Summary of Changes Approved through April 2015

This summary lists changes made since the 2014 Annual Update of the Common Manual. Following are the latest policy changes, which were approved October 16, 2014, and April 16, 2015. Changes made before the 2014 Annual Update are noted in Appendix H.

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<tr>
<th>Common Manual Section</th>
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<th>Effective Date/Triggering Event</th>
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<td><strong>Chapter 5: Borrower Eligibility</strong></td>
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<td>5.5.A Prior Loan or TEACH Grant Service Obligation in a Post-Discharge Monitoring Period Based on a Determination of Total and Permanent Disability</td>
<td>This change is necessary to eliminate all references to the conditional discharge period for loans discharged for total and permanent disability. No FFELP loans are still monitored under conditional discharge rules. All total and permanent disability discharge applicants are eligible for the post-discharge monitoring period rules for applications received on or after July 1, 2010.</td>
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<td><strong>Chapter 6: School Certification</strong></td>
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<td><strong>Chapter 8: Loan Delivery</strong></td>
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<td>8.7 Delivering Loan Funds at Eligible Schools</td>
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<td><strong>Chapter 11: Deferment and Forbearance</strong></td>
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<td>11.1.A General Deferment Eligibility Criteria</td>
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<td>1307/202</td>
</tr>
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<td>11.20.F Forbearance of a Loan for a Comaker during the TPD Conditional Period</td>
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| Chapter 13: Claim Filing, Discharge, and Forgiveness | 13.8.G Total and Permanent Disability  
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| Appendix A: Interest Benefits and Special Allowance | Figure A-5 LaRS Special Allowance and Interest Rate Reporting for FFELP Loans  
The National Council of Higher Education Resources (NCHER) Program Regulations Committee has provided an updated version of its LaRS Special Allowance and Interest Rate Reporting for FFELP Loans chart for inclusion in the Manual. This version is dated August 2014, and contains statutory changes made to special allowance codes as a result of the Consolidated Appropriations Act of 2012. | For special exceptions for certain loans first disbursed on or after April 1, 2006, and before July 1, 2010. | 1306/201 |
5.5 Prior Loan Discharge Due to Total and Permanent Disability

In some cases, loans that have been discharged due to the borrower’s total and permanent disability may affect the borrower’s eligibility for new loans. Eligibility may be based on the disposition of the borrower’s discharge request or the date on which that request was processed.

5.5.A Prior Loan or TEACH Grant Service Obligation in a Conditional Discharge or Post-Discharge Monitoring Period Based on a Determination of Total and Permanent Disability

A borrower whose prior Title IV loan(s) is conditionally discharged or whose prior Title IV loan(s) or TEACH grant service obligation has been discharged and is in a 3-year post-discharge monitoring period based on a determination that the borrower is totally and permanently disabled, must do the following before a school may certify a new Stafford or PLUS loan for the borrower:

- Submit a request to the Department’s total and permanent disability servicer Conditional Discharge Disability Unit that the loans held in a post-discharge monitoring period indicating that the conditionally discharged loan(s) be returned to repayment.
- Advise the school that the borrower has begun the process of returning the conditionally discharged loan(s) or loan(s) in a post-discharge monitoring period to repayment.

Before a school may certify a new loan for such a borrower, the school must confirm that the borrower has initiated the process to return the loan(s) to repayment. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower. If the loan(s) was in default prior to being conditionally discharged or placed in a post-discharge monitoring period, the school may be required to document that the borrower has either made satisfactory repayment arrangements with the loan holder in order to reinstate Title IV eligibility, or has rehabilitated, or consolidated the defaulted loan(s) (see Subsection 5.2.E).

A borrower must do the following before he or she is eligible to receive a new Stafford or PLUS loan:

- Obtain a physician’s statement certifying that the borrower may now engage in “substantial gainful activity.”
  \[§682.201(a)(6)(i)\]
- Sign a statement acknowledging that any loan that has been conditionally discharged or is in a post-discharge monitoring period may not be discharged due to the same or any disability existing at the time the borrower applied for a total and permanent disability discharge or when the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met.
  \[§682.201(a)(7)(ii)(A)\]
- Sign a statement acknowledging that collection activity will resume on any conditionally discharged loan(s) or loans that are in a post-discharge monitoring period.
  \[§682.201(a)(7)(ii)(B)\]
- Acknowledge that he or she is once again subject to the terms of the TEACH grant agreement, if the grant recipient’s service obligation has been discharged and the grant recipient is in a 3-year post-discharge monitoring period.
  \[§682.201(a)(6)(iii)\]

The school must not deliver any new loan funds until it confirms that the loan holder has returned to repayment the conditionally discharged loan(s) or loan(s) in a post-discharge monitoring period.

\[§682.201(a)(5)\]

If a loan is in either the 3-year conditional period, or the 3-year post-discharge monitoring period, as applicable, the discharge is terminated and the loan(s) is reinstated to the status it held prior to the initial discharge determination if either of the following occur within 3 years from the date that the physician completes and certifies the discharge application:

- The borrower receives a new TEACH grant.
- The borrower receives a new loan under any Title IV loan program (Federal Perkins Loan Program, FFELP, or Federal Direct Loan Program).

\[1\] Policy 1307 (Batch 202), approved April 16, 2015
Note: If the borrower receives a new Consolidation loan that does not include any loans that are in a conditional discharge period or the 3-year post-discharge monitoring period, neither the conditional discharge period nor the borrower’s total and permanent disability final discharge status is not affected itself, as applicable, terminate.

If a TEACH grant or Title IV loan was certified prior to the date the physician certified the discharge application, any proceeds of such grant or loan that are disbursed after the date of the physician’s certification must be returned to the Department or to the loan holder, as applicable, within 120 days of the disbursement date(s) to preserve the borrower’s discharge eligibility.

If the borrower’s conditional discharge or final discharge is terminated, the Department reinstates collection activities on any loan on which collection activity had been previously suspended based on an initial determination of the borrower’s total and permanent disability. (See Subsection 13.8.G for more information regarding the total and permanent disability loan discharge and Appendix G for the definition of “totally and permanently disabled.”) [§682.402(c)(4)(i); §685.213(b)(4)(i)]

Note: A loan that is discharged based on a determination by the U.S. Department of Veterans Affairs that the borrower is totally and permanently disabled is not placed in a conditional discharge or post-discharge monitoring period. See Subsection 5.5.B. [DCL GEN-09-07/FP-09-05, Q & A 14]¹

▲ Schools and lenders are strongly encouraged to contact the guarantor if assistance is needed to determine or establish a borrower’s eligibility after a total and permanent disability loan discharge.

5.5.B
Final Discharge of a Prior Loan Based on a Determination of Total and Permanent Disability

This subsection applies to a borrower whose loan(s) was discharged and who completed the 3-year conditional period, or the 3-year post-discharge monitoring period, as applicable, or who had a loan(s) discharged based on a U.S. Department of Veterans Affairs (VA) determination that the borrower is totally and permanently disabled.

