Summary of Changes Approved through April 2017

This summary lists changes made since the 2016 Annual Update of the Common Manual. Change bars denote the latest policy changes, which were approved January 19, February 16, March 16, and April 20, 2017. Changes made before the 2016 Annual Update are noted in Appendix H.

<table>
<thead>
<tr>
<th>Common Manual Section</th>
<th>Description of Change</th>
<th>Effective Date/Triggering Event</th>
<th>Policy/Batch</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chapter 2: About the FFELP</strong></td>
<td>Accounts for the Department discontinuing the Public Service Deferment Request (PUB), the Parental Leave/Working Mother Deferment Request (PLWM), and the Education Related Deferment Request (EDU) deferment forms. Also, the Department eliminated the Student in Rehabilitation Training deferment type from the Parent PLUS Borrower Deferment Request (PLUS). The Department created two new deferment request forms, Graduate Fellowship Deferment Request (GFL) and Rehabilitation Training Deferment Request (RHT), and provided guidance on the documentation that the lender must collect should a borrower request to defer loan repayment based on a deferment for which there is no longer an OMB-approved form. They also provided guidance on requirements to consider a deferment form complete. Incorporates revisions to the Deferment Eligibility Chart, Figure 11-1 to align with these changes.</td>
<td>For deferments, revised forms provided to borrowers on or after June 1, 2016.</td>
<td>1316/207</td>
</tr>
<tr>
<td><strong>Chapter 6: School Certification</strong></td>
<td>Incorporates mention of the Reaffirmation Agreement, the new OMB-approved form that a borrower uses to reaffirm any debt that exceeds Stafford annual and/or aggregate loan limits.</td>
<td>For reaffirmation agreements provided to borrowers after March 30, 2016.</td>
<td>1314/206</td>
</tr>
<tr>
<td><strong>Chapter 7: Loan Origination</strong></td>
<td>Revised policy removes the fixed interest rates for FFELP Stafford loans first disbursed on or after July 1, 2010, as no new FFELP loans could be first disbursed on or after July 1, 2010. Revised policy adds the effective variable interest rates for FFELP Stafford loans from July 1, 2012 through June 30, 2017. Changes in FFELP variable interest rates on July 1, 2011 and thereafter.</td>
<td>Changes in FFELP variable interest rates on July 1, 2011 and thereafter.</td>
<td>1319/208</td>
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<td>Common Manual Section</td>
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<tr>
<td><strong>Chapter 11: Deferment and Forbearance</strong></td>
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<tr>
<td>11.1.B  Documentation Required for Authorized Deferment</td>
<td>Accounts for the Department discontinuing the Public Service Deferment Request (PUB), the Parental Leave/Working Mother Deferment Request (PLWM), and the Education Related Deferment Request (EDU) deferral forms. Also, the Department eliminated the Student in Rehabilitation Training deferral type from the Parent PLUS Borrower Deferment Request (PLUS). The Department created two new deferral request forms, Graduate Fellowship Deferment Request (GFL) and Rehabilitation Training Deferment Request (RHT), and provided guidance on the documentation that the lender must collect should a borrower request to defer loan repayment based on a deferral for which there is no longer an OMB-approved form. They also provided guidance on requirements to consider a deferral form complete. Incorporates revisions to the Deferment Eligibility Chart, Figure 11-1 to align with these changes.</td>
<td>For deferrals, revised forms provided to borrowers on or after June 1, 2016.</td>
<td>1316/207</td>
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<td>11.2.B  Deferment Documentation—ACTION Program</td>
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<td>11.3.B  Deferment Documentation—Armed Forces</td>
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<td>11.5.B  Deferment Documentation—Graduate Fellowship</td>
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<td>11.7.B  Deferment Documentation—Internship/Residency</td>
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<td>11.9.B  Deferment Documentation—NOAA</td>
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<td>11.10.B  Deferment Documentation—Parental Leave</td>
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<td>11.11.B  Deferment Documentation—Peace Corps</td>
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<td>11.13.B  Deferment Documentation—Public Health Service</td>
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<td>11.15.B  Deferment Documentation—Tax-Exempt Organization Volunteer</td>
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<td>11.16.B  Deferment Documentation—Teacher Shortage Area</td>
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<td>11.17.B  Deferment Documentation—Temporary Total Disability</td>
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<tr>
<td>11.20.B  Documentation Required for Authorized Forbearance</td>
<td>Explains the Department’s guidance related to the completion of OMB-approved common forbearance request forms, and incorporates the forms into the Forbearance Eligibility Chart.</td>
<td>For mandatory forbearance forms distributed on or after June 1, 2016, and discretionary (general) forbearance forms distributed on or after July 1, 2016.</td>
<td>1317/207</td>
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<tr>
<td>Figure 11-2  Forbearance Eligibility Chart</td>
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<tr>
<td>11.22  Discretionary Forbearance</td>
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<tr>
<td>11.21.F  Death</td>
<td>Allows two additional types of documentation for a death discharge. Those are an accurate and complete original or certified copy of the death certificate that is scanned and submitted electronically or by facsimile transmission, or verification of the borrower’s or student’s death through an authoritative Federal or State electronic database approved for use by the Department.</td>
<td>For death discharge applications and claims received on or after July 1, 2017.</td>
<td>1321/209</td>
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<tr>
<td>11.23.A  Death</td>
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<tr>
<td>Common Manual Section</td>
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<td>11.23.D  Teacher Loan Forgiveness</td>
<td>Revised policy adds to Subsection 11.23.D an additional cross-reference to Subsection 11.24.C where the other TLF forbearance type is explained. In addition, revised policy in Subsection 11.24.C includes reference to the OMB-approved mandatory forbearance request forms, and new subheadings provide clarity on which eligibility criteria pertain to each forbearance type. Revisions also include additional regulatory citations.</td>
<td>For mandatory forbearance forms distributed on or after June 1, 2016.</td>
<td>1318/208</td>
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<tr>
<td>11.24.C  National Service, Loan Forgiveness, Department of Defense Repayment, or Active Military State Duty</td>
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<tr>
<td>Chapter 13: Claim Filing, Discharge, and Forgiveness</td>
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<tr>
<td>13.1.D  Claim File Documentation</td>
<td>Allows two additional types of documentation for a death discharge. Those are an accurate and complete original or certified copy of the death certificate that is scanned and submitted electronically or by facsimile transmission, or verification of the borrower's or student's death through an authoritative Federal or State electronic database approved for use by the Department.</td>
<td>For death discharge applications and claims received on or after July 1, 2017.</td>
<td>1321/209</td>
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<tr>
<td>13.1.E  Missing Claim File Documentation</td>
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<td>13.8.C  Death</td>
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<tr>
<td>Figure 13-4 Timely Filing Deadlines for Claims and Discharges*</td>
<td>Revises the cross-reference about not yet disbursed or partially disbursed loans when the lender receives a bankruptcy notice.</td>
<td>Retroactive to July 1, 2010.</td>
<td>1315/206</td>
</tr>
<tr>
<td>13.8.A  Bankruptcy</td>
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<tr>
<td>Appendix H: History of the FFELP and the Common Manual</td>
<td>Revised policy removes the fixed interest rates for FFELP Stafford loans first disbursed on or after July 1, 2010, as no new FFELP loans could be first disbursed on or after July 1, 2010. Revised policy adds the effective variable interest rates for FFELP Stafford loans from July 1, 2012 through June 30, 2017.</td>
<td>Changes in FFELP variable interest rates on July 1, 2011 and thereafter.</td>
<td>1319/208</td>
</tr>
<tr>
<td>Figure H-1 Summary of Variable-Rate Conversion Provisions</td>
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</tbody>
</table>
7.4 Establishing Stafford Loan Interest Rates

