



Unified Student Loan Policy

**POLICY UPDATE PROPOSALS – IMMEDIATE ACTION REQUIRED
COMMENTS DUE FRIDAY, OCTOBER 7, 2016**

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

FROM: Benjamin Lee
Great Lakes, CM Policy Development Contractor

RE: *Common Manual* Policy Update
[Batch 206: Proposal(s) 1314 & 1315]

DATE: September 16, 2016

Enclosed with this memorandum is the **Two Hundred and Sixth** batch of policy update proposals completed by the *Common Manual* Policy Development Contractor (PDC).

Policy 1314 is a federal policy proposal that is intended to align *Common Manual* text with federal regulations and other federal publications.

Policy 1315 is a correction proposal and is intended to correct or clarify existing *Common Manual* language, or conform existing text in one part of the Manual with that already in another cite.

Every policy update drafted by the PDC 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 these policy update proposals and provide written comments by Friday, October 7, 2016, to:

Benjamin Lee
Great Lakes Higher Education Guaranty Corporation
E-Mail: blee@glhec.org

Following the review of comments received, the PDC will update the proposal and distribute it to each member of the *Common Manual* Governing Board for review and approval at its November 2016 meeting.

If you have any questions about the enclosed proposal(s) please contact Benjamin Lee via phone at 608-246-1580 or via email at blee@glhec.org.

Enclosures:

Policy Proposal Transmittal
Common Manual Policy Proposal(s) (1314 & 1315)

Common Manual Policy Proposal Batch 206 Transmittal**September 16, 2016**

| # | Subject | Summary of Change to <i>Common Manual</i> | Type of Update | Effective Date |
|------|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------------------------------------------------------------------------|
| 1314 | Reaffirmation Agreement Form | 6.11.E Exceeding Loan Limits 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. | Federal | For reaffirmation agreements provided to borrowers on or after March 30, 2016. |
| 1315 | Bankruptcy | 13.8.A Bankruptcy Removes the cross-reference about not yet disbursed or partially disbursed loans when the lender receives a bankruptcy notice. | Correction | Retroactive to July 1, 2010. |

Batch 206 (Out for Comment)

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: September 6, 2016

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|---|----------|-------------------------|----------|
| X | DRAFT | Comments Due | 10/07/16 |
| | FINAL | Consider at GB meeting | |
| | APPROVED | with changes/no changes | |

SUBJECT: Reaffirmation Agreement Form

AFFECTED SECTIONS: 6.11.E Exceeding Loan Limits

POLICY INFORMATION: #1314/Batch#206

EFFECTIVE DATE/TRIGGER EVENT: For reaffirmation agreements provided to borrowers on or after March 30, 2016.

BASIS:

Dear Colleague Letter (DCL) GEN-15-20.

CURRENT POLICY:

A borrower who inadvertently exceeded Stafford annual and/or aggregate loan limits may regain Title IV eligibility by, among other options, making repayment arrangements satisfactory to the holder of the loan. These arrangements may include having the borrower sign an agreement acknowledging the debt and affirming his or her intention to repay the excess amount as part of the normal repayment process.

REVISED POLICY:

Revised policy 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.

REASON FOR CHANGE:

This change is necessary to comply with DCL GEN-15-20, which announces the form and requires program participants to provide to borrowers only the OMB-approved Reaffirmation Agreement form after March 30, 2016.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 6.11.E, page 41, column 2, paragraph 2, bullet 3 as follows:

- The borrower makes arrangements satisfactory to the holder of the loan to repay the excess Stafford loan amount. These arrangements may include having the borrower sign a Reaffirmation Agreement form ~~an agreement~~ acknowledging the debt and affirming his or her intention to repay the excess amount as part of the normal repayment process. Consolidation of the loan(s) that exceeded the annual or aggregate loan limit (provided that the loan(s) is otherwise eligible for consolidation) is also considered to be a satisfactory repayment arrangement.

[§668.35(d)(2); ~~DCL GEN-15-20; 09-10-16-17 FSA Handbook, Volume 34, Chapter 63, pp. 3-1274-90 to 3-1284-91 and Volume 5, Chapter 1, pp. 5-15 and 5-16~~]

PROPOSED LANGUAGE - COMMON BULLETIN:

Reaffirmation Agreement

The *Common Manual* is being revised to incorporate changes to the type of agreement a borrower who has inadvertently exceeded Stafford annual or aggregate loan limits must sign to regain Title IV eligibility. The Department of Education developed an OMB-approved form, the *Reaffirmation Agreement*, which is now the only acceptable form for the borrower to acknowledge the overage and affirm the intent to repay it.

GUARANTOR COMMENTS:

NONE

IMPLICATIONS:

Borrower: must complete and sign the *Reaffirmation Agreement* form to acknowledge the overage and affirm the intent to repay.

School: must complete Section 3 of the form and provide the *Reaffirmation Agreement* form to borrowers.

Lender/Service: must ensure processes and systems incorporate protocols to send only the new form on or after the effective date.

Guarantor: none.

U.S. Department of Education: none.

To be completed by the Policy Development Contractor

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY DEVELOPMENT CONTRACTOR:

August 16, 2016

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Governing Board Chair

CM Guarantor Designees

Interested Industry Groups and Others

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: September 1, 2016

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|---|----------|-------------------------|----------|
| X | DRAFT | Comments Due | 10/07/16 |
| | FINAL | Consider at GB meeting | |
| | APPROVED | with changes/no changes | |

SUBJECT: Bankruptcy

AFFECTED SECTIONS: 13.8.A Bankruptcy

POLICY INFORMATION: 1315/Batch#206

EFFECTIVE DATE/TRIGGER EVENT: Retroactive to July 1, 2010.

BASIS:
Health Care and Education Reconciliation Act of 2010

CURRENT POLICY:
Current policy includes a cross-reference to guidance for the lender when it receives a bankruptcy notice for a loan that is not yet disbursed or partially disbursed.

REVISED POLICY:
Revised policy removes the cross-reference about not yet disbursed or partially disbursed loans when the lender receives a bankruptcy notice.

REASON FOR CHANGE:
The cross-reference is no longer applicable because FFELP loans are no longer being originated

PROPOSED LANGUAGE - COMMON MANUAL:
Revise Subsection 13.8.A, page 19, column 1, paragraph 4 as follows:

If the bankruptcy action requires the lender to file a claim with the guarantor, the lender must file a bankruptcy claim within the applicable timely filing deadlines defined in this subsection. The lender must file the claim for the balance outstanding on the date that the lender receives the bankruptcy notice, less any funds returned by the school prior to the date on which the claim is filed. ~~(If a lender holds loans that are not yet disbursed or are partially disbursed at the time the lender is notified of the borrower's bankruptcy filing, see Subsection 7.7.1 for processing information related to subsequent disbursements.)~~ If, after claim filing, the lender receives funds returned from the school, the lender must credit those amounts to the borrower's loan and notify the guarantor of the revised claim amount.

PROPOSED LANGUAGE - COMMON BULLETIN:
Bankruptcy

The Common Manual has been revised to remove a cross-reference. The cite references bankruptcy guidance applicable only in portfolios with active loan origination processes, and thus, no longer applies to any FFELP lender's loans.

GUARANTOR COMMENTS:
NONE

IMPLICATIONS:
Borrower: none.

School: none.

Lender/Service: none.

Guarantor: none.

U.S. Department of Education: none.

To be completed by the Policy Development Contractor

POLICY CHANGE PROPOSED BY:
Policy Committee

DATE SUBMITTED TO CM POLICY DEVELOPMENT CONTRACTOR:
May 26, 2016

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

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