

#	Subject	Summary of Change to Common Manual	Type of Update	Effective Date
1296	Reporting Requirements Regarding a Borrower's Total and Permanent Discharge Application Status	<p>13.8.B Total and Permanent Disability</p> <p>Adds language that requires the lender to report its receipt of these notices to the guarantor at least monthly.</p>	Guarantor	Guarantor receipt of lender notifications that a borrower's total and permanent discharge application is under Department review on or after June 1, 2014, unless implemented earlier by the guarantor.
1297	Changes to Eligibility Reinstatement Rules	<p>5.3 Reinstatement of Title IV Eligibility after Default</p> <p>Revises the definition of "timely" payments for purposes of SRA to 20 days and adds the new provision that states that a borrower who reinstates Title IV eligibility but does not obtain new Title IV funds before re-defaulting on a loan is not considered to have used the one-time reinstatement opportunity provided under the Act.</p>	Federal	Reinstatement eligibility determinations made by the guarantor on or after July 1, 2014, unless implemented earlier by the guarantor. Program participants may not implement the provision earlier than November 1, 2013.
1298	Lender Disclosures	<p>10.12 Lender Disclosures During Repayment</p> <p>12.1.A Required Lender Disclosure for a Borrower Having Difficulty Making Payments</p> <p>Provides that a lender is exempt from the disclosure requirements if a borrower's difficulty making payments has been previously resolved. This may be either through contact with the borrower based on a previous disclosure or other communication between the lender and the borrower that included recognition that a borrower's payment difficulty could be resolved by a payment amount change or payment postponement.</p>	Federal	<p>For determining if the lender must send the 60-day disclosure, borrowers who become 60 days past due on or after July 1, 2014, unless implemented by the lender no earlier than November 1, 2013.</p> <p>For establishing when the lender must send the 60-day disclosure, borrowers who become 60 days delinquent on or after July 1, 2014, unless implemented by the lender no earlier than November 1, 2013.</p>

1299	Closed School	13.8.B Closed School Extends the current 90-day withdrawal or closure window to 120 days. Also adds that a borrower may qualify for an extension to the 120-day window if the Department determines that exceptional circumstances related to the school's closing justify an extension.	Federal	Closed school applications received on or after July 1, 2014.
1300	Change in Participation Rate Index Threshold	16.4.B School Appeals Provides that the school may appeal on this basis if the PRI for that fiscal year is less than or equal to 0.0832.	Federal	July 1, 2014.
1301	Online and Distance Learning Qualification for a Closed School Discharge	13.8.B Closed School Clarifies that if a school offers online and/or distance education programs, those programs are considered to be associated with the main campus of the school and a borrower who obtained loans for those programs would qualify for a closed school discharge only if the main campus of the school closes.	Correction	Closed school applications received on or after July 1, 2014.
1302	Loan Rehabilitation Details Removed	13.7 Rehabilitation of Defaulted FFELP Loans Eliminates detailed information regarding the rehabilitation process.	Organizational	None.

COMMON MANUAL – GUARANTOR POLICY PROPOSAL

Date: January 31, 2014

X	DRAFT	Comments Due	Feb 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Reporting Requirements Regarding a Borrower's Total and Permanent Discharge Application Status

AFFECTED SECTIONS: 13.8.G Total and Permanent Disability

POLICY INFORMATION: 1296/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: Guarantor receipt of lender notifications that a borrower's total and permanent discharge application is under Department review on or after June 1, 2014, unless implemented earlier by the guarantor.

BASIS:

None.

CURRENT POLICY:

Current policy states that a lender must notify the guarantor that the borrower or some party to the loan has applied for total and permanent disability discharge and that the discharge application is under review by the Department.

REVISED POLICY:

Revised policy adds language that requires the lender to report its receipt of these notices to the guarantor at least monthly.

REASON FOR CHANGE:

This change is necessary to ensure that a guarantor receives timely notification that the borrower or some party to a loan has applied for total and permanent disability discharge and that the Department has initiated a review of the discharge application.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 13.8.G, page 48, column 2, paragraph 2, as follows:

13.8.G
Total and Permanent Disability

Note: See Section 5.5 for more information about eligibility requirements that a borrower must meet in order for the borrower to receive a new loan after he or she has received a loan discharge due to total and permanent disability.