The Stafford loan interest rate varies, based on the date the loan was first disbursed. In addition, a Stafford loan made to a borrower who subsequently enters qualifying military service may be eligible for a reduced interest rate. See Subsections 7.4.B and 10.9.B for more information.

7.4.A Current Stafford Interest Rates

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

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

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

- Compare all of its borrowers against the DMDC database at least monthly to accurately identify borrowers eligible for the SCRA interest rate reduction.
- Charge eligible borrowers interest of no more than 6% during periods of eligible service. This may include beginning, extending, or ending the borrower’s period of eligibility based on new start or end date information.
- For each reservist and Guard member, use the Order Notification Start Date.
- Send written notification of the interest rate reduction to the borrower within 30 days of changing the interest rate.

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

- A copy of military orders.
- A certification of the borrower’s service by an authorized official on a Department of Education–approved form.

If the lender determines that the DMDC information does not match the acceptable alternative evidence provided, the lender must apply the interest rate reduction for the longest

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1. Policy 1319 (Batch 208), approved January 19, 2017
7.4.C Previous Stafford Interest Rates

Period for which the borrower is eligible using the earliest start date and latest end date provided by a combination of the DMDC data and the acceptable alternative evidence. For a reservist or Guard member, the lender must use the order notification date as the start date of the military service period.

[HEA §428(d); DCL GEN-08-12/FP-08-10; §682.208(j)(4)]

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

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

Also, a lender may choose to charge a borrower an interest rate that is lower than the maximum interest rate permitted by statute (the statutory rate). If the lender charges a lower rate, the lender must ensure that reports issued to the Department (such as the Lender’s Interest and Special Allowance Request and Report [LaRS report]) are adjusted. See Appendix A for more information on LaRS reporting.

If a lender chooses to charge a lower interest rate, it must notify the borrower, at the time a lower interest rate is offered, that the lower interest rate ends on the date a default or ineligible borrower claim is purchased by the guarantor. The revocation of the lower interest rate at the point of default does not apply to an interest rate that is reduced as a result of the SCRA. The lender may provide this information in any format. Documentation of the notice must be maintained in the borrower’s file. A lender is encouraged to include this documentation (showing that the borrower was informed that the lower interest rate expires upon claim purchase) with default and ineligible borrower claim files. The lender will be required to provide this documentation if a borrower challenges the guarantor or the Department for charging the applicable statutory maximum interest rate during postclaim interest accrual. If the issue goes to court and the decision is in favor of the borrower such that the loan is unenforceable at the statutory maximum interest rate, the lender will be required to repurchase the loan and the guarantee will be withdrawn permanently. The lender may be required to reimburse the guarantor for any court costs or court-imposed fines or penalties.

7.4.C

Previous Stafford Interest Rates

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

The interest rate on all Stafford loans first disbursed on or after July 1, 1994, through June 30, 2006, is a variable rate not to exceed 8.25%. The variable interest rate is adjusted annually on July 1, and remains in effect through June 30 of the following year. (Refer to Figure 7-1 for information on the calculation of the applicable interest rates.)

