Common Manual **Policy Proposal Batch 232 Transmittal** **July 26, 2026**

#	Subject	Summary of Change to *Common Manual*	Type of Update	Effective Date
1346	Income Based Repayment – Partial Financial Hardship	Removal of partial financial hardship requirement from income based repayment (IBR) eligibility and recertification requirements.	Federal	IBR requests received on or after July 4, 2025
1347	Loan Rehabilitation	Increase rehabilitation limit from one to two times per loan.	Federal	Rehabilitation agreements begun on or after July 1, 2027

Batch 232 Approved

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: May 22, 2026

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With No Changes	06/25/2026

SUBJECT: Income Based Repayment – Partial Financial Hardship

AFFECTED SECTIONS:
10.6.D Minimum Payment Requirements
10.8.D Income-Based Repayment Schedule
10.9 Interest Charges
10.10.B Capitalization Frequency
13.7 Rehabilitation of Defaulted FFELP Loans
13.9.D Loan Forgiveness under the Income-Based Repayment (IBR Schedule)
15.6 Interest Benefits and Special Allowance
A.1.B When Federal Interest Benefits Will Be Paid
A.2.A Special Allowance and Excess Interest Rates
H.4.B Heroes Act Waivers
Glossary

POLICY INFORMATION: 1346/Batch 232

EFFECTIVE DATE/TRIGGER EVENT: IBR requests received on or after July 4, 2025

BASIS:
Public Law (P.L.) 119-21, One Big Beautiful Bill Act, signed July 4, 2025, 91 Fed. Reg. 23768, May 1, 2026, and Dear Colleague Letter GEN-25-04

CURRENT POLICY:
Current policy states that for a borrower to qualify for income based repayment (IBR) they must have a partial financial hardship.

REVISED POLICY:
Revised Policy removes the partial financial hardship eligibility requirement from the Income Based Repayment (IBR) enrollment and recertification process and creates the applicable amount. There is no longer any eligibility requirement for entering the (IBR) plan, and no longer any consideration or calculation of the standard-standard payment amount for purposes of IBR.

REASON FOR CHANGE:
Statutory removal of HEA §493C(a)(3)(A) via Public Law 119-21, and conforming regulatory changes in 91 Federal Register 23768, published May 1, 2026.

PROPOSED LANGUAGE - *COMMON MANUAL*:
Revise Subsection 10.6.D, Page 11, Column 2, bullet 2 as follows:

- For loans in repayment on or after July 1, 2009, the minimum annual payment amount under an income-based repayment (IBR) plan by a borrower~~ with a partial financial hardship (PFH)~~ is $0 (see Subsection 10.8.D for additional information regarding the loans that qualify~~ and borrower eligibility criteria~~ for IBR).

Revise Subsection 10.8.D, Page 17, column 2, starting at paragraph 2 as follows:

If a borrower selects IBR, the lender must determine, based on the borrower's documentation, the applicable amount, ~~if the borrower has a partial financial hardship (PFH) for the initial year in which the borrower selects this repayment plan and annually for each subsequent year that the borrower remains in the plan. A PFH exists if the borrower has an annual payment,~~ based on the loan balance of all of his or her eligible, outstanding FFELP and Direct loans that exceeds 15% of the difference between the borrower's adjusted gross income (AGI) and 150% of the poverty guideline for the borrower's family size and state of residence. The annual payment amount is calculated under a standard repayment schedule and based on a 10-year repayment period. The loan balance used is the greater of the following:

- . . .
- . . .

. . .

To enable the lender to determine ~~whether the borrower has a PFH,~~ the borrower's payment amount, the lender must collect documentation of the borrower's AGI that is acceptable to the lender.

Revise Subsection 10.8.D, page 18, column 1, starting at paragraph 1 as follows:

For married borrowers filing federal income taxes separately, AGI includes only the borrower's income. Married borrowers who file separately are not required to include their spouse's income and may not include their spouse's eligible debt ~~when determining eligibility for PFH under~~ for the Income-Based Repayment plan. However, married borrowers who reside in community property states and file separately must divide all community income equally between each other when filing federal income taxes. As a result, such borrowers may state that their reported AGI does not reasonably reflect their own current income. In these cases, the Department encourages loan holders to request and use alternative documentation to determine the borrower's ~~eligibility for PFH and the PFH~~ payment amount.
[Final Rules published in the *Federal Register* dated November 1, 2012, p. 66112]

For a married borrower filing taxes jointly, AGI includes both the borrower's and spouse's income. A married borrower who files a joint tax return may include with his or her eligible loans any eligible loans owed by the borrower's spouse ~~for purposes of determining PFH eligibility~~. If the lender does not hold at least one of the spouse's eligible loans, the lender must obtain the spouse's consent for the lender to obtain information about the spouse's eligible loans from the National Student Loan Data System or obtain from the borrower or spouse other documentation, acceptable to the lender, of the spouse's eligible loan information. In this situation, the lender must:

Step 1: . . .

Step 2: . . .

. . .

Step 3: Apply the ~~PFH~~ payment amount rules explained under the Payment Amount Calculation subheading below.