The lender must refer to the Department any borrower or borrower's representative who asserts that the borrower is totally and permanently disabled. The Department will notify the lender if the borrower notifies the Department of their intent to apply for a total and permanent disability and will instruct the lender to suspend collection activity for a period not to exceed 120 days. The Department will also notify the lender if it receives a loan discharge application, and will instruct the lender to suspend collection activities pending their review of the application. The lender must ~~notify~~ advise the guarantor that the borrower or some party to the ~~a~~ loan has applied for total and permanent disability discharge and that the discharge application is under review. A lender must report to the guarantor its receipt of these TPD review notices at least monthly.

[§682.402(c)(2)(ii) and §682.402(c)(2)(vi)]

...

PROPOSED LANGUAGE - COMMON BULLETIN:

Reporting Requirements Regarding a Borrower's Total and Permanent Discharge Application Status

The *Common Manual* is being revised to require a lender to notify the guarantor at least monthly that it has received notification the borrower or some party to a loan has a total and permanent disability discharge

application under review with the Department.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:

A borrower may receive fewer and less conflicting communication from the guarantor if the guarantor is aware that the borrower's discharge application is under review by the Department.

School:

None.

Lender/Servicer:

A lender may need to update its processes and procedures for notifying a guarantor that the borrower or some party to a loan has applied for total and permanent disability discharge and that the discharge application is under review by the Department.

Guarantor:

A guarantor may need to update its process for receiving, trading, and processing these reports and may need to update its program review procedures.

U.S. Department of Education:

The Department may need to update its program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

July 30, 2013

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CM Guarantor Designees

Interested Industry Groups and Others

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COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: January 31, 2014

X	DRAFT	Comments Due	Feb 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Changes to Eligibility Reinstatement Rules

AFFECTED SECTIONS: 5.3 Reinstatement of Title IV Eligibility after Default

POLICY INFORMATION: 1297/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: Reinstatement eligibility determinations made by the guarantor on or after July 1, 2014, unless implemented earlier by the guarantor. Program participants may not implement the provision earlier than November 1, 2013.

BASIS:
§682.200(b).

CURRENT POLICY:

Current policy provides that the borrower may reinstate Title IV eligibility by making satisfactory repayment arrangements (SRA) with the holder of a loan and that those payments must be timely, defined as within 15 days of their due date.

REVISED POLICY:

Revised policy revises the definition of “timely” payments for purposes of SRA to 20 days and adds the new provision that states that a borrower who reinstates Title IV eligibility but does not obtain new Title IV funds before re-defaulting on a loan is not considered to have used the one-time reinstatement opportunity provided under the Act.

REASON FOR CHANGE:

This change is necessary to comply with Final Rules published in the November 1, 2013, *Federal Register*, Vol. 78, No. 212, page 65807.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 5.3, page 8, column 2, paragraph 3, as follows:

To have eligibility for Title IV aid reinstated, a borrower must make six consecutive full monthly payments to the appropriate holder for each defaulted loan. These payments must be made on time (within ~~45~~ 20 days of the payment due date), voluntarily (directly by the borrower, regardless of whether there is a judgment against the borrower), and must be reasonable and affordable. Any court-ordered payments or involuntary payments obtained by state offsets or federal Treasury offsets, wage garnishment, or income or asset execution will not count toward the six payments required for reinstatement. A lump sum prepayment of future installments does not satisfy the requirement for six consecutive monthly payments and will not reinstate a borrower's Title IV eligibility.
[§682.200(b)]

Revise Section 5.3, page 9, column 1, paragraph 1, as follows:

A borrower may reestablish Title IV eligibility only once. If a borrower has reestablished his or her eligibility and then fails to maintain satisfactory payment arrangements on that defaulted loan, or a defaulted loan for which a judgment has been obtained, the borrower may not reestablish his or her eligibility again under these provisions. However, if a borrower reinstates Title IV eligibility but does not obtain new Title IV funds before defaulting again on a loan, the borrower is not considered to have used the one-time reinstatement opportunity. An opportunity for reinstatement may be made available to a borrower regardless of whether any of the borrower's defaulted loans have been repurchased by an eligible lender.
[§668.35(c); §682.200(b) definition of ~~undergraduate~~ satisfactory repayment arrangements]

