

#	Subject	Summary of Change to Common Manual	Type of Update	Effective Date
1296	Reporting Requirements Regarding a Borrower's Total and Permanent Discharge Application Status	<p>13.8.B Total and Permanent Disability</p> <p>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.</p>	Guarantor	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.
1297	Changes to Eligibility Reinstatement Rules	<p>5.3 Reinstatement of Title IV Eligibility after Default</p> <p>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.</p>	Federal	Reinstatement eligibility determinations made by the guarantor on or after July 1, 2014.
1298	Lender Disclosures	<p>10.12 Lender Disclosures During Repayment</p> <p>12.1.A Required Lender Disclosure for a Borrower Having Difficulty Making Payments</p> <p>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.</p>	Federal	<p>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.</p> <p>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.</p>

1300	Change in Participation Rate Index Threshold	<p>16.4.B School Appeals</p> <p>Provides that the school may appeal on this basis if the PRI for that fiscal year is less than or equal to 0.0832.</p>	Federal	July 1, 2014.
1301	Online and Distance Learning Qualification for a Closed School Discharge	<p>13.8.B Closed School</p> <p>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.</p>	Correction	Closed school applications received on or after April 29, 1994.
1302	Loan Rehabilitation Details Removed	<p>13.7 Rehabilitation of Defaulted FFELP Loans</p> <p>Eliminates detailed information regarding the rehabilitation process.</p>	Organizational	None.

Batch 199 (Approved)

COMMON MANUAL – GUARANTOR POLICY PROPOSAL

Date: April 17, 2014

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Apr 17

SUBJECT: Reporting Requirements Regarding a Borrower’s Total and Permanent Disability Discharge Application Status

AFFECTED SECTIONS: 13.8.G Total and Permanent Disability

POLICY INFORMATION: 1296/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: 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.

BASIS:
None.

CURRENT POLICY:

Current policy states that 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.

REVISED POLICY:

Revised policy 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.

REASON FOR CHANGE:

This change is necessary to ensure that a guarantor receives timely notification that the borrower or some party to a loan has applied for total and permanent disability discharge and that the Department has initiated a review of the discharge application.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 13.8.G, page 48, column 2, paragraph 2, as follows:

**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~~ 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)]

...

PROPOSED LANGUAGE - COMMON BULLETIN:

Reporting Requirements Regarding a Borrower’s Total and Permanent Disability Discharge

Application Status

The *Common Manual* is being revised to require a lender to notify the guarantor at least monthly that it has received notification that the borrower or some party to a loan has a total and permanent disability discharge application under review with the Department.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:

A borrower may receive fewer and less conflicting communication from the guarantor if the guarantor is aware that the borrower's disability discharge application is under review by the Department.

School:

None.

Lender/Servicer:

A lender may need to update its processes and procedures for notifying a guarantor that the borrower or some party to a loan has applied for total and permanent disability discharge and that the discharge application is under review by the Department.

Guarantor:

A guarantor may need to update its process for receiving, trading, and processing these reports and may need to update its program review procedures.

U.S. Department of Education:

The Department may need to update its program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

July 30, 2013

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 10, 2014

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received from: AES/PHEAA, ASA, College Assist, Evidens Group, FAME, Great Lakes, HESC, MDHE, NCHER, NELA, OCAP, PPSV, SLSA, SCSLC, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

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

COMMENT:

One commenter suggested retaining the word "notify" in the second to the last sentence in Subsection 13.8.G, as follows:

"The lender must notify ~~advise~~ the guarantor that the borrower or some party to a loan has applied for total and permanent disability discharge and that the discharge application is under review."

This change would align the Manual's text with the language in the regulations.

Response:

The Committee agrees.

Change:

The change has been made as suggested by the commenter.

COMMENT:

Two commenters requested that the Effective Date/Trigger event be revised to indicate that a guarantor may not implement this change earlier than November 1, 2013.

Response:

The Committee appreciates the commenters' suggestion. The Committee provided a prospective effective date because this type of proposal is considered a Guarantor proposal. However, the Committee should have noted the earliest date that a guarantor could implement this policy. The Committee understands that this policy could not have been implemented prior to July 1, 2013.

Change:

The Effective Date/Trigger Event has been changed, to read as follows:

"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.

COMMENT:

One commenter provided recommendations to revise the paragraph in Subsection 13.8.G to reflect that the frequency of reporting applies to the notification of the borrower's intent to apply for a disability discharge as well as the notification of the Department's receipt of the borrower's application.

Response:

The Committee developed this proposal as a result of a new TPD regulation that requires the lender to notify the guarantor that the borrower or some party to a loan has applied for total and permanent disability discharge and that the discharge application is under review.

For the 120-day suspension and the indefinite suspension for TPD, the lender must notify the guarantor to cancel the Default Aversion Assistance Request, so regular DAAR rules apply in those situations. This information was placed in Subsection 12.5.A via policy proposal 1288/Batch 195.

