



**POLICY UPDATE PROPOSALS - IMMEDIATE ACTION REQUIRED**  
**COMMENTS DUE FRIDAY, December 7, 2012**

TO: *Common Manual* Governing Board Representatives  
Interested Industry Groups and Others

FROM: Michelle Anderson and Lori Yaun, Co-Chairs  
*Common Manual* Policy Committee

RE: *Common Manual* Policy Updates  
[Batch 191: Proposal 1282]

DATE: November 16, 2012

Enclosed with this memorandum is the **One Hundred and Ninety-First** batch of policy update proposals completed by the Policy Committee.

Policy 1282 is a federal policy proposal and is intended to align *Common Manual* text with federal regulations and other federal publications.

Every policy update drafted by the Policy Committee must be distributed to each guarantor for comment before it is presented to the Governing Board for review and approval. Every proposal is also sent to higher education organizations and others in the FFELP community who request the opportunity to comment.

**Please review this policy update proposal and provide written comments by Friday, December 7, 2012 to:**

Lori Yaun  
Great Lakes Higher Education Guaranty Corporation  
2401 International Lane  
Madison, WI 53704-3192  
Fax Number: 866-678-5951  
E-Mail: [policy@glhec.org](mailto:policy@glhec.org)

Following the review of comments received, the Policy Committee will update this proposal and distribute it to each member of the *Common Manual* Governing Board for review and approval at its January 2013 meeting.

If you have any questions about this proposal or the activities of the Policy Committee, please contact either Michelle Anderson at 512-219-4608 or by email at [michelle.anderson@tqslc.org](mailto:michelle.anderson@tqslc.org) or Lori Yaun at 608-246-1622 or by email at [lyaun@glhec.org](mailto:lyaun@glhec.org).

Enclosures:  
Policy Proposal Transmittal (1)  
*Common Manual* Policy Proposal (1282)

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
1282	Income-Based Repayment – Married Borrowers Filing Jointly	<b>10.8.D Income Based Repayment Schedule</b>  Provides clarification for the PFH eligibility calculation and PFH payment amount calculation for Income-Based Repayment for married borrowers who file federal income taxes jointly.	Federal	Income-based repayment (IBR) plan requests or renewals processed by the lender on or after July 1, 2010.

Batch 191 (Out for Comment)

# COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: November 16, 2012

X	DRAFT	Comments Due	Dec 7
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Income-Based Repayment – Married Borrowers Filing Jointly

**AFFECTED SECTIONS:** 10.8.D Income-Based Repayment Schedule

**POLICY INFORMATION:** 1282/Batch 191

**EFFECTIVE DATE/TRIGGER EVENT:** Income-based repayment (IBR) plan requests or renewals processed by the lender on or after July 1, 2010.

**BASIS:**

§682.215(a)(1), (a)(4)(ii), and (b)(ii); Final Rules published in the *Federal Register* dated October 29, 2009, p.55982.

**CURRENT POLICY:**

Current policy provides the partial financial hardship (PFH) eligibility calculation and PFH payment amount calculation for Income-Based Repayment for individual borrowers only.

**REVISED POLICY:**

Revised policy provides clarification for the PFH eligibility calculation and PFH payment amount calculation for Income-Based Repayment for married borrowers who file federal income taxes jointly.

**REASON FOR CHANGE:**

This policy is necessary to clarify eligibility for PFH and the PFH payment amount calculation for Income-Based Repayment.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise the Subsection 10.8.D, page 18, column 2, paragraph 8 as follows:

Step 5: Determine the annual payment amount on the total of the borrower's loan based on a standard 10-year repayment schedule and the applicable interest rate. In this example, the borrower's total loan amount is \$25,000 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 must be performed on those loans as well, and the two amounts must be added together. This total must then be used to determine each spouse's eligibility for partial financial hardship.)

Revise the Subsection 10.8.D, page 18, column 2, paragraph 10 as follows:

Step 7: 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.)

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Income-Based Repayment - Married Borrowers Filing Jointly**

The *Common Manual* is updated to clarify that, for eligible married borrowers who file federal income tax jointly, the annual payment must be calculated on each borrower individually, with these totals added together to determine eligibility for PFH under the Income-Based Repayment plan. In addition, the PFH payment amount must be allocated between the two borrowers based on the percentage of the total eligible loan debt attributable to each individual borrower.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower will need to consider this clarification in determining eligibility for Income-Based Repayment.

*School:*

A school will need to provide students with the correct Income-Based Repayment qualification criteria.

*Lender/Servicer:*

A lender/servicer will need to review current Income-Based Repayment qualifying criteria.

*Guarantor:*

None.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

June 3, 2010

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

C M Governing Board Representatives

jd/edited- tmh