Revise Subsection 10.8.D, beginning on page 18, column 2, paragraph 2 as follows:

Payment Amount Calculation

The borrower's applicable amount is the maximum annual payment and ~~to determine PFH~~ is limited to no more than 15% of the amount by which the borrower's annual adjusted gross income exceeds 150% of the

DHHS poverty guideline for the borrower's family size. The result is divided by 12 to obtain the monthly payment amount.

~~PFH Eligibility and~~ Payment Amount Calculation Example:

. . .

Step 1: . . .

Step 2: . . .

Step 3: . . .

Step 4: . . .

Step 5: Determine the annual payment amount on the higher total of the borrower's loans based on a standard 10-year repayment schedule and the applicable interest rate. In this example, the borrower's higher total loan amount is $25,000 when he initially entered repayment at an interest rate of 6.8% which results in an annual payment amount of $3,452.40. (Note: For married borrowers who file federal income taxes jointly, if the spouse also has IBR-eligible loans, this calculation on the higher amount must be performed on the spouse's loans as well, and the higher annual payment amounts of each spouse must be added together. ~~This total must then be used to determine each spouse's eligibility for partial financial hardship.~~)

~~Step 6: Since the annual payment amount in Step 5, $3,452.40, is greater than the maximum annual payment amount in Step 4, $1,697.25, the borrower has a partial financial hardship.~~

~~Step 7~~ Step 6: To calculate the borrower's monthly payment amount, divide the result of Step 4 by 12 or $1,697.25/ 12 = $141.44. (Note: For married borrowers who file federal income taxes jointly, the ~~partial financial hardship~~ payment amount would be allocated between both spouses' loans based on the percentage of the total eligible loan debt attributable to each individual borrower before any allocation between multiple loan holders.)

If the lender does not hold all of the borrower's eligible loans, the borrower's monthly ~~PFH~~ payment amount is multiplied by the percentage of the borrower's total outstanding principal amount of eligible loans that are held by the lender making the determination of eligibility. For this calculation, the lender may access NSLDS to determine the outstanding principal amount of the borrower's eligible loans that are held by other lenders. If the result of this calculation is less than $5.00 at the lender level, then the borrower's monthly ~~PFH~~ payment amount is $0. If the result of the calculation is equal to or greater than $5.00 but less than $10.00 at the lender level, then the borrower's monthly ~~PFH~~ payment amount is $10.00. [§682.215(b)(1), ~~§685.221(b)(2)~~

. . .

- The borrower ~~ceases to have a PFH or~~ chooses not to make applicable amount ~~PFH~~ payments but remains in the IBR plan.

Revise Subsection 10.8.D, page 20, column 1, paragraph 5 as follows:

The lender must send a written notification to the borrower after it makes a determination that a borrower qualifies for the IBR plan for the year the borrower initially elects the plan and for any subsequent years the borrower remains in the IBR plan ~~that the borrower has a PFH~~. The notification must include all of the following information:

Revise Subsection 10.8.D, page 20, column 2, paragraph 3 as follows:

For each subsequent year that a borrower ~~who currently has a PFH~~ remains on the IBR plan, the lender must notify the borrower in writing of the requirements to provide documentation of the borrower's AGI, spouse's loan information (if applicable) and self-certification of his or her family size if the borrower chooses to remain on the IBR plan. The lender must send this notice to the borrower

Remove Subsection 10.8.D, page 21, column 1, starting at paragraph 1 as follows:

~~Each time a lender determines that a borrower no longer has a PFH for a subsequent year that the borrower wishes to remain on the IBR plan the lender must send the borrower a written notice that includes all of the following information:~~

~~• The borrower's monthly permanent-standard payment amount, recalculated based on the borrower no longer having a PFH.~~

~~• An explanation that unpaid accrued interest will be capitalized at the time the lender determines that the borrower no longer has a PFH.~~

~~• Information about the borrower's option to request, at any time, that the lender re-determine whether the borrower has a PFH, if the borrower's financial circumstances change and the income amount used to determine that the borrower no longer has a PFH does not reflect the borrower's current income.~~

~~• An explanation that the borrower will be notified annually of this option.~~

~~If the lender determines that the borrower again has a PFH, the lender must recalculate the borrower's monthly payment as applicable, and send the borrower a written notification that includes the information described in the first set of bullets under this subheading. Redetermination of a new income-based monthly payment amount establishes a new annual payment period.~~

~~For each subsequent year that a borrower remains in IBR, but does not have a PFH, the loan holder must send the borrower a written notification reminding the borrower about the borrower's option to request, at any time, that the lender re-determine whether the borrower has a PFH based on the borrower's current income.~~
~~[§682.215(e)(2)-(5); §685.221(e)(2)-(5)]~~

Revise Subsection 10.9, page 21, column 2, paragraph 4 as follows:

If a borrower's loan is a subsidized Stafford loan, the federal government pays the interest that accrues during the in-school, grace, and authorized deferment periods. If a borrower's monthly ~~partial financial hardship (PFH)~~ payment amount under an income-based repayment (IBR) plan is not sufficient to pay the interest accruing on a subsidized Stafford loan, the Department pays the accrued interest that exceeds the scheduled monthly ~~PFH~~ payment amount during a consecutive 3-year period beginning with the repayment period start date when each loan enters IBR. This 3-year period excludes any period during which the borrower receives an economic hardship deferment.
[§682.215(b)(4); §685.221(b)(3)]

Revise Subsection 10.10.B, page 24, column 2, paragraph 2 as follows:

For a loan in repayment under an income-based repayment (IBR) plan, unpaid interest is capitalized if the applicable amount exceeds the permanent standard or the borrower ~~ceases to have a partial financial hardship (PFH) or~~ leaves IBR and is placed on the expedited-standard repayment schedule.
[§682.215(b)(5); §685.221(b)(4)]

Revise Subsection 13.7, page 16, column 2, paragraph 1 as follows:

Except for under IBR, the lender must consider the first payment made under the nine monthly payments

required for rehabilitation as the first payment under the applicable maximum repayment period for the loan type. For example, a Stafford loan borrower with a 10-year maximum repayment period would have 9 years and 3 months remaining, because the nine monthly payments are considered the first 9 months of the repayment period. For another example, a Consolidation loan borrower with a balance greater than $60,000 and a 30-year maximum repayment period would have 29 years and 3 months remaining, because the nine monthly payments are considered the first 9 months of the repayment period. Under IBR, the nine monthly payments under a rehabilitation plan are considered payments on a defaulted loan and, therefore, are not qualifying payments toward the 25-year IBR forgiveness period. If a borrower was repaying under IBR before default~~ and if the borrower qualifies for partial financial hardship (PFH) after rehabilitation,~~ the rehabilitated loan may return to IBR and would resume the 25-year period; i.e. only pre-default payments plus the payments made after rehabilitation are considered qualifying payments toward IBR forgiveness.
[§682.405(b)(4); §682.215(f)(5)]

Revise Subsection 13.9.D, page 68, column 1, paragraph 1 as follows:

. . .

- Made monthly loan payments, equal to or greater than $0 dollars~~, based on a partial financial hardship (PFH)~~.
- . . .
- Made monthly loan payments, after the borrower~~ no longer had a partial financial hardship or after the borrower~~ stopped making income-based payments, under the standard repayment schedule based on a 10-year repayment period for the amount of the borrower's loans that were outstanding at the time the borrower selected the IBR plan (permanent-standard).

Revise Subsection 15.6, page 16, column 1, paragraph 4 as follows:

On or after July 1, 2009, the subsidized portion of a Consolidation loan is eligible for federal interest benefits to pay accruing interest during a consecutive 3-year period if the borrower's scheduled monthly~~ partial financial hardship (PFH)~~ payment amount under the income-based repayment (IBR) plan is less than such accruing interest. This consecutive 3-year period begins on the established repayment period start date when each loan enters IBR and excludes any period during which the borrower receives an economic hardship deferment.
[§682.215(b)(4); §682.300(b)(1)(iv); §685.221(b)(3)]

Revise Subsection A.1.B, page 3, column 1, paragraph 1 as follows:

For a subsidized Stafford loan or any portion of a Consolidation loan that is subsidized, the lender may bill the Department for interest benefits during a consecutive 3-year period if the borrower's scheduled monthly~~ partial financial hardship~~ payment amount under the income- based repayment (IBR) plan is not sufficient to pay the accruing interest. This consecutive 3-year period begins on the established repayment period start date when each loan enters IBR and excludes any period during which the borrower receives an economic hardship deferment.
[§682.300(b)(1)(iv)]

Revise Subsection A.2.A, page 4, column 2, paragraph 1 as follows:

Generally, the amount of special allowance that is payable on an eligible loan is determined by multiplying the average daily balance of principal and capitalized interest on the loan by the applicable special allowance rate. However, the lender also receives a special allowance payment based on the average daily balance of the unpaid accrued interest for a loan~~ on which the borrower has a partial financial hardship (PFH) as determined~~ being paid under the income-based repayment (IBR) plan while the borrower's

payment does not exceed the applicable amount.
[§682.302(a) and §682.215(b)(7)]

Add Appendix G – Glossary, page 2, column 1, after Application as follows:

Applicable Amount: Under the Income Based Repayment plan, 15 percent of the result obtained by calculating, at least annually, the amount by which the adjusted gross income of the borrower and the borrower's spouse (if applicable), exceeds 150 percent of the poverty guideline.

Revise Appendix G – Glossary, page 12, column 2, definition for Income-Based Repayment (IBR) Schedule as follows:

Income-Based Repayment (IBR) Schedule: A repayment plan ~~available to a borrower who has a partial financial hardship (PFH) or is paying a permanent-standard payment amount after qualifying for PFH. If a lender determines that a borrower has a PFH,~~ where the borrower's monthly payment amount on eligible loans is limited to 15% of the amount by which the borrower's annual adjusted gross income exceeds 150% of the U.S. Department of Health and Human Services poverty guideline for the borrower's family size. Eligible FFELP and Direct loans include the outstanding balances on all loans except a defaulted loan, a FFELP or Direct parent PLUS loan, and a FFELP or Direct Consolidation loan that repaid a FFELP or Direct parent PLUS loan. The Department repays the outstanding balance and accrued interest on eligible FFELP and Direct loans after 25 years and a combination of 300 months covered by qualifying payments and/or economic hardship deferments, beginning no earlier than July 1, 2009.