Change:

None.

ma/edited-tmh

COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: April 17, 2014

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Apr 17

SUBJECT: Changes to Eligibility Reinstatement Rules

AFFECTED SECTIONS: 5.3 Reinstatement of Title IV Eligibility after Default

POLICY INFORMATION: 1297/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: Reinstatement eligibility determinations made by the guarantor on or after July 1, 2014.

BASIS:
§682.200(b).

CURRENT POLICY:
Current policy provides that the borrower may reinstate Title IV eligibility by making satisfactory repayment arrangements (SRA) with the holder of a loan and that those payments must be timely, defined as within 15 days of their due date.

REVISED POLICY:
Revised policy 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.

REASON FOR CHANGE:
This change is necessary to comply with Final Rules published in the November 1, 2013, *Federal Register*, Vol. 78, No. 212, page 65807.

PROPOSED LANGUAGE - COMMON MANUAL:
Revise Section 5.3, page 8, column 2, paragraph 3, as follows:

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 ~~45~~ 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)]

Revise Section 5.3, page 9, column 1, paragraph 1, as follows:

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]

PROPOSED LANGUAGE - COMMON BULLETIN:

Changes to Eligibility Reinstatement Rules

The *Common Manual* is being revised to include the following two updates to regulations related to the reinstatement of Title IV eligibility:

- The definition of “timely” payments for purposes of satisfactory repayment arrangements is redefined as 20 days from its previous 15-day standard.
- A borrower who reinstates Title IV eligibility but does not obtain new Title IV funds before defaulting again on a Title IV loan is not considered to have used the one-time reinstatement opportunity provided under the Act.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:

A borrower will have a few additional days to comply with the “timely” requirement under regulations and will not lose the benefit of reinstatement if a loan defaults again before the borrower obtains new Title IV funds.

School:

None.

Lender/Service:

None.

Guarantor:

A guarantor may need to amend reinstatement policies and procedures.

U.S. Department of Education:

The Department and its servicers may need to amend policies and procedures. The Department may also need to amend program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

January 15, 2014

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 10, 2014

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received from: AES/PHEAA, ASA, College Assist, Evidens Group, FAME, Great Lakes, HESC, MDHE, NCHER, NELA, OCAP, PPSV, SLSA, SCSLC, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

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

COMMENT:

Two commenters provided information from private guidance obtained from the Department of Education in which the Department clarified that FFELP participants are not permitted to implement the provisions

applicable to this policy earlier than July 1, 2014. These commenters requested that the Committee strike language that indicates the permissibility of early implementation.

Response:

The Committee agrees.

Change:

The Effective Date/Trigger Event has been revised as recommended.

bg/edited-tmh

COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date April 17, 2014

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Apr 17

SUBJECT: Lender Disclosures

AFFECTED SECTIONS: 10.12 Lender Disclosures during Repayment
12.1.A Lender Disclosure Requirements

POLICY INFORMATION: 1298/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: 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-day delinquencies occurring on or after July 1, 2014, unless implemented by the lender no earlier than November 1, 2013.

BASIS:

Federal Register, Vol. 78, No. 212, November 1, 2013; §682.205(a)(4)(ii) and (5)(ii).

CURRENT POLICY:

Current policy states that if a borrower notifies the lender that he or she is having difficulty making scheduled payments, the lender must provide a disclosure to the borrower that describes the repayment plans available to the borrower. The disclosure must also describe how the borrower can request a change in the repayment plan; the requirements for and costs associated with obtaining forbearance; and other options and their costs that are available to the borrower to avoid default. Current policy also states that a lender must provide a 60-day disclosure within five days of the date the borrower becomes 60 days delinquent.

REVISED POLICY:

Revised policy 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.

Revised policy also clarifies that the 60-day disclosure must be provided within five business days after the date the borrower becomes 60 days delinquent. Cross references have also been placed in Section 10.12 and Subsection 12.1.A for readers to easily locate all disclosure requirements published under the Higher Education Opportunity Act (HEAO).

REASON FOR CHANGE:

This change is necessary to align Manual text with final rules published in the *Federal Register* dated November 1, 2013.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 10.12, page 28, column 2, paragraph 3, as follows:

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.
- . . .
- . . .

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]

Revise Subsection 12.1.A, page 2, column 1, paragraph 1, as follows:

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)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Lender Disclosures

The *Common Manual* is being updated to clarify that a lender is exempt from the borrower-having-difficulty disclosure requirement if the borrower's repayment difficulty has been resolved. This resolution 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. The policy also clarifies that the 60-day delinquency disclosure must be provided within five business days of the date the borrower becomes 60 days delinquent. Cross references have also been placed in Section 10.12 and Subsection 12.1.A for readers to easily locate all disclosure requirements published under the Higher Education Opportunity Act (HEOA).