PROPOSED LANGUAGE - COMMON BULLETIN:

Changes to Eligibility Reinstatement Rules

The *Common Manual* is being revised to include the following two updates to regulations related to the reinstatement of Title IV eligibility:

- The definition of “timely” payments for purposes of satisfactory repayment arrangements is redefined as 20 days from its previous 15-day standard.
- A borrower who reinstates Title IV eligibility but does not obtain new Title IV funds before defaulting again on a Title IV loan is not considered to have used the one-time reinstatement opportunity provided under the Act.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:

A borrower will have a few additional days to comply with the “timely” requirement under regulations and will not lose the benefit of reinstatement if a loan defaults again before the borrower obtains new Title IV funds.

School:

None.

Lender/Service:

None.

Guarantor:

The guarantor may need to amend reinstatement policies and procedures.

U.S. Department of Education:

The Department and its servicers may need to amend policies and procedures. The Department may also need to amend program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

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Interested Industry Groups and Others

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COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date January 31, 2014

X	DRAFT	Comments Due	Feb 21
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SUBJECT: Lender Disclosures

AFFECTED SECTIONS: 10.12 Lender Disclosures During Repayment
12.1.A Required Lender Disclosure for a Borrower Having Difficulty Making Payments

POLICY INFORMATION: 1298/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: For determining if the lender must send the 60-day disclosure, borrowers who become 60 days past due on or after July 1, 2014, unless implemented by the lender no earlier than November 1, 2013.

For establishing when the lender must send the 60-day disclosure, borrowers who become 60 days delinquent on or after July 1, 2014, unless implemented by the lender no earlier than November 1, 2013.

BASIS:

Federal Register/Vol. 78, No. 212, Monday, November 1, 2013; §682.205(a)(4)(ii) and (5)(ii).

CURRENT POLICY:

Current policy states that if a borrower notifies the lender that he or she is having difficulty making scheduled payments, the lender must provide a disclosure to the borrower that describes the repayment plans available to the borrower. The disclosure must also describe how the borrower can request a change in the repayment plan; the requirements for and costs associated with obtaining forbearance; and other options and their costs that are available to the borrower to avoid default. Current policy also states that a lender must provide a 60-day disclosure within five days of the date the borrower becomes 60 days delinquent.

REVISED POLICY:

Revised policy provides that a lender is exempt from the disclosure requirements if a borrower's difficulty making payments has been previously resolved. This may be either through contact with the borrower based on a previous disclosure or other communication between the lender and the borrower that included recognition that a borrower's payment difficulty could be resolved by a payment amount change or payment postponement.

Revised policy also clarifies that the 60-day disclosure must be provided within five business days after the date the borrower becomes 60 days delinquent.

REASON FOR CHANGE:

This change is necessary to align Manual text with final rules published in the Federal Register dated November 1, 2013.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 10.12, page 28, column 2, paragraph 3, as follows:

If a borrower notifies the lender that he or she is having difficulty making scheduled payments, the lender must provide, in simple and understandable terms, a description of each of the following:

- The repayment plans available to the borrower, including how the borrower can request a change in repayment plan.
- . . .
- . . .

These disclosures are not required if the borrowers' difficulty has been resolved through contact resulting from an earlier disclosure or from other contact between the lender and the borrower. This may be done through previous contact with and disclosure from the lender, or other communication between the lender and borrower.

[HEA §433(e) (2); §682.205(a)(4)(ii); DCL GEN-08-12/FP-08-10]

Revise Subsection 12.1.A, page 2, column 1, paragraph 1, as follows:

The lender must provide this disclosure notice within five business days of the date the borrower becomes 60 days delinquent, unless the lender has sent a similar notice to that borrower within the preceding 120 days.

[HEA §433(e)(1); §682.205(a)(5)(ii)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Lender Disclosures

The *Common Manual* is being updated to clarify that a lender is exempt from the disclosure requirement if a borrower's difficulty making payment has been resolved. This may be either through contact with the borrower based on a previous disclosure or other communication between the lender and the borrower that included recognition that a borrower's payment difficulty could be resolved by a payment amount change or payment postponement. The policy also clarifies that the 60-day disclosure must be provided within five business days of the date the borrower becomes 60 days delinquent.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:

A borrower may receive fewer notifications from the lender that may conflict or duplicate other and/or more recent conversations with the lender/servicer and will result in reduced confusion.

