



Unified Student Loan Policy

**POLICY UPDATE PROPOSALS – IMMEDIATE ACTION REQUIRED
COMMENTS DUE FRIDAY, DECEMBER 2, 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 208: Proposals 1318 & 1319]

DATE: November 11, 2016

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

Policies 1318 & 1319 are federal policy proposals and are intended to align *Common Manual* text with federal regulations and other federal publications.

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, December 2, 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 proposals and distribute them to each member of the *Common Manual* Governing Board for review and approval at its January 2017 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 Proposals (1318 & 1319)

Common Manual Policy Proposal Batch 208 Transmittal**November 11, 2016**

| # | Subject | Summary of Change to <i>Common Manual</i> | Type of Update | Effective Date |
|------|--|---|----------------|--|
| 1318 | Mandatory and Mandatory Administrative Forbearance | Will add in Subsection 11.23.D an additional cross-reference to Subsection 11.24.C where the other TLF forbearance type is explained. In addition, revised policy in Subsection 11.24.C includes reference to the OMB-approved mandatory forbearance request forms, and new subheadings provide clarity on which eligibility criteria pertain to each forbearance type. Revisions also include additional regulatory citations. | Federal | For mandatory forbearance forms distributed on or after June 1, 2016 |
| 1319 | FFELP Interest Rates | Removes the fixed interest rates for FFELP Stafford loans first disbursed on or after July 1, 2010, as no new FFELP loans could be first disbursed on or after July 1, 2010. Revised policy adds the effective variable interest rates for FFELP Stafford loans from July 1, 2012 through June 30, 2017. | Federal | Changes in FFELP variable interest rates on July 1, 2011 and thereafter. |

Batch 208 (Out for Comment)

COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: September 29, 2016

| | | | |
|---|----------|-------------------------|----------|
| X | DRAFT | Comments Due | 12/02/16 |
| | FINAL | Consider at GB meeting | |
| | APPROVED | with changes/no changes | |

SUBJECT: Mandatory and Mandatory Administrative Forbearance

AFFECTED SECTIONS: 11.23.D Teacher Loan Forgiveness
11.24.C National Service, Loan Forgiveness, Department of Defense Repayment, or Active Military State Duty

POLICY INFORMATION: 1318/Batch 208

EFFECTIVE DATE/TRIGGER EVENT: For mandatory forbearance forms distributed on or after June 1, 2016

BASIS:

Dear Colleague Letter (DCL) GEN-16-02, issued January 29, 2016.

CURRENT POLICY:

Current policy in Subsection 11.23.D does not reference the other type of forbearance available to borrowers pursuing Teacher Loan Forgiveness (TLF). Current policy in Subsection 11.24.C does not reference the mandatory forbearance forms.

REVISED POLICY:

Revisions will add in Subsection 11.23.D an additional cross-reference to Subsection 11.24.C where the other TLF forbearance type is explained. In addition, revised policy in Subsection 11.24.C includes reference to the OMB-approved mandatory forbearance request forms, and new subheadings provide clarity on which eligibility criteria pertain to each forbearance type. Revisions also include additional regulatory citations.

REASON FOR CHANGE:

To provide clarity and comprehensive information, and to reference in context the new forms that lenders must use to obtain borrower requests for mandatory forbearances.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 11.23.D, page 42, column 1, paragraph 2, as follows:

Teacher Loan Forgiveness

If a guarantor notifies a lender, or the lender receives reliable information from another source (such as a telephone call or letter from the borrower) that a borrower may be eligible for teacher loan forgiveness, the lender must grant a mandatory administrative forbearance on any affected loan for payments of principal and interest that are delinquent or that would be due during the following periods:

- For a period not to exceed 60 days while the lender is awaiting a completed Teacher Loan Forgiveness Application from the borrower.
- For the period beginning on the date that the lender receives a completed Teacher Loan Forgiveness Application and ending on the date the lender receives a denial of the forgiveness application or the forgiveness amount from the guarantor.
[§682.216(e)(1)(ii) and (iii)]

If teacher loan forgiveness may be applicable to any Stafford loan(s) that was paid in full by a Consolidation loan, the lender must grant this forbearance on the entire Consolidation loan.

See Subsection 11.24.C for more information on the Teacher Loan Forgiveness Forbearance and Subsection 13.9.A for more information about the teacher loan forgiveness program.