~~See Partial Financial Hardship (PFH).~~

Remove Appendix G – Glossary, page 17, column 1, definition for Partial Financial Hardship (PFH):

~~Partial Financial Hardship (PFH): A borrower has a partial financial hardship if the annual payment amount on all eligible FFELP and Direct Loans exceeds 15% of the difference between the borrower's adjusted gross income and 150% of the U.S. Department of Health and Human Services poverty guideline applicable to the borrower's family size and state of residence. Eligible FFELP and Direct loans include the outstanding balances on all loans except a defaulted loan, a FFELP or Direct parent PLUS loan, and a FFELP or Direct Consolidation loan that repaid a FFELP or Direct parent PLUS loan. See Subsection 10.8.D for more specific information on how to determine if a borrower has a PFH.~~

~~See Income-Based Repayment (IBR) Schedule.~~

Revise Section H.4.B, page 162, column 1, #10 as follows:

10. Annual Reevaluation Requirements for the Income-Based Repayment (IBR) Plan

The lender must verify annually the borrower's income and family size, ~~and determine whether the borrower continues to have a partial financial hardship (PFH),~~ and requests annual documentation from each borrower repaying under an IBR. A borrower who fails to provide the information required annually ~~to confirm the PFH~~ will have his or her monthly payment amount adjusted to the amount the borrower would pay under the ten-year standard payment plan.

Under the waiver, the lender must maintain the payment amount determined under the most recent ~~PFH~~ calculation if the borrower's status as an affected individual results in his or her inability to provide documentation of updated income and family size. The waiver persists for a three-year period followed by a three-month transition.

PROPOSED LANGUAGE - COMMON BULLETIN:

Income Based Repayment – Partial Financial Hardship

The Manual is being revised to incorporate the statutory change effective July 4, 2025, made by Public Law

119-21, the One Big Beautiful Bill Act. This change removes the requirement for a borrower to have a partial financial hardship to qualify for the Income Based Repayment Plan. This means that there are no eligibility requirements for entering IBR, and that the standard-standard payment amount is no longer used for calculating IBR payments.

GUARANTOR COMMENTS:
None

IMPLICATIONS:
Borrower: Borrowers no longer need to demonstrate a Partial Financial Hardship to qualify for the income-based repayment Plan. There are now no eligibility requirements for entering IBR.

School: None.

Lender/Servicer: Lenders must remove the partial financial hardship requirement when assessing eligibility for the income-based repayment, starting on or after July 4, 2025. This means there are no eligibility requirements for entering IBR. Lenders no longer need to calculate the standard-standard amount for purposes of calculating IBR payments.

Guarantor: None.

U.S. Department of Education: None.

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

POLICY CHANGE PROPOSED BY:
Policy Development and Maintenance Contractor

DATE SUBMITTED TO POLICY DEVELOPMENT AND MAINTENANCE CONTRACTOR:
May 1, 2026

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
June25, 2026

PROPOSAL DISTRIBUTED TO:
CM Governing Board Chair
CM Guarantor Designees
Interested Industry Groups and Others

Comments Received from:
Evidens Group, PHEAA

Responses to Comments

The PDMC sincerely thanks commenters for their thoughtful review. Due to the number of suggested and accepted changes to section 10.8.D, that section is sent as an attachment with tracked changes for ease of comprehension.

10.8.D Income-Based Repayment Schedule

Beginning on July 1, 2009, a borrower may request to repay any eligible loan under an income-based repayment (IBR) plan. A borrower who requests the IBR plan on or after July 1, 2013, must repay all of his or her eligible loans held by that lender under the IBR plan. If a borrower previously excluded IBR-eligible loans prior to July 1, 2013, the borrower may continue to exclude such loans from IBR as long as the borrower remains under the IBR plan. If the borrower has multiple lenders and wants to repay all eligible loans under the IBR plan, the borrower must request IBR from each lender separately. Eligible FFELP and Direct loans include the outstanding balances on all loans except:

- A defaulted loan.
- A FFELP or Direct parent PLUS loan.
- A FFELP or Direct Consolidation loan that repaid a FFELP or Direct parent PLUS loan.

[§682.215(a)(2) and (b)(3)]

A borrower may request ~~an income-based repayment~~ the IBR plan through the use of the ~~Income-Based (IBR) / Pay As You Earn / Income-Contingent (ICR)~~ Income-Driven Repayment (IDR) Plan Request form.