School:

None.

Lender/Servicer:

A lender may choose to amend its procedures for sending this disclosure to borrowers, and if so, may send fewer notices to borrowers with whom it has already communicated with regarding solutions to the past due issues.

Guarantor:

A guarantor may need to revise its program review parameters.

U.S. Department of Education:

The Department may need to revise its program review parameters.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

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July 30, 2013.

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CM Guarantor Designees

Interested Industry Groups and Others

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COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: January 31, 2014

X	DRAFT	Comments Due	Feb 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Closed School

AFFECTED SECTIONS: 13.8.B Closed School

POLICY INFORMATION: 1299/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: Closed school applications received on or after July 1, 2014.

BASIS:
§682.402(d)(1)(i), and §685.214(c)(B).

CURRENT POLICY:

Current policy states that a borrower may qualify for a loan discharge if the borrower or the student on whose behalf a parent borrowed could not complete the program of study at the school because the school closed while the borrower (or student) was enrolled or if the borrower or student withdrew from the school no more than 90 days before the school closed.

REVISED POLICY:

Revised policy extends the current 90-day withdrawal or closure window to 120 days. Revised policy also adds that a borrower may qualify for an extension to this 120-day window if the Department determines that exceptional circumstances related to the school's closing justify an extension. Exceptional circumstances for this purpose may include, but are not limited to: the school's loss of accreditation; the school's discontinuation of the majority of its academic programs; action by the State or the Department that the school violated State or Federal law.

REASON FOR CHANGE:

These revisions incorporate regulatory changes published in the November 1, 2013, *Federal Register*, Vol. 78, No. 212.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 13.8.B, page 22, column 2, paragraph 4, as follows:

13.8.B Closed School

If a borrower (or student for whom a parent obtained a PLUS loan) is unable to complete his or her program of study due to the closing of a school, the borrower may qualify to have his or her applicable loans discharged. A borrower is eligible for loan discharge of all or part of his or her Consolidation loan for the amount of the closed school loan discharge that would have been applicable to the borrower's underlying loan(s). A borrower is not eligible for loan discharge if the student's program of study was terminated by the school, but the school did not close at that time. An entire school or location must close for a borrower to be eligible for loan discharge.

In most cases, to qualify for a closed school loan discharge a borrower must complete, certify, and submit to his or her lender or guarantor the Loan Discharge Application: School Closure form approved by the Department. The borrower may be eligible to have a loan discharged if he or she meets all the following criteria:

- The borrower (or 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 later closed.
- The borrower (or student) did not complete the program of study at the school for which the loan was obtained because the school closed while the student was enrolled or on an approved leave of absence, or the student withdrew within 90 ~~90~~ 120

days of the school's closing. The Department may extend the 120-day period due to exceptional circumstances related to a school's closing. Examples of exceptional circumstances may include, but are not limited to:

- Loss of accreditation.
- Discontinuation of the majority of its academic programs .
- Action by the State to revoke the school's license to operate or award academic credentials in the State.
- Action by the State or Federal government agency that the school violated State or Federal law.

The Department will determine whether an exceptional circumstance exists on a case-by-case basis and takes into account the facts of the particular situation. The examples given do not provide borrowers with a guaranteed right to a discharge.
[§682.402(d)(1)(i); §685.214(c)(B)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Closed School

The *Common Manual* has been updated to incorporate changes published in the November 1, 2013, *Federal Register*. The new rule extends the current 90-day withdrawal or closure window to 120 days. It also adds that a borrower may qualify for an extension to this 120-day window if the Department determines that exceptional circumstances related to the school's closing justify an extension. Exceptional circumstances for this purpose may include, but are not limited to: the school's loss of accreditation; the school's discontinuation of the majority of its academic programs; action by the State or the Department that the school violated State or Federal law.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:

A borrower may benefit from the extended withdrawal or closure window that qualifies a borrower to have his or her applicable loans discharged under the closed school provisions.

School:

None.

Lender/Service:

A lender may need to amend its closed school procedures.