[HEA §427A(f); HEA §427A(g); HEA §427A(j)(1) and (2); HEA §427A(k)(1) and (2)]

The interest rate on any Stafford loan first disbursed before July 1, 1994, was based on whether the borrower was a “new borrower.” For purposes of FFELP loans, a “new borrower” is any borrower who had no outstanding balance on a FFELP loan on the date he or she signed the promissory note for a FFELP loan. For loans disbursed before July 1, 1994, if the borrower had an outstanding balance on a Stafford loan on the date the borrower signed the application and promissory note, the borrower’s new loan carried the same interest rate as the outstanding loans.

Some fixed-rate Stafford loans have been converted to variable interest rates in accordance with excess interest rebate provisions of the Higher Education Amendments of 1986 and the Higher Education Amendments of 1992. For more information on these provisions, see Section H.2.

### Stafford Loan Interest Rates

**Disbursement/Loan Period/Borrower Characteristics**  
**Interest Rate**

<table>
<thead>
<tr>
<th>Disbursement/Loan Period/Borrower Characteristics</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First disbursement on/after 7/1/06</td>
<td>Fixed interest rate of 6.8%</td>
</tr>
<tr>
<td>Subsidized Stafford loans made to undergraduate borrowers and first disbursed as follows:</td>
<td></td>
</tr>
<tr>
<td>• On or after July 1, 2008, and before July 1, 2009</td>
<td>• Fixed interest rate of 6%</td>
</tr>
<tr>
<td>• On or after July 1, 2009, and before July 1, 2010</td>
<td>• Fixed interest rate of 5.6%</td>
</tr>
<tr>
<td>• On or after July 1, 2010, and before July 1, 2011</td>
<td>• Fixed interest rate of 4.5%</td>
</tr>
<tr>
<td>• On or after July 1, 2011, and before July 1, 2012</td>
<td>• Fixed interest rate of 3.4%</td>
</tr>
</tbody>
</table>

1. Policy 1319 (Batch 208), approved January 19, 2017
11.21.D
False Certification as a Result of the Crime of Identity Theft

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 individual named as the borrower) that an individual may be eligible for a false certification loan discharge as a result of the crime of identity theft, the lender must grant an administrative forbearance on any potentially eligible loan for a period not to exceed 60 days, beginning no earlier than the date that the loan discharge eligibility requirements are sent to the individual. If the individual fails to return the discharge documentation within the required time frame, the lender must end the administrative forbearance and the loan’s delinquency resumes at the point at which collection activity was suspended. [$682.211(f)(8); §682.402(e)(12); §685.215(d)(2)]

If a lender receives a valid identity theft report (as defined in Section 603(g)(4) of the Fair Credit Reporting Act) or notification from a nationwide consumer reporting agency that a borrower’s loan may have been the result of the crime of identity theft, the lender may grant an administrative forbearance for a period not to exceed 120 days while the lender determines the legal enforceability of the loan. [$682.211(f)(6)]

In addition, the lender may grant an administrative forbearance for periods needed by the Department or the guarantor to determine the individual’s eligibility for discharge because of false certification as a result of identity theft (see Subsection 13.8.E for information regarding false certification loan discharge as a result of identity theft). If the discharge is denied, the lender must resume collection activity on the loan within 30 days of the lender’s receipt of the denial notice from the guarantor. The lender may capitalize interest accrued during the forbearance period and the loan’s delinquency resumes at the point at which collection activity was suspended. [$682.402(e)(7)(iii)]

The lender must clearly indicate in the servicing history that an administrative forbearance was granted due to the borrower’s potential eligibility for loan discharge for false certification as a result of the crime of identity theft.

11.21.E
Cures

The lender may grant an administrative forbearance from the date of the earliest unexcused violation to the date the lender receives a full payment or new repayment agreement that is signed by the borrower to reinstate the guarantee on the loan.

11.21.F
Death

If a lender receives reliable but unofficial notification of a borrower’s death, or the death of a student for whom a PLUS loan was made in the case of a PLUS loan or a Consolidation loan that paid in full a PLUS loan, the lender must suspend collection activity on the loan for a period of up to 60 days, until the lender receives documentation of the death or verifies the death through an authoritative Federal or State database approved for use by the Department. If the lender needs time in addition to the initial 60-day mandatory administrative forbearance period to obtain documentation of the death, the lender may grant an administrative forbearance on the loan for up to an additional 60 days, for a total suspension of collection activity of up to 120 days. This forbearance does not require a written request but the lender must send a notice to the borrower’s or endorser’s address stating that such a forbearance was granted.

See Subsection 11.23.A for mandatory administrative forbearance requirements regarding death discharges. See Subsection 13.8.C for information on claim filing procedures for loans that are eligible for discharge or partial discharge due to a borrower’s death, or the death of a student for whom a PLUS loan was made in the case of a PLUS loan or a Consolidation loan that paid in full a PLUS loan. [$682.211(f)(7); §682.402(b)(3)]

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1. Policy 1321 (Batch 209), approved February 16, 2017
11.23
Mandatory Administrative Forbearance

A lender must grant a mandatory administrative forbearance when applicable. This type of forbearance does not require the borrower’s request or a forbearance agreement between the lender and the borrower. As soon as feasible, the lender must notify the borrower or endorser that the lender has granted a forbearance and indicate the date that payments should resume. See Subsection 11.20.G for information regarding the notices that the lender must send when granting a forbearance and during the forbearance period.