A borrower who has received a discharge of a prior loan based on a final determination that the borrower is totally and permanently disabled must do all of the following to be eligible to receive a new Stafford or PLUS loan:

- Obtain a physician’s statement certifying that the borrower may now engage in “substantial gainful activity.” [§682.201(a)(6)(i)]

- Sign a statement acknowledging that any new loan the borrower receives may not be discharged due to the same or any disability existing at the time the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met. [§682.201(a)(6)(ii)] [DCL GEN-09-07/FP-09-05, Q & A 18]

For the purpose of receiving a new loan after a prior loan is discharged based on a determination of a borrower’s total and permanent disability, a borrower must obtain the physician certification only once and the school should keep a copy of it in the student’s file. However, the school must collect a new borrower acknowledgment statement from the borrower for each new loan he or she requests. [13-14 FSA Handbook, Volume 1, Chapter 3, p. 1-51]

A borrower who has had a prior loan discharged based on a determination of the borrower’s total and permanent disability before July 1, 2001, or whose loan(s) was discharged and the borrower completed the 3-year conditional period, or the 3-year post-discharge monitoring period, as applicable, is not required to reaffirm the discharged obligation. (See Subsection 13.8.G for more information regarding total and permanent disability loan discharge and Appendix G for the definition of “totally and permanently disabled.”)

▲ Schools and lenders are strongly encouraged to contact the guarantor if assistance is needed to determine or establish a borrower’s eligibility after a total and permanent disability loan discharge.

¹ Policy 1307 (Batch 202), approved April 16, 2015
5.5.B Final Discharge of a Prior Loan Based on a Determination of Total and Permanent Disability

### Effect of Title IV Loan Status on Student Aid Eligibility

<table>
<thead>
<tr>
<th>Loan Status</th>
<th>Eligible for FFELP and Federal Perkins loans</th>
<th>Eligible for Federal Pell, SEOG, FWS, and LEAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defaulted</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Written off after default</td>
<td>Yes(^1)</td>
<td>Yes(^1)</td>
</tr>
<tr>
<td>Conditional discharge or post-discharge monitoring period based on a determination of total and permanent disability</td>
<td>Yes(^2)</td>
<td>Yes</td>
</tr>
<tr>
<td>Final discharge due to total and permanent disability</td>
<td>Yes(^4)</td>
<td>Yes</td>
</tr>
<tr>
<td>Paid in full after default</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Satisfactory repayment arrangements made after default</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Compromised after default</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Discharged by bankruptcy or determined to be dischargeable in bankruptcy</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

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\(^1\) To be eligible, the applicant must (a) repay each written-off loan in full or (b) reaffirm each Title IV loan obligation with the holder of the note that was written off and make satisfactory repayment arrangements as part of the reaffirmation (for any loan in default before the write-off).

\(^2\) To be eligible, the applicant must (a) obtain a physician’s statement certifying that the borrower may now engage in substantial gainful activity, and (b) sign a statement acknowledging that any new loan the borrower receives may not be discharged based on the same or any disability existing at the time the loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met. §682.201(a)(6)(i) through (iii); §682.402(c); §685.200(a)(1)(vi)

\(^3\) To be eligible, the applicant must (a) submit a request to the Department’s Conditional Discharge Disability Unit indicating that the conditionally discharged loan(s) or loan(s) in a post-discharge monitoring period be returned to repayment and advise the school that the process of returning the conditionally discharged loan(s) to repayment has been initiated; (b) obtain a physician’s statement certifying that the borrower may now engage in substantial gainful activity; (c) sign a statement acknowledging that any loan the borrower receives cannot that has been conditionally discharged may not be discharged in the future on the basis of any impairment existing at the time the borrower applied for a total and permanent disability discharge or when the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met; and (d) sign a statement acknowledging that collection activity will resume on any conditionally discharged loan(s) or loan(s) in a post-discharge monitoring period. §682.201(a)(5); §682.201(a)(6)(i); §682.201(a)(7)(ii)(A) and (B)

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1. Policy 1307 (Batch 202), approved April 16, 2015

Unsubsidized Stafford loans are authorized for borrowers who do not qualify for federal interest subsidy, borrowers who qualify only partially for subsidy, and borrowers who qualify for subsidy but have already borrowed the maximum subsidized amount and are eligible for additional Stafford loan funds. Eligibility for an unsubsidized Stafford loan is calculated by deducting the sum of a student’s subsidized Stafford loan eligibility and all other expected sources of financial assistance from the cost of attendance (COA). The student is responsible for paying interest that accrues on his or her unsubsidized Stafford loan during all periods. [HEA §428(H)(b)]


Before the 1992 Reauthorization of the Higher Education Act, a lender was permitted to make a nonsubsidized Stafford loan to a borrower who did not qualify for federal interest benefits and whose loan amount would not exceed the COA minus other financial assistance. Lenders did not pay origination fees on these nonsubsidized loans, and the loans were not eligible for interest benefits. Nonsubsidized Stafford loans remain eligible for all deferments and repayment options applicable to other Stafford loans.

6.15 School Certification of the Loan

In certifying a Stafford or PLUS loan, a school is required to make several determinations regarding the eligibility of the student—or the student and the parent in the case of a parent PLUS loan—and the maximum amount that may be borrowed (see Section 6.11). The school must ensure it does not certify an amount that would result in the borrower receiving more than the borrower’s actual eligibility. [§682.603(e)]

A school must certify the borrower’s loan eligibility by the end of the loan period or the date on which the student ceases to be enrolled at least half time, whichever is earlier. If the school does not certify the loan by the earlier of these two dates, the loan cannot be disbursed. See Subsection 7.7.G for complete information regarding late disbursement. [§668.164(g)(2)(A); §682.207(f)]

Before a school may certify a new loan for a borrower whose prior Title IV loan(s) is conditionally discharged or in a post-discharge monitoring period based on a determination that the borrower is totally and permanently disabled, the school must:

- Confirm that the borrower has initiated the process to have the loans reinstated to return the loan(s) to repayment.

- Determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies originates a new loan for the borrower.

If the loan(s) was in default prior to being conditionally discharged or placed in a post-discharge monitoring period, the school may be required to document that the borrower has either made satisfactory repayment arrangements with the loan holder in order to reinstate Title IV eligibility or has rehabilitated the defaulted loan(s) (see Subsection 5.2.E). See Subsection 5.5.A for more information regarding borrower eligibility for a new loan when the borrower’s prior loan(s) is conditionally discharged or placed in a post-discharge monitoring period. [§685.200(a)(1)(iv); §682.201(a)(5)]

A school may not refuse to certify or delay the certification of a Stafford or PLUS loan based on the borrower’s selection of a particular lender or guarantor. Also, a school may not assign a first-time borrower’s loan to a particular lender through the award packaging process or other methods. See Subsection 6.15.E for information regarding when the school is permitted to refuse to certify a FFELP loan or to reduce the loan amount. [§682.603(f)(2) and (4)]

A school may not assess a Stafford or PLUS loan borrower, or the dependent student in the case of a parent PLUS loan, a fee for the completion or certification of any FFELP form or for providing any information necessary to receive a FFELP loan or any benefits associated with a FFELP loan. Examples include loan certifications, promissory notes, enrollment verification requests, or deferment forms. [§682.603(j)]

1. Policy 1307 (Batch 202), approved April 16, 2015
The school must reduce or eliminate an overaward using one of the following options:

- Use the student’s unsubsidized Stafford, PLUS, state-sponsored, or private education loan to cover the EFC, if not already done.  
  [§685.303(e)(1)]

- Return the entire undelivered disbursement to the lender or escrow agent and provide the lender with a written statement describing the reason for the return of proceeds and the student’s revised financial need. The school should request that the lender redisseminate the revised amount and, if necessary, revise subsequent disbursements to eliminate the overaward.

- Return to the lender the portion of the disbursement for which the student is ineligible and provide the lender with a written statement explaining the return of proceeds.