Guarantor:

A guarantor may need to amend its closed school and program review procedures.

U.S. Department of Education:

The Department of Education must determine if exceptional circumstances are applicable to allow an extension of the 120 day window.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

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

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COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: January 31, 2014

X	DRAFT	Comments Due	Feb 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Change in Participation Rate Index Threshold

AFFECTED SECTIONS: 16.4.B School Appeals

POLICY INFORMATION: 1300/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: July 1, 2014.

BASIS:
§668.204(c)(1)(i).

CURRENT POLICY:

Current policy provides that a school may appeal the loss of Title IV eligibility based on a participation rate index if any one of three criteria apply. One of those is that the school has a cohort default rate of over 40% for a single fiscal year and the PRI for that fiscal year is less than or equal to 0.0615.

REVISED POLICY:

Revised policy provides that the school may appeal on this basis if the PRI for that fiscal year is less than or equal to 0.0832.

REASON FOR CHANGE:

This change is necessary to comply with Final Rules published in the November 1, 2013, *Federal Register*, Vol. 78, No. 212, page 65804.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 16.4.B, page 12, column 2, paragraph 3, as follows:

Participation Rate Index (PRI) Appeals

The PRI puts into perspective the impact of the school's cohort default rate on the federal fiscal interest. Thus, a low PRI indicates that the overall impact of a school's students' defaults is not significant in terms of federal dollars. (See Section 16.1 for information regarding the calculation of the PRI.) A school that is subject to a loss of FFELP, FDLP, or Federal Pell Grant Program eligibility may use the PRI appeal based on ~~either~~ any one of the following conditions:

- The school has one cohort default rate over 40% and the PRI for that cohort's fiscal year is less than or equal to ~~0.06015~~ 0.0832.
[§668.195(a)(1); §668.204(c)(1)(i)]
- The school has three consecutive two-year cohort default rates of 25% or more and the PRI for any of the three cohorts' fiscal years is less than or equal to 0.0375.
[HEA §435(A)(8); §668.195(a)(2)]
- The school has . . .

PROPOSED LANGUAGE - COMMON BULLETIN:

Change in Participation Rate Index Threshold

The *Common Manual* has been updated to include the regulatory change that provides that the school may appeal the loss of Title IV eligibility due to its cohort default rate for a single year in excess of 40% if the PRI for that fiscal year is less than or equal to 0.0832. This is one of the PRI appeal options available to schools and previously provided for a threshold of 0.06015.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:

None.

School:

Schools managing a higher cohort default rate have fractional additional latitude in their appeal eligibility.

Lender/Service:

None.

Guarantor:

The guarantor may be required to amend its policies and procedures.

U.S. Department of Education:

The Department may be required to amend its policies and procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

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Interested Industry Groups and Others

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COMMON MANUAL – CORRECTION POLICY PROPOSAL

Date: January 31, 2014

X	DRAFT	Comments Due	Feb 21
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Online and Distance Learning Qualification for a Closed School Discharge

AFFECTED SECTIONS: 13.8.B Closed School

POLICY INFORMATION: 1301/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: Closed school applications received on or after April 29, 1994.

BASIS:

Preamble of the November 1, 2013, *Federal Register*, Vol. 78, No. 212, page 65775.

CURRENT POLICY:

Current policy does not address online and/or distance education programs related to a closed school discharge.

REVISED POLICY:

Revised policy clarifies that if a school offers online and/or distance education programs, those programs are considered to be associated with the main campus of the school and a borrower who obtained loans for those programs would qualify for a closed school discharge only if the main campus of the school closes.

REASON FOR CHANGE:

These revisions incorporate regulatory clarification published in the November 1, 2013, *Federal Register*, Vol. 78, No. 212, page 65775.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 13.8.B, page 22, column 2, paragraph 3, as follows:

13.8.B Closed School

If a borrower (or student for whom a parent obtained a PLUS loan) is unable to complete his or her program of study due to the closing of a school, the borrower may qualify to have his or her applicable loans discharged. A borrower is eligible for loan discharge of all or part of his or her Consolidation loan for the amount of the closed school loan discharge that would have been applicable to the borrower's underlying loan(s). A borrower is not eligible for loan discharge if the student's program of study, either traditional or distance, was terminated by the school, but the school did not close at that time. A distance education program is not considered to be a separate location of a school. A location is a physical site where a student can receive at least 50% or more of an eligible program. An online or distance education program is considered to be associated with the school's main campus. An entire school or location at which the program is offered must close for a borrower to be eligible for loan discharge.