If a borrower selects IBR, the lender must determine, based on the borrower's documentation, ~~if the borrower has a partial financial hardship (PFH) for the initial year in which the borrower selects this repayment plan and annually for each subsequent year that the borrower remains in the plan. A PFH exists if the borrower has an annual payment amount~~ the applicable amount for the initial year the borrower selects the IBR plan and annually for each subsequent year the borrower remains on the plan, ~~based on the loan balance of all of his or her eligible, outstanding FFELP and Direct loans that exceeds~~ The applicable amount is 15% of the difference between the borrower's adjusted gross income (AGI) and 150% of the poverty guideline for the borrower's family size and state of residence. The lender must also determine ~~T~~the annual payment amount ~~is~~ calculated under a standard repayment schedule and based on the amount due on all the borrower's eligible, outstanding FFELP and Direct loans when he or she requests the IBR plan and a 10-year repayment period. This amount is referred to as the permanent-standard amount. ~~The loan balance used is the greater of the following:~~

- ~~The amount due on all eligible loans when the borrower initially entered repayment (i.e., *standard-standard*).~~
- ~~The amount due on all eligible loans when the borrower requests the IBR plan (i.e., *permanent-standard*).~~

The poverty guideline refers to the income by state and family size as published annually by the U.S. Department of Health and Human Services (DHHS). If a borrower is not a resident of a state listed in the poverty guidelines, the lender uses the DHHS poverty guideline for the 48 contiguous states.

To enable the lender to determine ~~whether the borrower has a PFH,~~ the applicable ~~borrower's payment~~ amount, the lender must collect documentation of the borrower's AGI that is acceptable to the lender.

If the borrower's AGI is not available or the lender believes that the borrower's reported AGI does not reasonably reflect the borrower's current income, the borrower must provide at least one piece of supporting documentation for each source of income. Documentation may include paystubs, a copy of the borrower's most recently filed federal tax return, a letter(s) from his or her employer(s) listing income, interest or bank statements, dividend statements, or other documentation may also be used to verify income. Unless the frequency is clearly indicated on the documentation, the borrower must write on the documentation how often he or she is receiving the income, for example, "twice per month" or "every other week" or provide that information verbally to the lender. If these forms of documentation are unavailable, the borrower must provide a signed statement explaining the income source(s) and giving the name and the address of the source(s). If the borrower is self employed, he or she may provide a signed statement explaining the projected monthly income from all sources; no additional documentation is required. [§682.215(e)(1)(i) and (ii); §685.221(e)(1)(i) and (ii)]

For married borrowers filing federal income taxes separately, AGI includes only the borrower's income. Married borrowers who file separately are not required to include their spouse's income and may not include their spouse's eligible debt ~~when determining eligibility for PFH under~~ for the IBR~~Income-Based Repayment~~ plan. However, married borrowers who reside in community property states and file separately must divide all community income equally between each other when filing federal income taxes. As a result, such borrowers may state that their reported AGI does not reasonably reflect their own current income. In these cases, the Department encourages loan holders to request and use alternative documentation to determine the borrower's ~~eligibility for PFH and the PFH payment~~ applicable amount.
[Final Rules published in the *Federal Register* dated November 1, 2012, p. 66112]

For a married borrower filing taxes jointly, AGI includes both the borrower's and spouse's income. A married borrower who files a joint tax return may include with his or her eligible loans any eligible loans owed by the borrower's spouse ~~for purposes of determining PFH eligibility~~. If the lender does not hold at least one of the spouse's eligible loans, the lender must obtain the spouse's consent for the lender to obtain information about the spouse's eligible loans from the National Student Loan Data System or obtain from the borrower or spouse other documentation, acceptable to the lender, of the spouse's eligible loan information. In this situation, the lender must:

Step 1: Determine each spouse's percentage of the couple's total eligible loan debt.

Step 2: Adjust the borrower's monthly payment amount by multiplying the calculated total payment amount by the percentage calculated in Step 1.

If a borrower's loans are held by multiple lenders, the lender must adjust the monthly payment amount by multiplying the payment calculated in Step 2 by the percentage of the total outstanding principal balance of eligible loans held by the lender.

Step 3: Apply the ~~PFH~~ payment amount rules explained under the Payment Amount Calculation subheading below.

[§682.215(a)(1), (b)(1)(ii), and (e)(1)(iii); §685.221(a)(1) and (b)(2)(ii)]

The borrower must provide a self-certification of family size to the lender. If the borrower fails to certify family size, the lender must assume a family size of one. Family size includes the following:

- The borrower and the borrower's spouse.
- The borrower's children, including unborn children who will be born during the year for which the borrower certifies family size, if the borrower provides more than half of the children's support.
- Other individuals who, at the time the borrower certifies family size, live with the borrower and receive more than half of their support from the borrower and will continue to receive this support from the borrower for the year being certified. Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.

Payment Amount Calculation

The borrower's monthly payment is the lesser of the applicable amount or the permanent-standard amount applicable amount ~~is the maximum annual payment to determine PFH~~ and ~~is limited to no more than 15% of the amount by which the borrower's annual adjusted gross income exceeds 150% of the DHHS poverty guideline for the borrower's family size. The result is~~ divided by 12 ~~to obtain the monthly payment amount~~.