Revise Subsection 11.24.C, page 44, column 1, paragraph 1, as follows:

National Service, Loan Forgiveness, Department of Defense, or Active Military State Duty

The lender must grant forbearance in yearly increments — or a lesser period equal to the actual period during which the borrower is eligible — for any period during which the borrower meets one of the following four criteria:

National Service Position

- The borrower Serves in a national service position for which the borrower receives a national service educational award under the National and Community Service Trust Act of 1993 (AmeriCorps). Before granting a forbearance to a borrower or endorser under this program, the lender must require the borrower or endorser to submit documentation of the beginning and ending dates for the period the borrower is serving in a national service position. There is no OMB-approved form for this forbearance.
[§682.211(h)(2)(ii)(A)]

U.S. Department of Defense Student Loan Repayment Programs

- The borrower Pperforms service that would qualify the borrower for partial loan repayment under the Student Loan Repayment Programs administered by the U.S. Department of Defense authorized under 10 U.S.C. 2171, 2173, 2174 or any Department of Defense programs for repayment of student loans. Before granting a forbearance to a borrower or endorser under this program, the lender must require the borrower or endorser to submit documentation of the beginning and ending dates for which the U.S. Department of Defense considers the borrower to be eligible for a partial repayment of the borrower's loan under the Student Loan Repayment Programs. The lender must forward to the borrower the Mandatory Forbearance Request: Medical Internship/Residency Program, National Guard Duty, or Department of Defense Loan Repayment Program (SERV) form.
[§682.211(2)(ii)(B); §682.211(h)(4)(ii); DCL GEN-16-02]

Teacher Loan Forgiveness

- The borrower Mmaintains eligibility for loan forgiveness under the Teacher Loan Forgiveness Program and, at the time of each annual request, the lender believes that the cancellation amount will satisfy the anticipated outstanding loan balance at the time of the expected cancellation. Before granting this a forbearance to a borrower, the lender must forward the Teacher Loan Forgiveness Forbearance Request (TLFF) form to require the borrower or require the borrower to submit the following:
 - Documentation showing the beginning and anticipated ending dates of the period during which the borrower expects to perform the qualifying teacher service for that year (see Subsection 13.9.A).
 - A self-certifying statement of the borrower's intent to satisfy the teacher loan forgiveness requirements.[§682.211(h)(2)(ii)(C); §682.211(h)(4)(iii); §682.215(e)(1)(i)]

National Guard Duty Active State Duty

- The borrower Sserves on active military state duty as a member of the National Guard (including a member in retired status) during a time when the governor activates National Guard personnel for active state duty for a period of more than 30 consecutive days, and the Guard's activities are paid with state or federal funds. The forbearance is for a borrower who qualifies for a post-active duty student deferment, but who does not qualify for a military service deferment or other deferment while engaged in active military state duty (see Section 11.12 for more information on the post-active duty student deferment). The forbearance begins on the day after the end of the grace period for a Stafford loan that has not entered repayment, or begins on the day after the end of the in-school deferment for a FFELP loan in repayment. The lender must forward to the borrower the Mandatory Forbearance Request: Medical Internship/Residency Program, National Guard Duty, or Department of Defense Loan Repayment Program (SERV) form.
[§682.211(h)(2)(iii); DCL GEN-16-02]

Note: Lenders may offer discretionary forbearance to borrowers who do not qualify for mandatory forbearance.

PROPOSED LANGUAGE - COMMON BULLETIN:

Revisions will add an additional cross-reference to Subsection 11.23.D, provide clarity to Subsection 11.24.C on certain mandatory forbearance types, and reference the applicable OMB approved common forbearance request forms. Revisions also included additional regulatory citations. Common policy also explains in which cases use of the common mandatory forbearance forms is required and in which cases the lender may obtain alternate documentation.

GUARANTOR COMMENTS: None.

IMPLICATIONS:

Borrower: The borrower must complete forms correctly and supply required supporting documentation, as applicable, to qualify for mandatory forbearance.

School: If a school is providing guidance on forbearance to former students, school must ensure that they are providing correct forms and information about documentation requirements or forbearance application alternatives.

Lender/Service: The lender/service must ensure proper forms are provided to borrowers, and that the appropriate forms and required documentation are used to grant these mandatory forbearance types.

Guarantor: The guarantor may need to amend program review parameters to include providing access to and ensuring the appropriate processing of required mandatory forbearance request forms.

U.S. Department of Education: None.

