



Policy Changes Approved

Unified Student Loan Policy

Batch 209: Proposal 1320
Batch 211: Proposal 1323

The nation's guarantors provide the following summaries to inform schools, lenders, and servicers of the latest Common Manual policy changes. These changes will appear in the manual's next annual update. These changes will also be incorporated into the Integrated Common Manual. Please carefully note the effective date of each policy change.

Loan Rehabilitation and Interest Capitalization

The Common Manual is being revised to incorporate regulatory changes outlined in the November 1, 2016 Federal Register that prohibit the lender's capitalization of outstanding accrued interest when purchasing a rehabilitated loan from a guarantor and establishing the borrower's repayment schedule. The lender may not consider the purchase of a rehabilitated loan as entry into repayment or resumption of repayment for the purpose of interest capitalization. The change is effective for rehabilitated loans purchased on or after July 1, 2017. The Manual is also revised to clarify that the guarantor will provide outstanding principal, outstanding accrued interest, and interest-paid-through date information to assist the lender with an accurate conversion to repayment.

- Affected Section(s): 10.10 Capitalizing Accrued Interest, 13.7 Rehabilitation of Defaulted FFELP Loans
Effective Date: For rehabilitated loans purchased on or after July 1, 2017.
Basis: Final Rule published in November 1, 2016 Federal Register (81 FR 75926); §682.202(b)(1), and §682.405(b)(4)(ii).
Policy Information: 1320/Batch 209
Guarantor Comments: None.

Closed School Discharge

The Manual is being revised to incorporate new regulatory requirements for closed school discharge. A lender will be required to send another closed school discharge application at the time the lender resumes collection activity for a borrower who fails to submit an application within 60 days of being notified of the option for discharge or if the borrower has been denied discharge. The Manual is also revised to explain the possibility that the Department or guarantor may determine that a borrower is automatically eligible for a closed school discharge (i.e., no application needed). Such determinations can be made by either the Department or guarantor for borrowers who attended schools that closed on or after November 1, 2013, when the borrower fails to re-enroll in any title-IV eligible school within three years from the date the borrower's school closed.

- Affected Section(s): 13.8.B Closed School
Effective Date: Closed school discharge applications sent to borrowers on or after July 1, 2017, for sending a second application.
Notifications received on or after July 1, 2017, from guarantors or the Department of automatic discharges.
Basis: Final Rule published in November 1, 2016 Federal Register (81 FR 75926); §682.402(d)(6)(ii)(I), §682.402(d)(6)(ii)(K)(3), §682.402(d)(7)(ii) and (iii), and §682.402(d)(8)(ii).
Policy Information: 1323/Batch 211

Guarantor Comments: None.