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:

A borrower may receive fewer notifications from the lender that may conflict or duplicate other and/or more recent conversations with the lender/servicer and will result in reduced confusion.

School:

None.

Lender/Servicer:

A lender may choose to amend its procedures for sending this disclosure to borrowers, and if so, may send fewer notices to borrowers with whom it has already communicated regarding solutions to the past due issues.

Guarantor:

A guarantor may need to revise its program review parameters.

U.S. Department of Education:

The Department may need to revise its program review parameters.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

July 30, 2013.

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 10, 2014.

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees

Comments Received from: AES/PHEAA, ASA, College Assist, Evidens Group, FAME, Great Lakes, HESC, MDHE, NCHER, NELA, OCAP, PPSV, SLSA, SCSLC, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

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

COMMENT:

Two commenters requested revising the Effective date/Trigger event language to reflect the intended policy as follows:

~~“For determining if whether the lender must send the borrower-having-difficulty 60-day disclosure, borrowers who become 60 days past due 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 when the lender must sending the 60-day delinquency disclosure, borrowers who become effective for 60-day delinquencies occurring on or after July 1, 2014, unless implemented by the lender no earlier than November 1, 2013.”~~

Response:

The Committee agrees.

Change:

The Effective Date/Trigger Event has been revised as recommended.

COMMENT:

One commenter suggested revising the new paragraph in Section 10.12 to clarify that the specific action which prompts the borrower/lender “difficulty resolving” contact is irrelevant to the policy as follows:

~~“These disclosures are not required if the borrower’s difficulty has been resolved through contact resulting from an earlier disclosure or from other contact between the lender and the borrower. This may be done through previous contact with and disclosure from the lender, or other communication between the lender and borrower.”~~

Response:

The Committee agrees.

Change:

The paragraph has been revised as suggested.

COMMENT:

One commenter recommended moving the content of Subsection 12.1.A to Section 10.12 to unite the three new HEOA-created lender disclosure requirements for lenders.

Response:

The Committee understands that this reorganization would incorporate all three disclosure requirements in one place; however, the Committee believes that adding cross-references would provide sufficient access to the separate requirements.

Change:

Cross references have been placed in Section 10.12 and Subsection 12.1.A as follows:

~~“These disclosures are not required if the borrower’s difficulty has been resolved through contact or other communication between the lender and 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]

~~“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)]

om/edited -as

COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: April 17, 2014

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Apr 17

SUBJECT: Change in Participation Rate Index Threshold

AFFECTED SECTIONS: 16.4.B School Appeals

POLICY INFORMATION: 1300/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: July 1, 2014.

BASIS:
§668.204(c)(1)(i).

CURRENT POLICY:
Current policy provides that a school may appeal the loss of Title IV eligibility based on a participation rate index if any one of three criteria applies. One of those is that the school has a cohort default rate of over 40% for a single fiscal year and the Participation Rate Index (PRI) for that fiscal year is less than or equal to 0.0615.

REVISED POLICY:
Revised policy provides that the school may appeal on this basis if the PRI for that fiscal year is less than or equal to 0.0832.

REASON FOR CHANGE:
This change is necessary to comply with Final Rules published in the November 1, 2013, *Federal Register*, Vol. 78, No. 212, page 65804.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 16.4.B, page 12, column 2, paragraph 3, as follows:

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)]
- 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)]
- The school has . . .

PROPOSED LANGUAGE - COMMON BULLETIN: Change in Participation Rate Index Threshold

The *Common Manual* has been updated to include the regulatory change that provides that the school may appeal the loss of Title IV eligibility due to its cohort default rate for a single year in excess of 40% if the Participation Rate Index (PRI) for that fiscal year is less than or equal to 0.0832. This is one of the PRI appeal options available to schools and previously provided for a threshold of 0.06015.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:

None.

School:

Schools managing a higher cohort default rate have fractional additional latitude in their appeal eligibility.

Lender/Service:

None.

Guarantor:

The guarantor may be required to amend its policies and procedures.

U.S. Department of Education:

The Department may be required to amend its policies and procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

January 15, 2014

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 10, 2014

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

CM Governing Board Representatives

Comments Received from: AES/PHEAA, ASA, College Assist, Evidens Group, FAME, Great Lakes, HESC, MDHE, NCHER, NELA, OCAP, PPSV, SLSA, SCSLC, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

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

bg/edited- tmh

COMMON MANUAL – CORRECTION POLICY PROPOSAL

Date: April 17, 2014

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Apr 17

SUBJECT: Online and Distance Learning Qualification for a Closed School Discharge

AFFECTED SECTIONS: 13.8.B Closed School

POLICY INFORMATION: 1301/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: Closed school applications received on or after April 29, 1994.