PROPOSED LANGUAGE - COMMON BULLETIN:

Closed School

The *Common Manual* has been updated to clarify that a borrower who obtained loans for distance and/or online program at a school would qualify for a closed school discharge only if the main campus closes.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:

None.

School:
None.

Lender/Service:
None.

Guarantor:
None.

U.S. Department of Education:
None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

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COMMON MANUAL – ORGANIZATIONAL POLICY PROPOSAL

Date: January 31, 2014

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SUBJECT: Loan Rehabilitation Details Removed

AFFECTED SECTIONS: 13.7 Rehabilitation of Defaulted FFELP Loans

POLICY INFORMATION: 1302/Batch 199

EFFECTIVE DATE/TRIGGER EVENT: None.

BASIS:
None.

CURRENT POLICY:

Current policy includes extensive details regarding the guarantor's post-claim processes for assisting borrowers with the rehabilitation a defaulted FFELP loan.

REVISED POLICY:

Revised policy eliminates detailed information regarding the rehabilitation process.

REASON FOR CHANGE:

The *Common Manual* provides policy support for schools and loan holders to support their administration of FFELP loans. Post-default collection materials are not relevant to either entity's loan administration responsibilities; such policies govern only guarantors.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 13.7, page 16, column 1, paragraph 4, as follows:

~~The guarantor will make the determination of what constitutes a reasonable and affordable payment based on each borrower's financial circumstances. Factors to be considered include the borrower's monthly income (and that of his or her spouse, if applicable), the monthly expenses of the borrower and any spouse or dependents, and the unpaid balance on all FFELP loans held by other holders. If the borrower's reasonable and affordable payment is determined to be less than \$50 or the amount of the accruing interest on the borrower's loan(s), the guarantor will document the basis for the determination and retain it in the borrower's file, which will be forwarded to the purchasing lender.~~
~~§682.405(b)}~~

A guarantor will assist a borrower in securing the purchase of each defaulted loan by an eligible lender only after:

- The borrower satisfies his or her obligation to make nine payments during a period of 10 consecutive months, as prescribed above.
- The borrower authorizes the guarantor to capitalize collection costs.
- The borrower requests assistance in obtaining a rehabilitation repurchase.
- The guarantor determines that the borrower is a good candidate for rehabilitation. A borrower may not be considered a good candidate for rehabilitation if he or she will be required to make monthly payments after the rehabilitation that are considerably higher than the amount determined to be reasonable and affordable for the borrower.

If the guarantor is unable to secure a lender, the borrower will be responsible for obtaining an eligible lender to purchase his or her defaulted loan(s).

~~The guarantor or its contracted vendor acting on its behalf will notify the borrower of repayment terms, including what has been determined to be the reasonable and affordable payment amount. If the borrower's financial circumstances change after the determination, the borrower may request that the repayment terms be adjusted. The borrower must include documentation substantiating his or her request for a recalculation of the reasonable and affordable payment amount previously established.~~
~~§682.405(b)(1)(iii)~~

Within 30 days of receiving notification of the rehabilitation from the guarantor, the prior holder of the loan must request that any nationwide consumer reporting agency to which the default status or other equivalent record was reported, remove the default status or other equivalent record from the borrower's credit history.
[HEA §428F(a)(1)(A); §682.405(a); §682.405(b)(3)(ii); §685.211(f)(1); DCL GEN-08-12/FP-08-10]

PROPOSED LANGUAGE - COMMON BULLETIN:

Loan Rehabilitation Details Removed

Common Manual text has been revised to remove some of the detail regarding the guarantor's loan rehabilitation processes. The Manual is intended to assist schools and lenders in the administration of FFELP loans. Post-default collections information is irrelevant to the administrative responsibilities of either the lender or school.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Student/Borrower:

None.

School:

None.

Lender/Service:

None.

Guarantor:

None.

U.S. Department of Education:

None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

January 15, 2014.

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

bg/edited- tmh