▲ Schools may contact individual guarantors for more information on procedures for reducing or eliminating overawards. See Section 1.5 for contact information.

8.7 Delivering Loan Funds at Eligible Schools

The school must hold Stafford and PLUS loan proceeds until the student is enrolled in classes for the applicable payment period. (For more information on payment periods, see Section 6.3.) The school must deliver loan proceeds on a payment-period basis in substantially equal installments, with no installment exceeding one half of the loan amount. For a loan period that consists of more than one payment period, the school must deliver loan proceeds at least once in each payment period. If a loan period consists of only one payment period, the school must deliver loan proceeds at least twice during that payment period (see Subsection 7.7.B, subheading “Exceptions to Multiple Disbursement Requirements”).  
[§668.164(b)(1)]

A school must not deliver any new loan funds to a borrower whose prior Title IV loan(s) is conditionally discharged or in a post-discharge monitoring period based on a determination that the borrower is totally and permanently disabled until it confirms that the discharged loan(s) has been returned to repayment.  

1. Policy 1307 (Batch 202), approved April 16, 2015

Generally, a school may deliver the proceeds of any loan disbursement only if it determines that the student has maintained continuous eligibility for the loan period certified by the school. See Subsections 8.7.E (Late Delivery), 8.7.G (Delivery to Borrowers in Special Circumstances, subheading “Temporary Change in Enrollment Status” and 8.11.A (Exceptions to Delivery Restrictions at Ineligible Schools) for exceptions to this general rule.  
[§668.164(b)(3); §685.303(d)]

Figure 8-3 illustrates a school’s required activities before delivering a FFELP loan.

8.7.A Delivery Time Frames

The time frame within which schools must deliver or return loan proceeds covers three separate periods:

- **Initial Period** — A period of time a school has to deliver loan proceeds directly to the student or parent borrower, or to credit the student’s account at the school. The length of this period of time is determined by whether the proceeds were received by the school by electronic funds transfer (EFT), master check, or individual check.

- **Conditional Period** — A 10-business-day delivery period after the last day of the initial period. A school may deliver funds during this period only if the school expects the student to complete the required number of clock or credit hours in a preceding payment period, or the school expects the student to meet all FFELP eligibility requirements within the conditional period.

- **Return Period** — A 10-business-day period following the initial or conditional period, as applicable, during which the school must return undelivered proceeds to the lender. If, during the return period, the school determines that the student has become eligible to receive the loan proceeds, the school may deliver the proceeds rather than return them to the lender.
Chapter 11 describes borrower eligibility criteria and lender processing requirements for deferment and forbearance of FFELP loans. The information presented in this chapter applies to Stafford, PLUS, and SLS loans. Where noted, provisions also apply to Consolidation loans. Other requirements specific to Consolidation loans are covered in Chapter 15.

Servicing activities associated with processing deferments and forbearances include:

- Determining borrower eligibility for deferments and forbearances.
- Applying deferments and forbearances to an account.
- Establishing repayment after deferment or forbearance.
- Reporting transactions to the guarantor.
- Reporting the loan status or a deferment or forbearance to a nationwide consumer reporting agency (see Subsection 3.5.C).
- Responding to a borrower or endorser inquiry within 30 days of receiving the inquiry. Such inquiries may include requests for deferments, forbearances, and other information. [§682.208(c)(1)]

### 11.1 Authorized Deferment

Deferment is a tool available to borrowers to help them meet their loan repayment obligations. Once the repayment period has begun, the borrower is entitled to defer principal payments on a FFELP loan when applicable eligibility criteria are met. In the case of a Stafford loan, the borrower may not be granted a deferment until after the loan’s grace period has expired. However, the borrower may—and in some cases may be required to—request that the grace period be waived or shortened in order to be eligible for the deferment (see Section 10.3).

A lender is not required to grant a deferment if it has information indicating that the borrower is ineligible for the deferment. If the lender denies the borrower the deferment, it must clearly document the reason for the denial in the loan file or servicing history.

A lender’s failure to act on any borrower request for deferment within 30 days of its receipt may result in a returned or rejected claim, if the loan is later submitted as a claim. [§682.208(c)(1)]

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

### 11.1.A General Deferment Eligibility Criteria

There are several conditions under which borrowers qualify for deferment. In granting a deferment, the lender should be aware of the following general characteristics of deferments:

- Deferments are entitlements. Generally, if a borrower demonstrates eligibility for a deferment and provides the lender with the necessary documentation required to establish eligibility, the borrower may not be denied the deferment.
- The borrower’s eligibility for a deferment depends on the borrower’s meeting specific criteria, the type of loan for which the deferment is being sought, and the date on which the borrower received his or her first FFELP loan.
- The borrower’s eligibility for a deferment depends on the borrower’s meeting specific criteria, the type of loan for which the deferment is being sought, and the date on which the borrower received his or her first FFELP loan.
- If the dependent student for whom a parent borrower obtained one or more PLUS loans meets the conditions required for the in-school or rehabilitation training deferment, the parent borrower may qualify for deferment for all of his or her PLUS loans. See Section 11.6 for information regarding the eligibility criteria.
- If a PLUS loan is made to two parents as comakers (as applicable to a PLUS loan made prior to April 16, 1999), or a Consolidation loan is made to two spouses as comakers (as applicable to a Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006), the loan may not be deferred unless each comaker requests deferment and satisfies applicable eligibility requirements for deferment. If each comaker qualifies under a separate deferment provision, the lender may defer the loan under one of those deferment types.
- If a PLUS loan is made to two parents as comakers or a Consolidation loan is made to spouses as comakers, and if the disabled comaker is in a conditional

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1. Policy 1307 (Batch 202), approved April 16, 2015
Chapter 11: Deferment and Forbearance—April 2015

11.1 A General Deferment Eligibility Criteria

The lender must defer the entire loan based solely on the non-disabled comaker’s deferment eligibility. The deferment period for the non-disabled comaker may not begin prior to the date the lender receives the disabled comaker’s loan discharge application, or the notification from the guarantor that a loan discharge application was submitted to the guarantor, whichever is earlier. The deferment ends on the date that the non-disabled comaker’s deferment eligibility ends, or the date on which the lender receives notice of the final discharge determination for the disabled comaker, whichever is earlier.

The loan holder may apply an administrative forbearance to any delinquency that exists prior to the start date of the deferment or, if the lender is processing the deferment retroactively, the forbearance may also be used to satisfy any delinquency that remains after the end date of the deferment. The administrative forbearance may be applied only for the time period that the non-disabled comaker is solely responsible for the loan’s repayment and may not begin earlier than the date the loan holder receives either the disabled comaker’s loan discharge application, or the notification from the guarantor that a loan discharge application was submitted to the guarantor, whichever is earlier. The administrative forbearance may not end later than the date the lender receives notification of the final discharge determination. The deferment and any associated administrative forbearance may cover a period less than, but never more than, the period of time the disabled comaker is granted a conditional discharge.

