

#	Subject	Summary of Change to Common Manual	Type of Update	Effective Date
1290	TPD Post-Discharge Payment Refund and Notification to the Department	<p><b>13.8.G Total and Permanent Disability</b></p> <p>States that the lender will refund to the sender any payments received after the start date of the borrower's disability, a date defined based on how the disability determination is made. The lender must refund to the sender payments received:</p> <ul style="list-style-type: none"><li>• After the total and permanent disability date provided in the Department's official approval notification for the "standard" disability discharge.</li><li>• On or after the total and permanent disability date provided in the Department's official approval notification for the "veteran" disability discharge.</li></ul> <p>Lenders must report to the Department any payment refunds issued following claim payment resulting from a "standard" TPD discharge.</p>	Federal	July 1, 2013

Batch 196 (Out for Comment)

# COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: September 20, 2013

X	DRAFT	Comments Due	Oct 11
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** TPD Post-Discharge Payment Refund and Notification to the Department

**AFFECTED SECTIONS:** 13.8.G Total and Permanent Disability

**POLICY INFORMATION:** 1290/Batch 196

**EFFECTIVE DATE/TRIGGER EVENT:** July 1, 2013

**BASIS:**  
§682.402(c)(8)(i)(C).

## CURRENT POLICY:

Current policy states that the lender must hold and send payments received after the date of the physician's certification to the guarantor.

## REVISED POLICY:

Revised policy states that the lender will refund to the sender any payments received after the start date of the borrower's disability, a date defined based on how the disability determination is made. The lender must refund to the sender payments received:

- After the total and permanent disability date provided in the Department's official approval notification for the "standard" disability discharge.
- On or after the total and permanent disability date provided in the Department's official approval notification for the "veteran" disability discharge.

Lenders must report to the Department any payment refunds issued following claim payment resulting from a "standard" TPD discharge.

References to "standard" total and permanent disability in the *Common Manual* include both the SSA total and permanent disability determinations and the physician certification determinations.

## REASON FOR CHANGE:

This change is necessary to comply with the regulatory requirements effective July 1, 2013, and the subsequent processing requirements stipulated by the Department's TPD loan servicer.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 13.8.G of the July 2012 *Common Manual*, page 53, column 2, paragraph 3, as follows:

### *Treatment of Payments*

~~If the lender receives a payment from or on behalf of the borrower after the date the physician completed and certified the discharge application but before the lender receives the claim payment, the lender must hold the payment. After the lender receives the claim payment, the lender must forward the payment to the guarantor. After receiving the claim payment from the guarantor, the lender must refund to the sender payments received:~~

- After the total and permanent disability date provided in the Department's official approval notification for the standard disability discharge.
- On or after the total and permanent disability date provided in the Department's official approval notification for the veteran disability discharge.

Lenders must report to the Department any payment refunds issued following claim payment resulting from a standard TPD discharge.

[§682.402(c)(58)(vi)(BC)(3); §685.213(b)(2)(ii)]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**TPD Post-Discharge Payment Refund and Notification to the Department**

The *Common Manual* has been updated to include requirements for managing payments received after the date of the borrower's disability. After receiving the claim payment from the guarantor, the lender must refund to the sender payments received:

- After the total and permanent disability date provided in the Department's official approval notification for the "standard" disability discharge.
- On or after the total and permanent disability date provided in the Department's official approval notification for the "veteran" disability discharge.

Lenders must report to the Department any payment refunds issued following claim payment resulting from a standard TPD discharge.

References to "standard" total and permanent disability in the *Common Manual* include both the SSA total and permanent disability determinations and the physician certification determinations.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Student/Borrower:*

Borrowers will receive any appropriate payment refund directly from the holder(s) of their loans.

*School:*

None.

*Lender/Servicer:*

Lenders must establish processes by which they refund to the sender payments received on or after, as applicable, the disability date, and report the refund of those payments to the Department.

*Guarantor:*

To the extent that the guarantor is the holder of any loan for which the borrower applies for TPD discharge, the guarantor requirements for managing the refund of payments received must mirror those for the lender.

*U.S. Department of Education:*

The Department must establish methods to collect and retain the necessary payment refund records.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee and NCHER TPD Workgroup

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

August 29, 2013

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

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

bg/edited-chh