Any outstanding delinquency that precedes the beginning date of a mandatory administrative forbearance period cannot be resolved by the mandatory administrative forbearance. See Subsection 11.21.G for more information about resolving a delinquency that precedes a mandatory administrative forbearance.

[HEA §428(c)(3); §682.211(i)(1) and (2)]

11.23.A
Death

The lender must grant a mandatory administrative forbearance after receiving reliable but unofficial notification that the borrower died, or in the case of a parent PLUS loan or a Consolidation loan that paid in full a parent PLUS loan, the student for whom a parent PLUS loan was made died. This mandatory administrative forbearance ends when the lender receives documentation of the death, or verifies the death through an authoritative Federal or State database approved for use by the Department, but in no case can it exceed 60 days. This type of forbearance does not require a request nor is the lender required to notify the borrower or endorser that such a forbearance was granted.

See Subsection 11.21.F for the administrative forbearance period applicable to death discharges. See Subsection 13.8.C for information on claim filing procedures for loans that are eligible for discharge or partial discharge due to a borrower’s death, or the death of a student for whom a PLUS loan was made in the case of a PLUS loan or a Consolidation loan that paid in full a PLUS loan.

[§682.211(i)(6); §682.402(b)(3)]

1. Policy 1321 (Batch 209), approved February 16, 2017

11.23.B
Exceptional Circumstances

For the following three types of forbearance, the lender is not required to notify the borrower or endorser at the time forbearance is granted, but must do so as soon as feasible (for more information about the content of the required notice, see Section 11.23). A mandatory administrative forbearance must be granted by the lender until the Department or the guarantor notifies the lender that the forbearance period no longer applies. The lender must grant a forbearance to a borrower or endorser during any period, and during the 30 days following the period, when the lender is notified by the Department that any of the following situations apply:

[§682.211(i)(2) and (3)]

Local or National Emergency

The lender must grant a forbearance for a local or national emergency. The lender may not require a borrower to submit a request for the forbearance or supporting documentation.

Military Mobilization

The lender must grant a forbearance for a military mobilization. A military mobilization is defined as a situation in which the U.S. Department of Defense orders members of the National Guard or the Reserves to active duty under Sections 688, 12301(a), 12301(g), 12302, 12304, and 12306 of Title 10, United States Code. A military mobilization also includes the assignment of other members of the Armed Forces to duty stations at locations other than the locations at which they are normally assigned, if the military mobilization involves the activation of the National Guard or the Reserves. The lender must require a borrower or endorser who requests forbearance because of a military mobilization to provide documentation showing that the borrower is subject to a military mobilization as described above.

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

Disaster

A lender must grant a forbearance for a borrower or endorser if the geographic area in which the borrower or endorser resides has been designated a disaster area by the President of the United States or Mexico, the Prime
Chapter 11: Deferment and Forbearance—April 2017

11.23.C Repayment Accommodation

A lender must grant a mandatory administrative forbearance to a borrower or endorser during a period when the borrower or endorser is making payments for a period of:

- Up to 3 years, in cases where the effect of a variable interest rate on a standard or graduated repayment schedule would result in a loan not being repaid within the maximum repayment period.

- Up to 5 years, in cases where the effect of decreased installment amounts paid under an income-sensitive repayment schedule would result in the loan not being repaid within the maximum repayment period.

For more information on repayment terms, see Section 10.6.

11.23.D Teacher Loan Forgiveness

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

- For a period not to exceed 60 days while the lender is awaiting a completed Teacher Loan Forgiveness Application from the borrower.

- For the period beginning on the date that the lender receives a completed Teacher Loan Forgiveness Application and ending on the date the lender receives a denial of the forgiveness application or the forgiveness amount from the guarantor.

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

1. Policy 1318 (Batch 208), approved January 19, 2017
11.24.C National Service, Loan Forgiveness, Department of Defense Repayment, or Active Military State Duty

The lender must grant forbearance in yearly increments—or a lesser period equal to the actual period during which the borrower is eligible—for any period during which the borrower meets one of the following four criteria:

National Service Position

- The borrower serves in a national service position for which the borrower receives a national service educational award under the National and Community Service Trust Act of 1993 (AmeriCorps). Before granting a forbearance to a borrower or endorser under this program, the lender must require the borrower or endorser to submit documentation of the beginning and ending dates for the period the borrower is serving in a national service position. There is no OMB-approved form for this forbearance. [§682.211(h)(2)(ii)(A)]

U.S. Department of Defense Student Loan Repayment Programs

- The borrower performs service that would qualify the borrower for partial loan repayment under the Student Loan Repayment Programs administered by the U.S. Department of Defense authorized under 10 U.S.C. 2171, 2173, 2174 or any other Department of Defense programs for repayment of student loans. Before granting a forbearance to a borrower or endorser under this program, the lender must require the borrower or endorser to submit documentation of the beginning and ending dates for which the U.S. Department of Defense considers the borrower to be eligible for a partial repayment of the borrower’s loan under the Student Loan Repayment Programs. The lender must forward to the borrower the Mandatory Forbearance Request: Medical Internship/Residency Program, National Guard Duty, or Department of Defense Loan Repayment Program (SERV) form. [§682.211(h)(2)(ii)(B); §682.211(h)(4)(ii); §682.215(e)(1)(i); DCL GEN-16-02]