~~PFH Eligibility and~~ Payment Amount Calculation Example:

A borrower has an AGI of $75~~0~~,000, a family size of 5, total loans of $25,000 ~~when initially entered repayment and $23,000~~ at the time of the IBR request, and is a resident of Virginia.

Step 1: Obtain the DHHS poverty guideline for the family size and state. For this example, the applicable DHSS poverty guideline is

$38,680~~25,790~~, based on the 2026~~10~~ DHHS poverty guideline.

Step 2: Multiply the DHHS poverty guideline by 150% or $38,680~~25,790~~ x 1.5 = $58,020~~38,685~~.

Step 3: Subtract the result in step 2 from the borrower's AGI or $75~~0~~,000 – $58,020~~38,685~~ = $16,980~~11,315~~.

Step 4: Calculate the applicable~~borrower's maximum annual payment~~ amount by multiplying the result of step 3 by 15% or $16,980~~11,315~~ x .15 = $2,547~~1,697.25~~.

Step 5: Determine the permanent-standard~~annual payment~~ amount on the ~~higher total of the~~ borrower's loans based on a standard 10-year repayment schedule and the applicable interest rate. In this example, the borrower's ~~higher total~~ loan amount is $25,000 when he requests the IBR plan~~initially entered repayment~~ at an interest rate of 6.8% which results in a~~n~~ permanent-standard~~annual payment~~ amount of $3,452.40. (Note: For married borrowers who file federal income taxes jointly, if the spouse also has IBR-eligible loans, this calculation ~~on the higher amount~~ must be performed on the spouse's loans as well, and the permanent-standard~~higher annual payment~~ amounts of each spouse must be added together.~~ This total must then be used to determine each spouse's eligibility for partial financial hardship.~~)

~~Step 6: Since the annual payment amount in Step 5, $3,452.40, is greater than the maximum annual payment amount in Step 4, $1,697.25, the borrower has a partial financial hardship.~~

~~Step 7~~Step 6: To calculate the borrower's monthly applicable payment amount, divide the result of Step 4 by 12 or $2,547~~1,697.25~~/ 12 = $212.25~~141.44~~. ~~(Note: For married borrowers who file federal income taxes jointly, the partial financial hardship payment amount would be allocated between both spouses' loans based on the percentage of the total eligible loan debt attributable to each individual borrower before any allocation between multiple loan holders.)~~

Step 7: To calculate the monthly permanent-standard payment, divide the result of Step 5 by 12 or #3,452.40/ 12 = $287.70.

Step 8: Compare the results of Step 6 and Step 7. The monthly payment amount the borrower pays for the annual payment period is the lesser of the two, or $212.25. (Note: For married borrowers who file federal income taxes jointly, the monthly payment amount would be allocated between both spouses' loans based on the percentage of the total eligible loan debt attributable to each individual borrower before any allocation between multiple loan holders.)

If the lender does not hold all of the borrower's eligible loans, the borrower's monthly~~ PFH~~ payment amount is multiplied by the percentage of the borrower's total outstanding principal amount of eligible loans that are held by the lender making the determination of eligibility. For this calculation, the lender may access NSLDS to determine the outstanding principal amount of the borrower's eligible loans that are held by other lenders. If the result of this calculation is less than $5.00 at the lender level, then the borrower's monthly~~ PFH~~ payment amount is $0. If the result of the calculation is equal to or greater than $5.00 but less than $10.00 at the lender level, then the borrower's monthly~~ PFH~~ payment amount is $10.00.
[§682.215(b)(1)~~, §685.221(b)(2)~~]

The lender must set~~recalculate~~ the monthly permanent-standard payment amount for a borrower when any of the following occurs:

- The borrower~~ ceases to have a PFH or~~ chooses not to make~~ PFH~~ applicable amount payments but remains on~~in~~ the IBR plan.
- The borrower fails to provide within 10 days of the specified annual deadline documentation of the borrower's AGI which is acceptable to the lender (and, if applicable, access to the borrower's spouse's loan information), unless the lender is able to determine the borrower's new monthly payment amount before the end of the borrower's current annual payment period. [§682.215(e)(7)]

~~To recalculate the borrower's monthly payment amount under either of the two preceding bullets, a~~

~~lender uses a standard repayment schedule for a 10-year repayment period based on the borrower's outstanding loan balance at the time that the borrower began repayment under the IBR plan.~~ The ~~combined~~ repayment period under IBR ~~and under the newly-calculated standard repayment plan (*permanent-standard*)~~ may result in a total period in repayment that exceeds 10 years.
[§682.215(d)(1)~~, §685.221(d)(1)~~]

If the lender receives the borrower's information within 10 days of the specified annual deadline, the lender must determine promptly the borrower's new monthly payment amount. If the lender does not determine the new monthly payment amount by the end of the borrower's current annual payment period, the lender must ~~prevent the borrower's monthly payment amount from being recalculated using the permanent-standard calculation and~~ maintain the borrower's current scheduled monthly payment amount until the lender processes the information received from the borrower and determines the new monthly payment amount. If the new monthly payment amount is less than the borrower's previously calculated monthly ~~income-based~~ payment amount, the lender must make the appropriate adjustment to the borrower's account (including, but not limited to, interest subsidy and special allowance billings) to reflect any payments at the previously calculated amount that the borrower made after the end of the most recent annual payment period. Unless the borrower requests otherwise, the lender does not apply any additional amounts to future payments.

