed to the appropriate distribution date.

COMMENT: One commenter recommended several formatting changes to ensure the proposal strictly aligns with the prior Policy Committee's Formatting Guide.

Response:

Although the PDMC refers to the PC's Formatting Guide when developing proposals, we may take liberty to deviate from it on occasion.

Change:

Some of the suggested formatting changes were made.

COMMENT: One commenter recommended that the Common Bulletin language have a title and announce approved changes in the present perfect tense, as follows:

FFELP Interest Rates

~~The *Common Manual* has been revised to update. Revisions are being made to~~ the Manual's text and corresponding Figures that display fixed and variable interest rates for FFELP Stafford loans. The changes to Subsection 7.4.A and Figure 7-1 removed fixed interest rates that never became effective for FFELP loans. The changes to Figure H-1 added variable interest rates changes to date.

Response:

The PDMC agrees.

Change:

The proposed Common Bulletin language has been revised as requested.

COMMENT: One commenter suggested adding language in Chapter 7 to indicate that the fixed interest rates stop in 2010 due to the end of FFELP. Specifically, the commenter suggested adding "No new FFELP loans were made subsequent to June 30, 2010" to subsection 7.4.A and Figure 7-1 (and possibly other subsections in Chapter 7).

Response:

The PDMC does not agree. In the *Common Manual*, historical changes, such as the end of new FFELP originations, are documented in *Appendix H: History of the FFELP and the Common Manual*. The end of the FFELP program is documented in *Appendix H* on page 120 under the date March 30, 2010.

Change:

None.

Stafford Loan Interest Rates

Figure 7-1

Disbursement/Loan Period/Borrower Characteristics	Interest Rate
First disbursement on/after 7/1/06	Fixed interest rate of 6.8%
Subsidized Stafford loans made to undergraduate borrowers and first disbursed as follows:	
<ul style="list-style-type: none">• On or after July 1, 2008, and before July 1, 2009• On or after July 1, 2009, and before July 1, 2010• On or after July 1, 2010, and before July 1, 2011• On or after July 1, 2011, and before July 1, 2012	<ul style="list-style-type: none">• Fixed interest rate of 6%• Fixed interest rate of 5.6%• Fixed interest rate of 4.5%• Fixed interest rate of 3.4%

NOTE TO REVIEWERS: The remainder of Figure 7-1 is not included here because it has no proposed changes.

Loans Subject to Conversion	Quarterly Variable Interest Rates prior to Conversion to an Annual Variable Interest Rate ¹	Annual Variable Interest Rates after Conversion to an Annual Variable Interest Rate
<i>Higher Education Amendments of 1986:</i>	Quarter ending 9/30/92: 7.03%	7/1/93 through 6/30/94: 6.37%
8%/10% Stafford loans first disbursed before July 23, 1992, when such loans are accruing at the 10% interest rate.	Quarter ending 12/31/92: 6.39%	7/1/94 through 6/30/95: 7.58%
	Quarter ending 3/31/93: 6.42%	7/1/95 through 6/30/96: 9.07%
	Quarter ending 6/30/93: 6.30%	7/1/96 through 6/30/97: 8.41%
	Quarter ending 9/30/93: 6.30%	7/1/97 through 6/30/98: 8.41%
8%/10% Stafford loans first disbursed on or after July 23, 1992, but before October 1, 1992, when such loans are accruing at the 10% interest rate, to borrowers who had no outstanding FFELP loans on the date the promissory note was signed.	Quarter ending 12/31/93: 6.33%	7/1/98 through 6/30/99: 8.41%
	Quarter ending 3/31/94: 6.39%	7/1/99 through 6/30/00: 7.87%
	Quarter ending 6/30/94: 6.59%	7/1/00 through 6/30/01: 9.14%
	Quarter ending 9/30/94: 7.40%	7/1/01 through 6/30/02: 6.94%
	Quarter ending 12/30/94: 7.88%	7/1/02 through 6/30/03: 5.01%
	Quarter ending 3/31/95: 8.71%	7/1/03 through 6/30/04: 4.37%
		7/1/04 through 6/30/05: 4.32%
		7/1/05 through 6/30/06: 6.25%
		7/1/06 through 6/30/07: 8.09%
		7/1/07 through 6/30/08: 8.17%
		7/1/08 through 6/30/09: 5.16%
		7/1/09 through 6/30/10: 3.43%
		7/1/10 through 6/30/11: 3.42%
		<u>7/1/11 through 6/30/12: 3.31%</u>
		<u>7/1/12 through 6/30/13: 3.34%</u>
		<u>7/1/13 through 6/30/14: 3.30%</u>
		<u>7/1/14 through 6/30/15: 3.28%</u>
		<u>7/1/15 through 6/30/16: 3.27%</u>
		<u>7/1/16 through 6/30/17: 3.60%</u>
<i>Higher Education Amendments of 1992:</i>	Quarter ending 9/30/92: 6.88%	7/1/93 through 6/30/94: 6.22%
Stafford loans first disbursed at a fixed rate (7%, 8%, 9%, and 8%/10% loans when accruing at 8% and 10%) on or after July 23, 1992, to borrowers who had outstanding FFELP loans on the date the promissory note was signed.	Quarter ending 12/31/92: 6.24%	7/1/94 through 6/30/95: 7.43%²
	Quarter ending 3/31/93: 6.27%	7/1/95 through 6/30/96: 8.92%³
	Quarter ending 6/30/93: 6.15%	7/1/96 through 6/30/97: 8.26%³
	Quarter ending 9/30/93: 6.15%	7/1/97 through 6/30/98: 8.26%³
	Quarter ending 12/31/93: 6.18%	7/1/98 through 6/30/99: 8.26%³
	Quarter ending 3/31/94: 6.24%	7/1/99 through 6/30/00: 7.72%²
	Quarter ending 6/30/94: 6.44%	7/1/00 through 6/30/01: 8.99%³
	Quarter ending 9/30/94: 7.25%²	7/1/01 through 6/30/02: 6.79%
	Quarter ending 12/30/94: 7.73%²	7/1/02 through 6/30/03: 4.86%
	Quarter ending 3/31/95: 8.56%³	7/1/03 through 6/30/04: 4.22%
		7/1/04 through 6/30/05: 4.17%
		7/1/05 through 6/30/06: 6.10%
		7/1/06 through 6/30/07: 7.94%²
		7/1/07 through 6/30/08: 8.02%³
		7/1/08 through 6/30/09: 5.01%³
		7/1/09 through 6/30/10: 3.28%³
		7/1/10 through 6/30/11: 3.27%³
		<u>7/1/11 through 6/30/12: 3.16%</u>
		<u>7/1/12 through 6/30/13: 3.19%</u>
		<u>7/1/13 through 6/30/14: 3.15%</u>
		<u>7/1/14 through 6/30/15: 3.13%</u>
		<u>7/1/15 through 6/30/16: 3.12%</u>
		<u>7/1/16 through 6/30/17: 3.45%</u>

- ¹ Quarterly interest rates are determined by adding 3.25% for the "1986 loans" or 3.10% for the "1992 loans" to the average of the bond equivalent rate of the 91-day Treasury bill rate as auctioned for the preceding 3-month period.
- ² Because the variable rate for Stafford loans in this category may not exceed the original interest rate, this variable interest rate does not apply to Stafford loans first disbursed at a fixed 7% interest rate, which are capped at 7%.
- ³ Because the variable rate for Stafford loans in this category may not exceed the original interest rate, this variable interest rate does not apply to Stafford loans first disbursed at a fixed 7% or 8% interest rate, which are capped at 7% and 8%, respectively.