Teacher Loan Forgiveness

- The borrower maintains eligibility for loan forgiveness under the Teacher Loan Forgiveness Program and, at the time of each annual request, the lender believes that the cancellation amount will satisfy the anticipated outstanding loan balance at the time of the expected cancellation. Before granting this forbearance to a borrower, the lender must forward the Teacher Loan Forgiveness Forbearance Request (TLFF) form to require the borrower or require the borrower to submit the following:
  - Documentation showing the beginning and anticipated ending dates of the period during which the borrower expects to perform the qualifying teacher service for that year (see Subsection 13.9.A).
  - A self-certifying statement of the borrower’s intent to satisfy the teacher loan forgiveness requirements. [§682.211(h)(2)(ii)(C); §682.211(h)(4)(iii); §682.215(e)(1)(i)]

National Guard Duty Active State Duty

- The borrower serves on active military state duty as a member of the National Guard (including a member in retired status) during a time when the governor activates National Guard personnel for active state duty for a period of more than 30 consecutive days, and the Guard’s activities are paid with state or federal funds. The forbearance is for a borrower who qualifies for a post-active duty student deferment, but who does not qualify for a military service deferment or other deferment while engaged in active military state duty (see Section 11.12 for more information on the post-active duty student deferment). The forbearance begins on the day after the end of the grace period for a Stafford loan that has not entered repayment, or begins on the day after the end of the in-school deferment for a FFELP loan in repayment. The lender must forward to the borrower the Mandatory Forbearance Request: Medical Internship/Residency Program, National Guard Duty, or Department of Defense Loan Repayment Program (SERV) form. [§682.211(h)(2)(iii); DCL GEN-16-02]

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

1. Policy 1318 (Batch 208), approved January 19, 2017
Bankruptcy Claims

For a bankruptcy claim, the lender must submit—in addition to the preceding items 1 through 6—notification of the bankruptcy filing, such as the Notice of the First Meeting of Creditors (the Notice) or other proof of filing directly received from the borrower’s attorney, the bankruptcy court, or from another source; a copy of the Proof of Claim filed by the lender, if required; and all other pertinent documents sent to or received from the bankruptcy court. If the lender filed any required document with the bankruptcy court in an electronic format, it must include a printed copy of that document in any claim that it files.

§682.402(f)(3); §682.402(g)(1)(v)(A)

Death Claims

For a death claim, the lender must submit—in addition to the preceding items 1 through 7—one of the following:

- An original or certified copy of the death certificate.
- An accurate and complete photocopy of the original or certified copy of the death certificate.
- An accurate and complete original or certified copy of the death certificate that is scanned and submitted electronically or sent by facsimile transmission.
- Verification of the borrower’s or student’s death through an authoritative Federal or State electronic database approved for use by the Department.

In the event of an exceptional circumstance and on a case-by-case basis, the lender must submit other reliable documentation approved by the guarantor’s CEO. (See Subsection 13.8.C.)

§682.402(b)(2); §682.402(g)(1)(iii); §685.212(a)(1)

Total and Permanent Disability Claims

When the Department notifies the lender to file the TPD claim with the guarantor, the lender must submit the preceding items 1 through 7, and each of the following:

- A copy of the Department’s notification to the lender that the borrower’s discharge application has been approved.
- A FFELP Assignment Support Supplemental Form (TPD-Specific worksheet) when filing a total and permanent disability claim that is not based on a determination by the Department of Veterans Affairs (VA). This form requires the lender to provide certain electronic signature and disbursement information. [§682.402(g)(1)(iv); the Department’s Mandatory Assignment Guidance dated July 2, 2009]

Some guarantors have additional or alternate requirements. These requirements are noted in Appendix C.

Missing Claim File Documentation

If a lender submits a claim file with any required documentation missing or incomplete, or if the guarantor determines that more information is needed to process the claim, the guarantor may attempt to obtain the necessary documentation or return the claim file to the lender with a request for the missing documentation.

To expedite the claim filing process and avoid the return of claim files to the lender, the guarantor may use a fax machine to request and receive missing information from lenders. The types of documentation that may be transmitted and received by fax include, but are not limited to, the application, promissory note, promissory note assignment, specialty claim documentation, payment history information, deferment or forbearance documentation, and missing collection history. In the case of documentation where an original or true and exact copy, or an accurate and complete photocopy of the original or certified copy, may be required (such as the promissory note and death certificate), the lender may fax a copy of the document so that the guarantor can continue processing the claim. However, the lender must, within the time frame established by the guarantor, forward the original document—or a copy certified as true and exact, or an accurate and complete photocopy of the original or certified copy—to the guarantor to avoid a future claim return.¹

¹ Lenders may contact individual guarantors for information on faxing claim file documentation. See Section 1.5 for contact information.