Endorsers are not entitled to deferment. If an endorser is repaying the loan and has temporary difficulty in continuing repayment, he or she may request a forbearance. [§682.211(a)(1); §682.211(b)(1)]

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

In most cases, the borrower must request a deferment, either verbally or in writing, and provide the lender with documentation necessary to support the borrower’s eligibility for the deferment. However, if at any time during the collection efforts the lender becomes aware of circumstances indicating that the borrower may qualify for a deferment, the lender must explain the deferment criteria and make the deferment option available to the borrower. Deferment eligibility criteria and documentation are outlined under each deferment type in Sections 11.2 to 11.19. [§682.210(a)(4)]

- A delinquent borrower whose loan is not in default must be granted a deferment if the borrower is eligible for the deferment. See Subsection 11.1.F for more information on deferments and delinquent loans. [§682.210(a)(7)]

- A borrower whose loan is in default must be granted a deferment if the borrower’s deferment eligibility began before the date of default. A borrower is not eligible for deferment of a loan that is in default if his or her deferment eligibility begins after the date of default, unless the borrower makes payment arrangements acceptable to the lender to resolve the default prior to the payment of a default claim by a guarantor. See Subsection 11.1.G for more information about deferment of defaulted loans. [§682.210(a)(8)]

Borrower-Specific Deferments

The Department has indicated that deferments generally are borrower-specific—not loan-specific. This means that time limits should generally be enforced for each borrower, rather than for a borrower’s individual loans or groups of loans (see Example 1 below). However, if all of the borrower’s loans are paid in full (except through consolidation) and the borrower subsequently obtains a new loan, the borrower is eligible for all deferments applicable to that loan, despite any previous periods of deferment (see Example 2 below).

Example 1
A borrower has used 36 months of unemployment deferment on loans A and B, then obtains additional loans before paying loans A and B in full. The borrower is not eligible for an unemployment deferment on the additional loans, even if loans A and B are subsequently paid in full.

Example 2
A borrower has used 36 months of unemployment deferment on loans A and B, and then pays both loans in full. After both loans are paid in full, the borrower obtains new loans. The borrower is eligible for an additional 36 months of unemployment deferment on the new loans. [§682.210(a)(ii)]
must send a notice confirming the terms of the forbearance agreement to the borrower or endorser within 30 days of the date that agreement was made and record the forbearance terms in the borrower’s file. In order to grant a forbearance after the date of default based on either a verbal or a written agreement with the borrower or endorser, the lender must also obtain a new signed agreement to repay the debt or a written or verbal affirmation of the obligation to repay the debt (see Subsection 11.20.F). For each forbearance period, regardless of whether a written agreement is required, the lender must document in the borrower’s file or the loan’s servicing history the forbearance beginning and ending dates and the reason for granting forbearance.

[HEA §428(c)(3)(A) and (c)(10); §682.211(b)(1); §682.211(d); §682.414(a)(4)(ii)(G); §685.205(a)(8)]

11.20.C
Forbearance Length

In certain cases, forbearances are subject to specific regulatory time frames (see Subsection 11.20.F and Sections 11.21, 11.23, and 11.24). If not otherwise regulated, a lender may grant a single discretionary forbearance for up to one year at a time if both the borrower or endorser and the lender agree. This one year includes any past and future forbearance months. For example, a forbearance that is granted for 3 months retroactively may extend only 9 months into the future.

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

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

11.20.D
Payment of Interest during Forbearance

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

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

11.20.E
Reporting Forbearances

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

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

When one comaker of a joint Consolidation loan or a comade PLUS loan applies for a total and permanent disability (TPD) loan discharge, the forbearance eligibility requirements apply only to the non-disabled comaker during the conditional discharge period. The lender must ensure that the delinquency on a comade loan, if any, at the time the conditional discharge period begins does not worsen. 1

1. Policy 1307 (Batch 202), approved April 16, 2015
A lender may grant discretionary forbearance on the repayment of the entire loan if the ability of the non-disabled co-maker to make payments is impaired during the conditional discharge period for the disabled co-maker.

The lender must explore with the non-disabled co-maker any other available options such as alternative repayment agreements, deferments, discretionary forbearance, or reduced-payment forbearance. As a last resort, the lender may apply an administrative forbearance to ensure that the loan does not become delinquent or that an existing delinquency does not increase during the conditional discharge period. The administrative forbearance may be applied only for the time period that the non-disabled co-maker is solely responsible for the loan’s repayment and may not begin earlier than the date the loan holder receives either the disabled co-maker’s loan discharge application or the notification from the guarantor that a loan discharge application was submitted to the guarantor, whichever is earlier. The administrative forbearance may not end later than the date the lender receives notification of the final discharge determination. (See Subsection 10.6.C for repayment options; Sections 11.2 to 11.19 for deferment information; Section 11.22 for information on discretionary forbearance; and Subsection 11.22.A for information on reduced-payment forbearance.)

11.20.G Forbearance of Defaulted Loans

11.20.F Forbearance of Defaulted Loans

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

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

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

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

- The forbearance period is limited to 120 days.

- A forbearance based on a verbal request and affirmation of the debt must not be granted consecutively.

- The lender must verbally review with the borrower or endorser the terms of the forbearance, including the consequences of interest capitalization, and all other repayment options available to the borrower or endorser.

If the lender grants a discretionary forbearance based on a verbal agreement and affirmation of the debt, the lender must record the forbearance terms and the affirmation of the debt in the borrower’s file. The lender must send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the forbearance agreement and affirmation of the debt as well as information on all other repayment options available to the borrower or endorser. (See Section 11.22 for more information about granting a discretionary forbearance.)

[§682.211(b) and (d); §685.205(a)(8)]

11.20.H Borrower Contact during Forbearance

11.20.G Borrower Contact during Forbearance

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

1. Policy 1307 (Batch 202), approved April 16, 2015
If the lender and borrower or endorser agree verbally to a discretionary forbearance, the lender must record the forbearance terms in the borrower’s file and send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the forbearance agreement.

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

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

This notification requirement does not apply to the postponement of interest payments during a deferment period.

[HEA §428(c)(3); §682.205(c); §682.209(a)(3)(ii)(B); DCL GEN-08-12/FP-08-10]

### 11.20.H Establishing Repayment after Forbearance

#### Establishing Repayment after Forbearance

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

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

[$682.205(c); §682.209(a)(3)(ii)(B)]

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1. Policy 1307 (Batch 202), approved April 16, 2015
disabled borrower to the Department. The lender must, at the Department’s direction, suspend collection activity on the loan as noted above. For a:

- Comade Consolidation loan, if the Department approves the loan discharge application for a comaker of a joint Consolidation loan, the lender must file the claim with the guarantor for the portion of the loan applicable to the disabled comaker but must return the remaining balance to a repayment status. The lender may capitalize interest that accrued on the remaining balance of the loan during the suspension period. If the Department denies the comaker’s discharge application, the lender may capitalize interest accrued while the collection activities were suspended, may consider that period to have been a forbearance, and must return the loan to repayment status.

- Comade PLUS loan, if the Department approves the loan discharge application for a comaker of a PLUS loan, the lender must notify the guarantor. The non-disabled comaker of the loan remains responsible for the entire outstanding balance of the loan and the lender must return the outstanding balance to a repayment status. If the Department denies the comaker’s discharge application, the lender may capitalize interest accrued while the collection activities were suspended, may consider that period to have been a forbearance, and must return the loan to repayment status.

For loans processed under rules that require a three-year conditional discharge period, the lender must protect the status of the loan during the conditional discharge period so that the loan does not become delinquent or more delinquent. The lender may apply an administrative forbearance on the entire loan if the non-disabled comaker is not eligible for or does not choose another repayment option, deferment, discretionary forbearance, or reduced-payment forbearance. The administrative forbearance may not begin prior to the date the lender receives the disabled comaker’s loan discharge application, or the date the lender receives the notification from the guarantor that the only one comaker is totally and permanently disabled, whichever is earlier. The forbearance ends on the date that the lender receives notice of the disabled comaker’s final discharge determination.¹

¹ Policy 1307 (Batch 202), approved April 16, 2015

11.21.T Unpaid Refund Discharge

If a guarantor or the Department 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 an unpaid refund loan discharge, the lender must grant an administrative forbearance on any affected loan. If an unpaid refund loan discharge may be applicable to any underlying loan(s) of a Consolidation loan, the lender must suspend collection activity and grant this forbearance on the entire Consolidation loan. A lender must forbear payments of principal and interest that are delinquent or that would be due during all of the following periods.