If the new monthly payment amount is equal to or greater than the borrower's previously calculated ~~income-based~~ monthly payment amount, the lender does not make anyretroactive ~~any~~ adjustments to the borrower's account.

In both cases above, the new annual payment period begins on the day after the end of the most recent annual payment period.
[§682.215(e)(8)~~; §685.221(e)(8)~~]

If the lender receives the borrower's information more than 10 days after the specified annual deadline and the borrower's monthly payment amount has been set~~is recalculated~~ to the permanent-standard payment amount, the lender may grant forbearance with respect to payments that are overdue or would be due at the time the new calculated ~~income-based~~ monthly payment amount is determined only if the new ~~income-based~~ monthly payment amount is zero or is less than the borrower's previously calculated ~~income-based~~ monthly payment amount. The lender may not capitalize interest that accrues during the portion of this administrative forbearance period that covers payments due after the end of the prior annual payment period.
[§682.215(e)(9)~~; §685.221(e)(9)~~]

If a borrower chooses to leave IBR, a lender recalculates the borrower's monthly payment amount. For any FFELP or Direct loan other than a Consolidation loan, the monthly payment amount is recalculated based on a standard repayment schedule for the time remaining on a 10-year repayment period, and on the borrower's outstanding loan balance at the time the borrower elects to leave IBR. For a Consolidation loan, the monthly payment amount is recalculated based on the applicable time remaining as initially determined when the Consolidation loan went into repayment, and on the borrower's outstanding loan balance at the time the borrower elects to leave IBR. (See Subsection 15.5.C for information on applicable repayment periods.) In either case, the recalculated payment amount is referred to as the expedited-standard payment amount.
[§682.215(d)(2)~~; §685.221(d)(2)(i)~~]

After leaving IBR and being assigned an expedited-standard payment amount, a borrower may request a change to a different repayment plan after making one monthly payment. This monthly payment may be the full expedited-standard payment amount or any payment amount greater than $0 made under a reduced-payment forbearance. (See Subsection 11.23.B for information on a discretionary reduced-payment forbearance.)
[§682.215(d)(3); ~~§685.221(d)(2)(ii);~~ *Federal Register* dated November 1, 2012, p. 66111]

Required Notifications

The lender must send a written notification to the borrower ~~after it makes a determination that a borrower qualifies for the IBR plan~~ for the year the borrower initially elects the IBR plan and for any subsequent year ~~that the borrower has a PFH~~ the borrower remains in the IBR plan. The notification must include all of the following information:

- The borrower's scheduled ~~income-based~~ monthly payment amount and the current annual payment period for which this amount applies.

- A statement that explains that the borrower must annually provide documentation of the borrower's AGI, spouse's loan information (if applicable) and self-certification of his or her family size if the borrower chooses to remain on the IBR plan. The lender must advise the borrower that he or she will be notified in advance of the date by which the lender must receive this information.

~~A statement that explains that the borrower must annually provide documentation of the borrower's AGI, spouse's loan information (if applicable) and self-certification of his or her family size if the borrower chooses to remain on the IBR plan. The lender must advise the borrower that he or she will be notified in advance of the date by which the lender must receive this information~~.

- An explanation of the consequences if the borrower does not provide the required information:

  - The borrower's monthly payment will be converted to the permanent-standard payment amount.

  - If the borrower provides the requisite documentation of income but does not recertify his or her family size, the borrower's ~~continued eligibility for an income-based~~monthly payment will be determined based on a family size of one.

- An explanation of the consequences if the borrower no longer chooses to repay under the IBR~~income-based repayment~~ plan.

- An explanation of the borrower's option to request, at any time during the borrower's current annual payment period, that the lender recalculate the borrower's monthly payment amount if the borrower's financial circumstances change and the income amount that was used to calculate the borrower's current monthly payment no longer reflects the borrower's current income.

If the lender recalculates the borrower's ~~income-based~~ monthly payment amount based on the borrower's request for early re-evaluation, the lender must send the borrower a written notification that includes all of the information outlined above. Early re-evaluation of a new ~~income-based~~ monthly payment amount establishes a new annual payment period.

For each subsequent year that a borrower ~~who currently has a PFH~~ remains on the IBR plan, the lender must notify the borrower in writing of the requirements to provide documentation of the borrower's AGI, spouse's loan information (if applicable) and self-certification of his or her family size ~~if the borrower chooses to remain on the IBR plan~~. The lender must send this notice to the borrower no later than 60 days and no earlier than 90 days prior to the borrower's annual deadline date. The borrower's annual deadline date must be no earlier than 35 days before the end of the borrower's annual payment period. The notification must provide the borrower with all of the following information:

- The borrower's annual deadline date.