If a lender is unable to provide requested documentation, the loan may be subject to interest penalties or due diligence violations. If a lender is unable to provide accurate payment information, as required on the Claim Form, the guarantee on the loan may be canceled. However,

¹ Policy 1321 (Batch 209), approved February 16, 2017
Suspending Collection

If a lender receives reliable but unofficial notification of a borrower’s death, or the death of a student for whom a PLUS loan was made in the case of a PLUS loan or Consolidation loan that paid in full a PLUS loan, the lender must suspend collection activity on the loan for up to 60 days and diligently attempt to obtain the required documentation. Required documentation includes one of the following:

- An original or certified copy of the death certificate.
- An accurate and complete photocopy of the original or certified copy of the death certificate.
- An accurate and complete original or certified copy of the death certificate that is scanned and submitted electronically or sent by facsimile transmission.
- Verification of the borrower’s or student’s death through an authoritative Federal or State electronic database approved for use by the Department.

In the event of an exceptional circumstance and on a case-by-case basis, the guarantor’s CEO may approve a discharge based on other reliable documentation of the borrower’s or student’s death. If additional time is needed to obtain this documentation, collection activity may be suspended for up to an additional 60 days, for a total suspension of up to 120 days. If documentation is not received, the lender should treat the period of suspension as though a forbearance had been granted. A signed forbearance agreement is not required for this period. The delinquency status, if any, that existed on the loan before the lender suspended its collection activity remains. The lender must resume collection activity immediately at the level of delinquency at which it was suspended.

[Treatment of Payments]

Payments received from the borrower or the borrower’s estate or paid on behalf of the borrower after the date of the borrower’s or student’s death must be returned to the sender. If payments are received and the lender has no indication of an address or party to which payments may be returned, the lender may apply those payments to the loan, but must document the special circumstances. The lender may capitalize the outstanding accrued interest for the period represented by payments that were made but subsequently returned.

§682.402(b)(5); §685.212(g)(1)

Disbursements That Are Not Consummated at the Time of the Borrower’s or Student’s Death

A Stafford or PLUS loan disbursement that is unconsummated when the borrower—or the dependent student for whom a parent borrows a PLUS loan—dies is not insured. If a lender learns that a borrower—or a student, as applicable—died before a loan disbursement is consummated, the lender must cancel all remaining disbursements of the loan. If after making a loan disbursement to a school, the lender learns that the borrower—or student, as applicable—died before a disbursement is consummated, the lender must contact the school and request an immediate repayment of the unconsummated funds. The school must comply with any request from a lender to return funds that were disbursed to the school after the borrower’s or student’s death. See Subsection 7.7.L for information about consummated and unconsummated disbursements. See Subsection 8.9.D for information about returning loan funds for a deceased borrower.

Timely Filing Deadline for Death Claims

A lender must file a death claim within 60 days of receiving one of the following:

- An original or certified copy of the death certificate.
- An accurate and complete photocopy of the original or certified copy of the death certificate.
- An accurate and complete original or certified copy of the death certificate that is scanned and submitted electronically or sent by facsimile transmission.
- Verification of the borrower’s or student’s death through an authoritative Federal or State electronic database approved for use by the Department.

1. Policy 1321 (Batch 209), approved February 16, 2017
2. Policy 1321 (Batch 209), approved February 16, 2017
13.8.D False Certification by the School

A borrower who meets all of the requirements that pertain to a particular type of false certification loan discharge as outlined in this subsection is eligible to have his or her applicable loan(s) discharged. A borrower qualifies for a false certification loan discharge of the loan, in full or in part, if the borrower—or the student for whom a parent obtained a PLUS loan—received any part of the proceeds of a FFELP loan on or after January 1, 1986, to attend a school that did any one of the following:

- Admitted the student on the basis of his or her ability to benefit from its training, even though the student did not meet the applicable requirements for admission on the basis of ability to benefit.

- Signed the borrower’s name on the application and/or promissory note without his or her authorization, unless the borrower intended to obtain the loan and the student for whom the loan was made benefited from the proceeds of the loan.

- Endorsed the borrower’s name on the loan check or signed the authorization for electronic funds transfer (EFT) or master check without the borrower’s authorization—unless the student for whom the loan was made received the proceeds of the loan either by actual delivery of the loan funds or by a credit in the amount of the contested disbursement to charges owed to the school for the portion of the educational program completed by the student.

If the guarantor determines that a borrower is eligible for a loan discharge or a discharge of one or more disbursements of a loan, the discharge cancels the obligation of the borrower to repay the applicable outstanding principal, accrued interest, collection costs, and late fees. It also qualifies the borrower for reimbursement of any amounts paid voluntarily or through forced collection on the amount discharged. The lender or guarantor must ensure that a discharge is reported to nationwide consumer reporting agencies such that any adverse credit history associated with the amount discharged is removed.

[HEA §437(c)]

The guarantor or Department may initiate the discharge process if either determines that the borrower is eligible for discharge based on information in its possession. If, however, the borrower initiates the process by requesting a discharge based on false certification, the borrower must complete, certify, and submit to the lender or guarantor the applicable loan discharge application. Through submission of this application, the borrower:

- Agrees to provide, as requested, other reasonably available true and correct documentation that demonstrates the borrower’s eligibility for discharge.

- Agrees to cooperate with the Department (or its designee) in any enforcement action or attempt to recover discharged loan amounts, and to transfer and relinquish to the Department any right to a refund on a discharged loan.

- States whether the student has made a claim with respect to the school’s false certification with any third party, such as the holder of a performance bond or a tuition recovery program—and, if so, discloses the amount of any payment received by the borrower (or student) or credited to the loan obligation.