- The period beginning on the date the lender or guarantor sends the borrower an unpaid refund loan discharge application and ending on either of the following:
  - The date that the lender receives the guarantor’s determination, if the borrower returns the discharge application within 60 days from the date the lender or guarantor sent the application.
  - The 60th day, if the borrower does not return the discharge application within 60 days from the date the lender or guarantor sent the application. See below for more information about forbearance a lender may grant when the lender receives a completed discharge application after this initial 60-day period.

- The period beginning on the date the lender receives notification from the guarantor of the borrower’s request for a review of a denial determination and ending on the date that the lender receives the guarantor’s determination.

If the lender receives the borrower’s unpaid refund discharge application more than 60 days from the date on which the lender or guarantor sent the discharge application to the borrower, the lender may grant additional administrative forbearance on any affected loan. This forbearance may cover the period from the end of the initial 60-day administrative forbearance to the receipt of the completed discharge application.
The borrower must submit the certification to the Department within 90 days of the date that the physician completed and certified the discharge application. [§682.200(b); §682.402(c)(2)(iv)-(v); §685.213(b)(1); Federal Register dated July 23, 2009, p. 36559]

Suspending Collection

If a borrower, comaker, or endorser, as applicable, contacts the Department regarding a total and permanent disability (TPD) loan discharge, the Department will notify the lender and provide instructions to suspend collection activities for 120 days. If the borrower fails to submit the TPD loan discharge application to the Department, the lender must resume collection on the loan(s) and may capitalize interest accrued during the 120-day period.

If the borrower, comaker, or endorser submits the TPD loan discharge application and necessary documents, the Department will notify the lender to suspend collections while the Department reviews the application. [§682.402(c)(2)(viii)]

For a comade Consolidation loan on which one comaker’s loan discharge application will not result in the discharge of the entire loan balance, the lender must continue to service the portion of the loan that is not eligible for loan discharge. The lender must ensure that when the comaker who is claiming to be totally and permanently disabled resumes repayment on the remaining balance of the loan, the loan itself has not become delinquent or more delinquent during the conditional discharge period. The lender may apply an administrative forbearance to the entire Consolidation loan for the conditional discharge period, after first exploring with the non-disabled comaker any other available options, such as alternative repayment agreements, deferment, discretionary forbearance, or reduced-payment forbearance. For a comade PLUS loan on which one comaker is applying for loan discharge, the lender must continue to collect on the full balance of the loan from the non-disabled comaker. The lender must ensure that the loan status does not deteriorate during the conditional discharge period, and should work with the non-disabled comaker to discuss deferment options or to negotiate forbearance terms. The lender may apply an administrative forbearance to the entire loan balance if the non-disabled comaker is not eligible for other repayment options or does not choose to defer or forbear the loan. The administrative forbearance may be applied only for the time period that the non-disabled comaker is solely responsible for the loan’s repayment and may not begin earlier than the date the loan holder received notification that a loan discharge application was submitted to the Department. The administrative forbearance may not end later than the date the lender receives notification of the final discharge determination.¹

For a PLUS loan on which the endorser is applying for loan discharge, the lender may not collect from the endorser but must continue to collect the entire loan amount from the borrower.

General Requirements for Total and Permanent Disability Loan Discharge Based on a Physician Certification

If a doctor of medicine or osteopathy, legally authorized to practice in a state, certifies that the borrower, the comaker, or the endorser on a PLUS loan is totally and permanently disabled, the borrower’s, comaker’s or endorser’s obligation to repay all or a portion of the loan may be discharged. If a comaker on a joint Consolidation loan is determined to be totally and permanently disabled, the disabled comaker’s underlying loans are discharged but the disabled comaker and the non-disabled comaker both remain jointly and severally liable for repayment of the balance of the loan. For a comade PLUS loan, if one comaker is determined to be totally and permanently disabled, that comaker’s obligation on the loan is discharged and the non-disabled comaker assumes responsibility for repayment of the entire loan balance. If the lender has begun collection activities with respect to the endorser’s obligation on a PLUS loan, and if the endorser is determined to be totally and permanently disabled, the endorser’s obligation on the loan is discharged and the primary borrower assumes sole responsibility for repayment of the entire loan balance. [§682.402(a)(2) and (3)]

For these purposes, a borrower, comaker, or endorser is considered totally and permanently disabled if he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that meets any one of the following criteria:

- Can be expected to result in death.
- Has lasted for a continuous period of not less than 60 months.
- Is expected to last for a continuous period of not less than 60 months.

Substantial gainful activity is defined as a level of work performed for pay or profit that involves doing significant physical or mental activities, or combination of both. “For

¹ Policy 1307 (Batch 202), approved April 16, 2015
“profit” is intended to cover self-employed individuals who are not paid by an employer. It does not refer to income from sources other than employment. Non-employment income will not be considered when determining whether a borrower is capable of substantial gainful activity. [§682.200(b); Federal Register dated July 23, 2009, p. 36559]

If a borrower, comaker, or endorser receives a new TEACH grant or a new Title IV loan (with the exception of a Consolidation loan that does not include any loans that are in a conditional discharge status or post-discharge monitoring period) during the 3-year conditional discharge period or the 3-year post-discharge monitoring period, as applicable, the borrower, comaker, or endorser is not eligible for discharge on the loan on which he or she is a signatory or any loan made prior to that date. (See explanations of the terms “conditional discharge status” and “post-discharge monitoring period” later in this subsection under the subheading “Discharge Based on a Determination of Total and Permanent Disability.”)

If a borrower, comaker, or endorser received a TEACH grant or Title IV loan prior to the date the physician certified the borrower’s discharge application and a disbursement of that loan or grant is made during the period from the date of the physician’s certification until the date the Department grants a discharge, the Department will suspend processing of the borrower’s loan discharge request until the borrower ensures that the full amount of the disbursement has been returned to the loan holder or to the Department, as applicable. If the full amount of the disbursement is not returned, the Department will deny the total and permanent disability (TPD) loan discharge application. If the borrower, comaker, or endorser receives a new loan or TEACH grant after the date that the borrower became disabled and while the TPD loan discharge application is being reviewed, the Department will deny the discharge application and will instruct all holders of the borrower’s loans to return those loans to repayment. [§682.402(c)(4)-(5); §685.213(b)(5)]

The Department may require the borrower to submit additional medical evidence if it determines that the borrower’s application does not conclusively prove that the borrower is totally and permanently disabled. As part of the Department’s review of the borrower’s discharge application, the Department may arrange for an additional review of the borrower’s condition by an independent physician at no expense to the borrower. [§682.402(c)(3)(ii); §685.213(b)(4)(ii)]

### Discharge When Guarantee Is Lost

If there have been servicing errors on the loan such that the loan has lost its guarantee, and those violations were not cured before the date the Department determined that the borrower was totally and permanently disabled, the lender must discharge the loan—even though the balance will not be reimbursed by the guarantor. [§682, Appendix D, I.E.2]

### Discharge Based on a Determination of Total and Permanent Disability

Total and permanent disability loan discharge applications submitted on or after July 1, 2013, are submitted to the Department. If the Department determines that the borrower, comaker, or endorser meets the criteria for a total and permanent disability loan discharge, it will advise the lender to file a claim with the guarantor.