BASIS:

Preamble of the November 1, 2013, *Federal Register*, Vol. 78, No. 212, page 65775.

CURRENT POLICY:

Current policy does not address online and/or distance education programs related to a closed school discharge.

REVISED POLICY:

Revised policy 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.

REASON FOR CHANGE:

These revisions incorporate regulatory clarification published in the November 1, 2013, *Federal Register*, Vol. 78, No. 212, page 65775.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 13.8.B, page 22, column 2, paragraph 3, as follows:

13.8.B Closed School

If a borrower (or 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 at which the program is offered must close for a borrower to be eligible for loan discharge.

PROPOSED LANGUAGE - COMMON BULLETIN:

Online and Distance Learning Qualification for a Closed School Discharge

The *Common Manual* has been updated to clarify that a borrower who obtained loans for distance and/or online program at a school would qualify for a closed school discharge only if the main campus closes.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:
None.

School:
None.

Lender/Service:
None.

Guarantor:
None.

U.S. Department of Education:
None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
January 13, 2014

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April 10, 2014

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

Comments Received from:
AES/PHEAA, ASA, College Assist, Evidens Group, FAME, Great Lakes, HESC, MDHE, NCHER, NELA, OCAP, PPSV, SLSA, SCSLC, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

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

COMMENT:

Two commenters recommended changes to more closely align the text with regulatory language.

One commenter recommended adding an additional sentence to reinforce the concept that only the loans borrowed to pay for the distance/online education program(s) that the borrower was currently taking but unable to complete due to the closure are eligible for discharge.

Response:

The Committee agrees.

Change:

The text has been revised as follows:

“If a borrower (or 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 or online education program is not considered to be a separate location of a school. A location is a physical site where a student can receive at least 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 at which the program is offered must close for a borrower to be eligible for loan discharge.

COMMENT:

Two commenters questioned using the terms "online or distance education programs" as these terms mean the same thing. The commenters felt using "distance education programs" would cover both.

Response:

The Committee disagrees. Preamble language references both "distance" and "online" programs. While the two terms often seem interchangeable and possess some similarities, they also have strategic differences. A distance education program very often uses a mix of hard-copy study guides, books and attendance at weekend classes, correspondence instruction and may include online programs if access is available to the student. An online program incorporates electronic or instructional technology, and may require textbooks but typically function fully online.

Change:

None.

Om/edited-as

COMMON MANUAL – ORGANIZATIONAL POLICY PROPOSAL

Date: April 17, 2014

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Apr 17

SUBJECT: Loan Rehabilitation Details Removed

AFFECTED SECTIONS: 13.7 Rehabilitation of Defaulted FFELP Loans

POLICY INFORMATION: 1302/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: None.

BASIS:
None.

CURRENT POLICY:
Current policy includes extensive details regarding the guarantor's post-claim processes for assisting borrowers with the rehabilitation of a defaulted FFELP loan.

REVISED POLICY:
Revised policy eliminates detailed information regarding the rehabilitation process.

REASON FOR CHANGE:
The *Common Manual* provides policy support for schools and loan holders to support their administration of FFELP loans. Post-default collection materials are not relevant to either entity's loan administration responsibilities; such policies govern only guarantors.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 13.7, page 16, column 1, paragraph 4, as follows:

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)]

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]

PROPOSED LANGUAGE - COMMON BULLETIN:

Loan Rehabilitation Details Removed

Common Manual text has been revised to remove some of the detail regarding the guarantor's loan rehabilitation processes. The Manual is intended to assist schools and lenders in the administration of FFELP loans. Post-default collections information is irrelevant to the administrative responsibilities of either the lender or school.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:

None.

School:

None.

Lender/Servicer:

None.

Guarantor:

None.

U.S. Department of Education:

None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

January 15, 2014

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 10, 2014

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

CM Governing Board Representatives

Comments Received from: AES/PHEAA, ASA, College Assist, Evidens Group, FAME, Great Lakes, HESC, MDHE, NCHER, NELA, OCAP, PPSV, SLSA, SCSLC, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

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

COMMENT:

Two commenters requested that the initial portion of the first paragraph be left as they believe it provides meaningful information for schools and lenders that need to understand the basics of the rehabilitation process in order to counsel their students and borrowers.

Response:

The Committee agrees.

Change:

The text will be retained to provide ongoing information to schools and lenders who seek general information about loan rehabilitation.

COMMENT:

One commenter requested that the final bullet of the paragraph be stricken. The commenter noted that new regulations prescribe a number of rules on the rehabilitation process that effectively eliminate a great deal of guarantor discretion in determining the appropriateness of loan rehabilitation for individual borrowers. So this statement no longer accurately describes the process.

Response:

The Committee agrees.

Change:

The Committee is striking the final bullet as no longer applicable.

bg/edited- tmh