If the lender receives the preliminary notification that the loan was falsely certified, the lender may send the loan discharge application to the borrower. If the guarantor receives the preliminary notification that the loan was

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1. Policy 1321 (Batch 209), approved February 16, 2017
13.8.H Unpaid Refund

collection costs, origination fees, and guarantee fees) associated with the unpaid refund that should have been made by the school, if both of the following criteria are met:

- The borrower (or the student) has ceased to attend the school that owes the refund.
- The guarantor receives documentation regarding the refund, and the borrower and the guarantor have been unable to resolve the unpaid refund with the school within 120 days from the date the guarantor receives a completed discharge application. See Subsection 9.5.C for school requirements. [§682.402(l)(2); §682.402(n), (o), and (p); §685.216(a)(2)(i); §685.216(d)(1)]

The lender or guarantor must ensure that the discharge is reported to all nationwide consumer reporting agencies that the lender or guarantor had previously reported information on the loan, such that any adverse credit history associated with the amount discharged is removed. [§682.402(l)(3)(ii); §685.216(b)(2)]

If the discharge results in a paid-in-full status on the loan and the lender subsequently receives a payment on that loan, the lender must promptly return those funds to the sender. At the same time, the lender must notify the borrower or the borrower’s representative that there is no further obligation to repay the loan. If the borrower or the borrower’s representative continues to send payments after the notice is given, all of those payments must be forwarded to the Department. In the case of a tuition recovery fund where the sender is required to make payment, those payments must also be forwarded to the Department. If the discharge does not result in a paid-in-full status, any payments received must be applied to the remaining debt. [§682.402(q)]

Denying the Discharge

If the guarantor denies an unpaid refund loan discharge, the guarantor or the lender must notify the borrower in writing, within 30 days of the guarantor’s determination, of the reason for the determination and of the borrower’s right to request a review of the determination. If the guarantor notifies the borrower, the guarantor will inform the lender. [§682.402(l)(5)(vii)(A)]

The lender must resume collection activities and grant a forbearance for the period when collection activities were suspended. Any interest accrued and not paid during this period may be capitalized. [§682.402(l)(5)(vii)(B); §685.216(e)(4)]

If the borrower later submits additional supporting documentation that was not considered in any prior determination, the guarantor will notify the lender to suspend collection activities until the date the lender receives a response from the guarantor either denying the discharge or paying the unpaid refund amount. The guarantor will review the additional documentation and make a determination of the borrower’s eligibility for discharge within 30 days of receiving the additional documentation.

If the guarantor upholds its decision to deny the discharge, the guarantor or the lender must again notify the borrower in writing, within 30 days of the determination, of the reason for the determination and of the borrower’s right to request a review of the determination. The lender must again resume collection activities and grant a forbearance for the period when collection activities were suspended. Any interest accrued and not paid during this period may be capitalized. [§682.402(l)(5)(vii); §685.216(e)(4)]

Timely Filing Deadlines for Claims and Discharges*

<table>
<thead>
<tr>
<th>Default Claim (Subsection 13.6.A)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loans with monthly installments:</strong></td>
</tr>
<tr>
<td>• On or after the 271st day of delinquency but no later than the 360th day of delinquency.</td>
</tr>
<tr>
<td><strong>Loans with installments less frequent than monthly:</strong></td>
</tr>
<tr>
<td>• On or after the 331st day of delinquency but no later than the 420th day of delinquency.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ineligible Borrower Claim (Subsection 13.6.B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On or after the 31st day and no later than the 120th day after the date on which the final demand letter is mailed to the borrower.</td>
</tr>
</tbody>
</table>
Bankruptcy Discharge (Subsection 13.8.A)

- For filing a bankruptcy claim and proof of claim, the earlier of:
  - Within 30 days after the lender’s receipt of Notice of the First Meeting of Creditors, or other confirmation issued by the debtor’s attorney or the bankruptcy court.
  - Within 30 days after receiving the guarantor’s instruction to file a bankruptcy claim.

- In response to a borrower’s filing of an undue hardship petition (adversary complaint), the earlier of:
  - Within 15 days of receiving the petition.
  - Within 15 days of the date on which the guarantor instructs the lender to file a bankruptcy claim.

- In response to the lender’s receipt of an extension from the bankruptcy court regarding the undue hardship petition (adversary complaint), the later of:
  - 25 days before the expiration of any extension received.
  - Within 15 days of the date that the guarantor instructs the lender to file a bankruptcy claim.

- If a borrower defaults and then files a bankruptcy petition, the earlier of:
  - Within 90 days of receiving notification of the bankruptcy’s conclusion or reversal.
  - The 360th day of delinquency.

Closed School or False Certification Discharge (Subsections 13.8.B and 13.8.D)

- Within 60 days of receiving a completed request from the borrower, or
- If the guarantor receives a request directly from the borrower, within 60 days of the guarantor’s instruction to file a claim.

Death Discharge (Subsection 13.8.C)

Within 60 days of receiving:
- An original or certified copy of the death certificate;
- An accurate and complete photocopy of the original or certified copy of the death certificate;
- An accurate and complete original or certified copy of the death certificate that is scanned and submitted electronically or sent by facsimile transmission; or
- Verification of the death through an authoritative Federal or State electronic database approved for use by the Department.