If the borrower has been approved for TPD under the standard process and the loan has not lost the guarantee, the loan will be assigned or, in the case of a comade Consolidation loan, referred to the Department after claim payment. Otherwise, if the borrower has been approved for a TPD loan discharge based on a VA determination and the loan has not lost the guarantee, the guarantor will pay the claim and the loan is not assigned or referred to the Department.

If the Department determines that the certification and information provided by the borrower, comaker, or endorser do not support the conclusion that he or she meets the criteria for a total and permanent disability loan discharge, the Department notifies the borrower, comaker, or endorser that the application for a total and permanent disability loan discharge has been denied and that the loan is due and payable under the terms of the promissory note. The Department notifies the lender of its determination and the lender must return the loans to repayment status, or other appropriate status based on other factors. [§682.402(c)(3)(v); §685.213(b)(4)]

### For a Total and Permanent Disability Loan Discharge Application

For a total and permanent disability loan discharge application received on or after July 1, 2002, through June 30, 2010, a borrower who met certain eligibility criteria received an initial disability determination and was placed in a 3-year conditional discharge status. For a total and permanent disability loan discharge application

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1. Policy 1307 (Batch 202), approved April 16, 2015
13.8.G Total and Permanent Disability

received on or after July 1, 2010, a borrower who meets certain eligibility criteria receives a loan discharge and is placed in a 3-year post-discharge monitoring period.

**Post-Discharge Monitoring Period**

If the Department makes a determination that the borrower, comaker, or endorser is totally and permanently disabled, the Department places the loan(s) into a post-discharge monitoring period that will last for 3 years after the date the Department grants the discharge. (TPD determinations made based on VA documentation are not subject to the post-discharge monitoring requirement.)

The Department’s notification identifies the following conditions that apply during the 3-year post-discharge monitoring period:

- The disabled borrower, comaker, or endorser must promptly notify the Department of any changes in his or her address or phone number.
- The disabled borrower, comaker, or endorser must promptly notify the Department if his or her annual earnings from employment exceed 100% of the poverty guideline for a family of two as determined by the Department of Health and Human Services (HHS).
- The disabled borrower, comaker, or endorser must provide the Department, upon request, with documentation of his or her annual earnings from employment.
- If the TPD determination is made based on SSA documentation, the borrower must notify the Department if he or she receives notice from the Social Security Administration that the borrower is no longer considered disabled or that the borrower’s continuing disability review will no longer fall into the five- to seven-year period otherwise indicated on the SSDI or SSI benefit notice originally submitted with the total and permanent disability discharge application. [§682.402(c)(5); §682.402(c)(6)(i); §682.402(c)(7); §685.213(b)(7)(i); §685.213(b)(8)]

**NSLDS Reporting during Post-discharge Monitoring Period for Comade Loans**

In cases where a comaker of a joint Consolidation or PLUS loan has applied for a total and permanent disability loan discharge, the lender must ensure accurate reporting to the guarantor for NSLDS purposes. The lender must report the correct status of the non-dischargeable portion to the guarantor for subsequent reporting to the NSLDS in a timely manner. The NSLDS currently reports joint Consolidation loans and comade PLUS loans under one primary borrower only. However, to ensure proper reporting during the post-discharge monitoring period, the lender should report the non-dischargeable portion under the non-disabled borrower’s name and Social Security number (SSN) to the guarantor. If the borrower on record with the guarantor and the NSLDS is the disabled borrower, the guarantor’s records and the NSLDS must be updated to reflect the non-disabled borrower as the borrower of record. If the discharge is denied, the lender may resume reporting the full balance of the loan under the borrower currently being reported. If a final discharge is granted, the lender continues to report the non-discharged portion of the Consolidation loan under the non-disabled borrower’s name and SSN.
Total and Permanent Disability Loan Discharge Payment

If the Department determines that the borrower, comaker, or endorser meets the criteria, the Department will advise the lender to file a claim with the guarantor. The guarantor will take the following actions, as appropriate:

- For a loan made solely to a single borrower, the guarantor will pay the lender the remaining balance on the loan, and, under the standard process, assign the loan to the Department. Under the VA process, the guarantor will pay the claim but does not assign the loan.

- If the borrower satisfies the criteria for a total and permanent disability loan discharge, the Department discharges the balance of the loan and the loan holder returns to the person who made the payments any that were received after the date of disability as provided by the Department (on or after date of disability, if based on VA documentation). The discharge and return of payments are made before the loan enters the post-discharge monitoring period. [§682.402(c)(3)(iii); §685.213(b)(4)(iii)]

- For a comade (spousal) Consolidation loan, the guarantor will pay the lender the amount that represents the disabled comaker’s portion of the Consolidation loan. If the discharge was made under the standard process, the guarantor will refer the loan to the Department for monitoring of the comaker during the post-discharge monitoring period. The loan is not referred under the VA process.

- For a comade PLUS loan or a PLUS loan with an endorser where the endorser is the party applying for the loan discharge, the guarantor will not remit a claim payment to the lender but will correct any applicable records to remove the endorser or comaker information. If the discharge was granted under the standard process, the guarantor will refer the loan to the Department for monitoring of the borrower or endorser, as applicable, during the post-discharge monitoring period. The loan is not referred under the VA process.

Timely Filing Deadline for Total and Permanent Disability Claims

A lender must file a disability claim within 60 days of receiving notice from the Department that the borrower’s discharge application has been approved. If a disability claim is not filed by the 60th day, the guarantor will still purchase the claim—unless prior servicing violations were not cured appropriately. However, the claim will be subject to an interest penalty, and the lender will be required to repay all interest benefits and special allowance payments for amounts received or otherwise payable after the expiration of the 60-day deadline. [§682.402(g)(2)(ii)]

Resuming Loan Servicing on Comade or Endorsed Loans

If the Department grants a final discharge to a comaker for a portion of a Consolidation loan, the lender must resume collection activities on the remaining loan balance, collecting that balance from both the disabled and non-disabled comakers spouses. If the Department denies the final loan discharge, the lender must refund to the guarantor the amount of the discharge payment previously received and return the loan to repayment with the corrected the loan balance and continue collection activities. No interest accrues on the disabled comaker’s portion of the loan during the conditional discharge period.

If the Department grants a final discharge to a comaker of a PLUS loan, there is no reduction of the loan’s principal and the lender must resume continue loan collection activities on the full loan amount. The disabled comaker’s obligation on the loan is discharged and the lender may bill must only bill the non-disabled comaker. If the Department denies the final discharge, the lender must resume continue collection activities with both comakers.