- The consequences if the lender does not receive the information within 10 days following the borrower's annual deadline date, including:

  - The borrower's monthly payment amount will be set~~changed~~ to the permanent-standard payment amount.

  - The effective date for the permanent-standard ~~monthly~~ payment amount.

  - An explanation that unpaid accrued interest will be capitalized at the end of the borrower's current annual payment period.

If~~Each time~~ a lender determines that a borrower's applicable payment amount exceeds the permanent-standard payment amount~~no longer has a PFH~~ for a subsequent year that the borrower wishes to remain on the IBR plan, the lender must send the borrower a written notice that includes all of the following information:

- The borrower's ~~monthly~~ permanent-standard payment amount~~, recalculated based on the borrower no longer having a PFH~~.

- An explanation that unpaid accrued interest will be capitalized~~ at the time the lender determines that the borrower no longer has a PFH~~.

- Information about the borrower's option to request, at any time, that the lender recalcualte~~-determine whether~~ the monthly payment amount~~borrower has a PFH,~~ if the borrower's financial circumstances change and the income amount previously used ~~to determine that the borrower no longer has a PFH~~ does not reflect the borrower's current income.

- An explanation that the borrower will be notified annually of this option.

~~If the lender determines that the borrower again has a PFH, the lender must recalculate the borrower's monthly payment as applicable, and send the borrower a written notification that includes the information described in the first set of bullets under this subheading. Redetermination~~

~~of a new income-based monthly payment amount establishes a new annual payment period.~~

~~For each subsequent year that a borrower remains in IBR, but does not have a PFH, the loan holder must send the borrower a written notification reminding the borrower about the borrower's option to request, at any time, that the lender re-determine whether the borrower has a PFH based on the borrower's current income.~~
[§682.215(e)(2)-(5)~~; §685.221(e)(2)-(5)~~]

COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: May 22, 2026

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With No Changes	06/25/2026

SUBJECT: Loan Rehabilitation

AFFECTED SECTIONS: 13.7 Rehabilitation of Defaulted Loans

POLICY INFORMATION: 1347/Batch 232

EFFECTIVE DATE/TRIGGER EVENT: Rehabilitation agreements begun on or after July 1, 2027

BASIS:
Public Law (P.L.) 119-21, One Big Beautiful Bill Act, signed July 4, 2025

CURRENT POLICY:
Current policy states that borrowers may only rehabilitate a loan once.

REVISED POLICY:
Revised policy allows borrowers to rehabilitate a loan twice beginning July 1, 2027.

REASON FOR CHANGE:
Statutory changes to 40 Part B Sec. 428(a)(5) via Public Law 119-21 and conforming regulatory changes via 91 Federal Register 23768, published May 1, 2026.

PROPOSED LANGUAGE - *COMMON MANUAL*:
Revise Subsection 13.7, Page 15, Column 2, paragraph 1 as follows:

To be eligible to rehabilitate a defaulted FFELP loan, a borrower must enter into a rehabilitation agreement with the guarantor or a collection agency acting on its behalf. A borrower who receives loan funds for which he or she is ineligible due solely to his or her error may not rehabilitate the ineligible funds or otherwise have his or her Title IV eligibility reinstated until the ineligible funds are repaid in full. A borrower may not include in a rehabilitation agreement a loan on which a judgment has been obtained or a loan on which the borrower has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving fraud in obtaining Title IV funds. Beginning July 1, 2027, a~~A~~ loan may be rehabilitated only twice~~once~~. ~~Any loan included in a rehabilitation agreement on or after August 14, 2008, may not be included in a future rehabilitation agreement. A borrower may include in a rehabilitation agreement another defaulted loan that has not previously been rehabilitated on or after August 14, 2008.~~ A defaulted Consolidation loan that includes a loan previously rehabilitated on or after August 14, 2008, is eligible for rehabilitation.
[HEA §428F(a)(5); §682.405(a)(1); §685.211(f); *Federal Register* dated October 29, 2009, p. 55979; DCL GEN-08-12/FP-08-10]

PROPOSED LANGUAGE - COMMON BULLETIN:

Loan Rehabilitation

The Manual is being revised to incorporate the statutory change effective July 1, 2027, made by Public Law 119-21, the One Big Beautiful Bill Act. This change allows borrowers to rehabilitate a loan a second time.

GUARANTOR COMMENTS:
None

IMPLICATIONS:
Borrower: Beginning July 1, 2027, borrowers can rehabilitate a loan a second time.

School: None.

Lender/Servicer: None.

Guarantor: Beginning July 1, 2027, guarantors must let borrowers know that they can rehabilitate a loan a second time.

U.S. Department of Education: None.

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

POLICY CHANGE PROPOSED BY:
Policy Development and Maintenance Contractor

DATE SUBMITTED TO POLICY DEVELOPMENT AND MAINTENANCE CONTRACTOR:
May 1, 2026

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
June 25, 2026

PROPOSAL DISTRIBUTED TO:
CM Governing Board Chair
CM Guarantor Designees
Interested Industry Groups and Others

Comments Received from:
None

Responses to Comments

All commenters supported the proposal as written.