Within 60 days of receiving an original or certified copy, or an accurate and complete photocopy of the original or certified copy, of the death certificate. Within 60 days of redetermining that a lender had a photocopy of a death certificate in the borrower’s file for an account that was never submitted as a death claim or was denied as a death claim because, at the time, copies were not acceptable proof of the borrower’s death.1

Spouses and Parents of Victims of September 11, 2001 (Subsection 13.8.F)

Within 60 days of the lender’s determination that the borrower qualifies for discharge.

Total and Permanent Disability Discharge (Subsection 13.8.G)

Within 60 days of receiving a complete loan discharge application or other form(s) approved by the Department.

Unpaid Refund Discharge (Subsection 13.8.H)

Once the lender determines that the borrower’s discharge request is complete, it must send the completed request and other required information to the guarantor.

* See each referenced subsection for the comprehensive requirements applicable to each type of claim or discharge.

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1. Policy 1321 (Batch 209), approved February 16, 2017
### Summary of Variable-Rate Conversion Provisions

<table>
<thead>
<tr>
<th>Loans Subject to Conversion</th>
<th>Quarterly Variable Interest Rates prior to Conversion to an Annual Variable Interest Rate</th>
<th>Annual Variable Interest Rates after Conversion to an Annual Variable Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Education Amendments of 1986: 8%/10% Stafford loans first disbursed before July 23, 1992, when such loans are accruing at the 10% interest rate. 8%/10% Stafford loans first disbursed on or after July 23, 1992, but before October 1, 1992, when such loans are accruing at the 10% interest rate, to borrowers who had no outstanding FFELP loans on the date the promissory note was signed.</td>
<td>Quarter ending 9/30/92: 7.03%  Quarter ending 12/31/92: 6.39%  Quarter ending 3/31/93: 6.42%  Quarter ending 6/30/93: 6.30%  Quarter ending 9/30/93: 6.30%  Quarter ending 12/31/93: 6.33%  Quarter ending 3/31/94: 6.39%  Quarter ending 6/30/94: 6.59%  Quarter ending 9/30/94: 7.40%  Quarter ending 12/31/94: 7.88%  Quarter ending 3/31/95: 8.71%</td>
<td>7/1/93 through 6/30/94: 6.37%  7/1/94 through 6/30/95: 7.58%  7/1/95 through 6/30/96: 9.07%  7/1/96 through 6/30/97: 8.41%  7/1/97 through 6/30/98: 8.41%  7/1/98 through 6/30/99: 8.41%  7/1/99 through 6/30/00: 7.87%  7/1/00 through 6/30/01: 9.14%  7/1/01 through 6/30/02: 6.94%  7/1/02 through 6/30/03: 5.01%  7/1/03 through 6/30/04: 4.37%  7/1/04 through 6/30/05: 4.32%  7/1/05 through 6/30/06: 6.25%  7/1/06 through 6/30/07: 8.09%  7/1/07 through 6/30/08: 8.17%  7/1/08 through 6/30/09: 5.16%  7/1/09 through 6/30/10: 3.43%  7/1/10 through 6/30/11: 3.42%</td>
</tr>
<tr>
<td>Higher Education Amendments of 1992: Stafford loans first disbursed at a fixed rate (7%, 8%, 9%, and 8%/10% loans when accruing at 8% and 10%) on or after July 23, 1992, to borrowers who had outstanding FFELP loans on the date the promissory note was signed.</td>
<td>Quarter ending 9/30/92: 6.88%  Quarter ending 12/31/92: 6.24%  Quarter ending 3/31/93: 6.27%  Quarter ending 6/30/93: 6.15%  Quarter ending 9/30/93: 6.15%  Quarter ending 12/31/93: 6.18%  Quarter ending 3/31/94: 6.24%  Quarter ending 6/30/94: 8.44%  Quarter ending 9/30/94: 7.25%  Quarter ending 12/31/94: 7.73%  Quarter ending 3/31/95: 8.56%</td>
<td>7/1/93 through 6/30/94: 6.22%  7/1/94 through 6/30/95: 7.43%  7/1/95 through 6/30/96: 8.92%  7/1/96 through 6/30/97: 8.26%  7/1/97 through 6/30/98: 8.26%  7/1/98 through 6/30/99: 8.26%  7/1/99 through 6/30/00: 7.72%  7/1/00 through 6/30/01: 8.99%  7/1/01 through 6/30/02: 6.79%  7/1/02 through 6/30/03: 4.86%  7/1/03 through 6/30/04: 4.22%  7/1/04 through 6/30/05: 4.17%  7/1/05 through 6/30/06: 6.10%  7/1/06 through 6/30/07: 7.94%  7/1/07 through 6/30/08: 8.02%  7/1/08 through 6/30/09: 5.01%  7/1/09 through 6/30/10: 3.28%  7/1/10 through 6/30/11: 3.27%</td>
</tr>
</tbody>
</table>

*Policy 1319 (Batch 208), approved January 19, 2017*

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1 Quarterly interest rates are determined by adding 3.25% for the “1986 loans” or 3.10% for the “1992 loans” to the average of the bond equivalent rate of the 91-day Treasury bill rate as auctioned for the preceding 3-month period.

2 Because the variable rate for Stafford loans in this category may not exceed the original interest rate, this variable interest rate does not apply to Stafford loans first disbursed at a fixed 7% interest rate, which are capped at 7%.

3 Because the variable rate for Stafford loans in this category may not exceed the original interest rate, this variable interest rate does not apply to Stafford loans first disbursed at a fixed 7% or 8% interest rate, which are capped at 7% and 8%, respectively.