If the Department grants a final discharge for a PLUS loan endorser, the endorser’s obligation on the loan is discharged and the primary borrower assumes sole responsibility for repayment of the entire loan balance. If the Department denies the final discharge, the lender may resume billing both the borrower and endorser, as appropriate. 1

Treatment of Payments

If the lender receives a payment from or on behalf of the borrower after the date the physician completed and certified the discharge application but before the lender receives the claim payment, the lender must hold the payment. After the lender receives the claim payment, the lender must forward the payment to the guarantor. [§682.402(c)(8)(i)(C); §685.213(b)(4)(iii)]

1. Policy 1307 (Batch 202), approved April 16, 2015
LaRS Special Allowance and Interest Rate Reporting For FFELP Loans

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<th>Loan Type Code</th>
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Special Allowance Codes - For loans made or purchased with taxable funds or tax-exempt funds not subject to the maximum/minimum rates

SA: All loans first disbursed prior to 10-1-1981. (Formula: Average 91-day Tbill + 3.50% - Interest Rate / 4, rounded up to the nearest 1/8 percent)
SC: All loans first disbursed during sequester periods (1st quarter after first disbursement). These sequester periods included April 1, 1986 through September 30, 1988 and January 1, 1989 through December 31, 1989. (Formulas no longer in effect)
SE: All loans first disbursed on or after October 1-1994 through September 30, 1994, and consolidation loans based on applications received by the lender prior to June 13, 1997. (Formula: Average 91-day Tbill + 3.10% - Interest Rate / 4)
SH: All Stafford loans first disbursed on or after July 1-1995 through June 30, 1998 while in a status other than in-school, grace, or deferment status. (Formula: Average 91-day Tbill + 2.50% - Interest Rate / 4)
SL: All Stafford loans first disbursed on or after July 1-1998 through December 31, 1999 while in a status other than in-school, grace, or deferment status. (Formula: Average 91-day Tbill + 2.80% - Interest Rate / 4)
CA: All Stafford loans first disbursed on or after June 30, 2000 through January 1, 2001 while in school, grace, or deferment status. (Formula: Average 3-month CP + 1.74% - Interest Rate / 4, subject to excess interest rebates)  
LA: All Stafford loans first disbursed on or after July 1-2000 through January 1, 2001 while in school, grace, or deferment status. (Formula: Average 3-month LIBOR + 1.74% - Interest Rate / 4)
CC: Consolidation loans based on applications received by the lender on or after January 1, 2000 through December 31, 2000 (inclusive). (Formula: Average 3-month CP + 2.64% - Interest Rate / 4)
LC: Consolidation loans based on applications received by the lender on or after January 1, 2001 through December 31, 2001 (inclusive). (Formula: Average 1-month LIBOR + 2.64% - Interest Rate / 4)
CE: All Stafford loans first disbursed on or after April 1, 2001 through September 30, 2007 while in school, grace, or deferment status. (Formula: Average 3-month CP + 1.74% - Interest Rate / 4, subject to excess interest rebates)  
LE: All Stafford loans first disbursed on or after April 1, 2001 through September 30, 2007 while in a status other than in-school, grace, or deferment status. (Formula: Average 3-month LIBOR + 1.74% - Interest Rate / 4, subject to excess interest rebates)
CG: Consolidation loans first disbursed on or after April 1, 2001 through September 30, 2007. (Formula: Average 3-month CP + 2.64% - Interest Rate / 4, subject to excess interest rebates)
LG: Consolidation loans first disbursed on or after April 1, 2001 through September 30, 2007. (Formula: Average 1-month LIBOR + 2.64% - Interest Rate / 4, subject to excess interest rebates)
CI: All Stafford loans first disbursed on or after October 1-2007 through December 30, 2010 while in school, grace, or deferment status. (Formula: Average 3-month CP + 1.19% - Interest Rate / 4, subject to excess interest rebates)  
LI: All Stafford loans first disbursed on or after October 1-2007 through December 30, 2010 while in a status other than in-school, grace, or deferment status. (Formula: Average 3-month LIBOR + 1.19% - Interest Rate / 4, subject to excess interest rebates)
CK: Consolidation loans first disbursed on or after October 1-2007 through December 30, 2010, including loans held by an ENFP. (Formula: Average 3-month CP + 2.24% - Interest Rate / 4, subject to excess interest rebates)
LK: Consolidation loans first disbursed on or after October 1-2007 through December 30, 2010, including loans held by an ENFP. (Formula: Average 1-month LIBOR + 2.24% - Interest Rate / 4, subject to excess interest rebates)

Prepared by the SCHER Program Regulations Committee

Appendix A: Interest Benefits and Special Allowance—April 2015

Figures and charts are present in the document, and the text provides a breakdown of various loan types, special allowance factors, and formulas used for calculating interest rates. The document includes specific dates and formulas for calculating interest rates based on different loan disbursement periods and status changes.
LaRS Special Allowance and Interest Rate Reporting for FFELP Loans (continued)

<table>
<thead>
<tr>
<th>Special Allowance Codes - For loans made or purchased with tax exempt funds subject to the minimum/maximum rules4</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA All loans first disbursed prior to 10-1-1980. (Formula: Average 91-day Tbill + 3.50% - Interest Rate / 4, rounded up to the nearest 1/8 percent)</td>
</tr>
<tr>
<td>XB All loans first disbursed on/after 10-1-1981 through 9-30-1992. (Formula: Average 91-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)</td>
</tr>
<tr>
<td>XE All loans first disbursed on/after 10-1-1992 through 6-30-1994, and consolidation loans based on applications received by the lender prior to 11-13-1997. (Formula: Average 91-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)</td>
</tr>
<tr>
<td>XH All Stafford loans first disbursed on/after 7-1-1995 through 6-30-1998 while in school, grace, or deferment, and PLUS loans first disbursed on/after 7-1-1998 through 3-31-20065, for quarters prior to 4-1-2006. (Formula: Average 91-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)</td>
</tr>
<tr>
<td>XK All Stafford loans first disbursed on/after 7-1-1998 through 3-31-20065,7 while in a status other than in-school, grace or deferment. (Formula: Average 91-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)</td>
</tr>
<tr>
<td>XM All Stafford loans first disbursed on/after 4-1-2006 through 6-30-2010 while in school, grace, or deferment, held by lenders eligible for the HERA of 2005 special exemptions. (Formula: Average 91-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)</td>
</tr>
<tr>
<td>XO Consolidation loans first disbursed on/after 4-1-2006 through 6-30-2010, held by lenders eligible for the HERA of 2005 special exemptions. (Formula: Average 91-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)</td>
</tr>
<tr>
<td>XQ PLUS loans first disbursed on/after 1-1-2000 through 3-31-20065,7, for quarters beginning on/after 4-1-2006, which loans would have been reported under the ‘XH’ category for quarters prior to 4-1-2006. (Formula: Average 91-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)</td>
</tr>
</tbody>
</table>

Interest Rate Codes

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>.07</td>
<td>Fixed-rate Stafford loans for borrowers who acquired their first loan for a period of enrollment that began prior to 1-1-1981.</td>
</tr>
<tr>
<td>Fixed</td>
<td>All fixed-rate Stafford, FISL, PLUS, SLS, and ALAS loans made prior to 7-1-1994, other than the Stafford loans listed above, and all Consolidation loans based on applications received by the lender prior to 11-13-1997. Report the applicable rate with two decimal places.</td>
</tr>
<tr>
<td>.02</td>
<td>Stafford loans at a fixed rate of 7% or less.</td>
</tr>
<tr>
<td>Fixed</td>
<td>Consolidation loans based on applications received by the lender on or after 10-1-1998 where the fixed interest rate is a weighted average of the underlying loan interest rates rounded up to the nearest 1/8 of a percent. Report the applicable fixed interest rate of the loan with five decimal places.</td>
</tr>
<tr>
<td>CVAR</td>
<td>PLUS loans and SLS loans made prior to 7-1-1987 that were refinanced to a calendar-year variable rate, where the interest rate changes each January 1.</td>
</tr>
<tr>
<td>VAR</td>
<td>PLUS and SLS loans with first disbursements made on or after 7-1-1987, but before 10-1-1992, and PLUS and SLS loans made prior to 7-1-1987 that were refinanced to a standard variable rate, where the interest rate changes each July 1.</td>
</tr>
<tr>
<td>EVAR</td>
<td>All EELP Stafford, PLUS, and SLS loans that were guaranteed as variable rate loans with first disbursements on or after 10-1-1992, where the interest rate changes each July 1, and Subsidized Stafford and PLUS loans issued prior to 7-1-1987 and after 10-1-1992.</td>
</tr>
<tr>
<td>FVAR#</td>
<td>Stafford loans that were originally guaranteed as fixed rate loans, but were converted to a variable rate, where the interest rate now changes each July 1. Includes 8/10% loans except for those that fall under the FVARX category. FVAR# includes FVAR7, FVAR8, FVAR9, FVAR10.</td>
</tr>
<tr>
<td>FVARX</td>
<td>FFELP Stafford loans with an 8/10% interest rate first disbursed on prior borrowers on or after 7-23-1992 but before 10-1-1992, when such loans reach the 49th month of repayment and beyond.</td>
</tr>
<tr>
<td>.068</td>
<td>Stafford loans (subsidized and unsubsidized) made on or after 7-1-2006 (except subsidized Stafford loans made to undergraduate students as noted below)</td>
</tr>
<tr>
<td>.085</td>
<td>All PLUS loans (parent and Grad) made on or after 7-1-2006.</td>
</tr>
<tr>
<td>.060</td>
<td>Subsidized Stafford loans made to undergraduate students on or after 7-1-2008 through 6-30-2009.</td>
</tr>
<tr>
<td>.060*</td>
<td>All FFELP loan types first disbursed on or after 7-1-2008 that are subject to the SCRA interest rate limitation.</td>
</tr>
<tr>
<td>.056</td>
<td>Subsidized Stafford loans made to undergraduate students on or after 7-1-2009 through 6-30-2010.</td>
</tr>
</tbody>
</table>
LaRS Special Allowance and Interest Rate Reporting for FFELP Loans (continued)

<table>
<thead>
<tr>
<th>Subsidized Stafford</th>
<th>Unsubsidized Stafford</th>
<th>PLN²</th>
<th>SLS³</th>
<th>Consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable</td>
<td>Tax-exempt¹</td>
<td>Taxable</td>
<td>Tax-exempt¹</td>
<td>Taxable</td>
</tr>
<tr>
<td>SA SF .07</td>
<td>SA SF .07</td>
<td>SE SU .07</td>
<td>XE SU .07</td>
<td>SA PL .09</td>
</tr>
<tr>
<td>SA SF .09</td>
<td>XA SF .07</td>
<td>SE SU .09</td>
<td>XE SU .09</td>
<td>SB PL .14</td>
</tr>
<tr>
<td>SB SF .07</td>
<td>XB SF .07</td>
<td>SE SU EVAR</td>
<td>XE SU EVAR</td>
<td>SB PL CVAR</td>
</tr>
<tr>
<td>SB SF .08</td>
<td>XB SF .08</td>
<td>SE SU FVAR7</td>
<td>XE SU FVAR7</td>
<td>SC PL .12</td>
</tr>
<tr>
<td>SB SF .09</td>
<td>XB SF .09</td>
<td>SE SU FVAR8</td>
<td>XE SU FVAR8</td>
<td>SC PL VAR</td>
</tr>
<tr>
<td>SC SF .07</td>
<td>SC SF .07</td>
<td>SC SF .09</td>
<td>SC SF .10</td>
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<tr>
<td>SC SF .08</td>
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<td>SC SF .10</td>
<td>SC SF .10</td>
</tr>
</tbody>
</table>

Prepared by the NCHER Program Regulations Committee
Aug 2014

Appendix A: Interest Benefits and Special Allowance—April 2015
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### LaRS Special Allowance and Interest Rate Reporting for FFELP Loans (continued)

<table>
<thead>
<tr>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stafford Nonsubsidized and FFEL Nonsubsidized loans disbursed prior to 10-1-1981 are included within SF loan types.</td>
</tr>
<tr>
<td>2. Loans disbursed prior to 10-17-1986 and unable to be distinguished from PLUS (parent) loans.</td>
</tr>
<tr>
<td>3. Loans disbursed prior to 10-17-1986 and able to be distinguished from PLUS (parent) loans.</td>
</tr>
<tr>
<td>4. Loans originally made or purchased with tax-exempt funds originally issued prior to 10-1-1993 receive ½ the regular special allowance rate but not less than 9.5% minus the applicable interest rate. Loans made or purchased with tax-exempt funds originally issued on or after 10-1-1993, loans held in tax-exempt bond issues that were refunded on or after 10-1-2004, and loans made or purchased on or after 2-8-2006 regardless of funding source (except those held by lenders eligible for the HERA of 2005 special exemptions), receive regular special allowance and must be reported using the taxable special allowance codes.</td>
</tr>
<tr>
<td>5. PLUS and SLS loans first disbursed on/after 7-1-1987 but before 1-1-1994, and PLUS loans first disbursed on/after 7-1-1998 but before 1-1-2000 do not receive any special allowance if the annual interest rate calculation does not exceed the applicable maximum interest rate. PLUS loans first disbursed on/after 1-1-2000 will receive special allowance for quarters beginning 4-1-2006, even if the annual interest rate calculation does not exceed the applicable maximum interest rate.</td>
</tr>
<tr>
<td>6. Eligible Not-For-Profit (ENFP) holders may receive the increased Special Allowance Factor on loans made on or after October 1, 2007 if they meet the statutory and regulatory requirements for ENFP holders and are designated as such in the Department of Education’s Lender Reporting System (LaRS).</td>
</tr>
<tr>
<td>7. The HERA created a special exception for loans made or purchased through December 31, 2010, if the holder (1) Was, as of February 8, 2006, and during the quarter for which the special allowance is paid, a unit of the state or local government or a nonprofit private entity; (2) Was, as of February 8, 2006, and during the quarter, not owned or controlled by, or under the common ownership or control with, a for-profit entity; and (3) Held, directly or through any subsidiary, affiliate, or trustee, a total unpaid balance of principal equal to or less than $100 million on loans for which special allowances were paid under section 438(b)(2)(B) in the most recent quarterly payment prior to September 30, 2005. Loans eligible for this special exception must have been first disbursed on or after April 1, 2006 but before July 1, 2010.</td>
</tr>
<tr>
<td>8. FFELP loans first disbursed on/after 7-1-2008 must be reported at the 6% rate when a borrower’s interest rate is limited to 6% under the Servicemembers Civil Relief Act if the loan’s applicable rate is higher than 6%. This also includes subsidized Stafford loans to graduates that have a 6.8% applicable rate.</td>
</tr>
<tr>
<td>9. Section 309(e) of the Consolidated Appropriations Act, 2012 (Public Law 112-74) amended section 438(b)(2)(B) of the HEA to allow lenders or beneficial owners of FFEL Program loans to substitute the 1-month London Inter Bank Offered Rate (LIBOR) for the 3-month commercial paper rate for the purposes of Special Allowance Payment calculations on certain FFEL Program loans, for the calendar quarter beginning April 1, 2012 and each subsequent quarter. All loans for which the first disbursement was made on or after January 1, 2000 and before July 1, 2010 are eligible for the LIBOR calculation if a valid waiver was filed with the Department by the April 1, 2012 deadline.</td>
</tr>
</tbody>
</table>