To be completed by the Policy Development Contractor

POLICY CHANGE PROPOSED BY:

Policy Development Contractor

DATE SUBMITTED TO CM POLICY DEVELOPMENT CONTRACTOR:

September 9, 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 - FEDERAL POLICY PROPOSAL

Date: November 1, 2016

| | | | |
|---|----------|-------------------------|----------|
| X | DRAFT | Comments Due | 12/02/16 |
| | FINAL | Consider at GB meeting | |
| | APPROVED | with changes/no changes | |

SUBJECT: FFELP Interest Rates

AFFECTED SECTIONS: Subsection 7.4.A Current Stafford Interest Rates
Figure 7-1 Stafford Loan Interest Rates
Figure H-1 Summary of Variable-Rate Conversion Provisions

POLICY INFORMATION: 1319/Batch 208

EFFECTIVE DATE/TRIGGER EVENT: Changes in FFELP variable interest rates on July 1, 2011 and thereafter.

BASIS:
HEA Sections 427A & 455.

CURRENT POLICY:
Current policy includes fixed interest rates for FFELP Stafford loans first disbursed on or after July 1, 2010. Current policy does not include the variable interest rates in effect for FFELP Stafford loans after June 30, 2011.

REVISED POLICY:
Revised policy removes the fixed interest rates for FFELP Stafford loans first disbursed on or after July 1, 2010, as no new FFELP loans could be first disbursed on or after July 1, 2010. Revised policy adds the effective variable interest rates for FFELP Stafford loans from July 1, 2012 through June 30, 2017.

REASON FOR CHANGE:
To update applicable Manual text and the corresponding Figures.

PROPOSED LANGUAGE - COMMON MANUAL:
Revise Subsection 7.4.A, page 5, column 1, paragraph 2, as follows:

The interest rate on all Stafford loans first disbursed on or after July 1, 2006, is a fixed rate of 6.8% for the life of the loan, except for subsidized Stafford loans made to undergraduate borrowers and first disbursed as follows:

- On or after July 1, 2008, and before July 1, 2009, the interest rate is 6%.
- On or after July 1, 2009, and before July 1, 2010, the interest rate is 5.6%.
- ~~On or after July 1, 2010, and before July 1, 2011, the interest rate is 4.5%.~~
- ~~On or after July 1, 2011, and before July 1, 2012, the interest rate is 3.4%.~~

[§682.202(a)(1)(ix) and (x)]

Interest rates applicable to Stafford loans first disbursed on or after July 1, 2006, are listed in Figure 7-1.

Revise Figure 7-1 (see attached document)

Revise Figure H-1 (see attached document)

PROPOSED LANGUAGE - COMMON BULLETIN:
Revisions are being made to the Manual's text and corresponding Figures that display fixed and variable interest rates for FFELP Stafford loans. The changes to Subsection 7.4.A and Figure 7-1 remove interest rates never effective. The changes to Figure H-1 add variable interest rates changes to date.

GUARANTOR COMMENTS:

None

IMPLICATIONS:

Borrower: None.

School: None.

Lender/Service: The lender/service must ensure that correct fixed and variable interest rates are charged on FFELP Stafford loans.

Guarantor: None.

U.S. Department of Education: None.

To be completed by the Policy Development and Maintenance Contractor

POLICY CHANGE PROPOSED BY:

Policy Development and Maintenance Contractor.

DATE SUBMITTED TO CM POLICY DEVELOPMENT AND MAINTENANCE CONTRACTOR:

October 6, 2016

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Governing Board Chair

CM Guarantor Designees

Interested Industry Groups and Others

Stafford Loan Interest Rates

Figure 7-1

| Disbursement/Loan Period/Borrower Characteristics | Interest Rate |
|---|--|
| First disbursement on/after 7/1/06 | Fixed interest rate of 6.8% |
| Subsidized Stafford loans made to undergraduate borrowers and first disbursed as follows: | |
| • On or after July 1, 2008, and before July 1, 2009 | • Fixed interest rate of 6% |
| • On or after July 1, 2009, and before July 1, 2010 | • Fixed interest rate of 5.6% |
| • On or after July 1, 2010, and before July 1, 2011 | • Fixed interest rate of 4.5% |
| • On or after July 1, 2011, and before July 1, 2012 | • Fixed interest rate of 3.4% |

NOTE TO REVIEWERS: The remainder of Figure 7-1 is not included here because it has no proposed changes.

| Loans Subject to Conversion | Quarterly Variable Interest Rates prior to Conversion to an Annual Variable Interest Rate ¹ | Annual Variable Interest Rates after Conversion to an Annual Variable Interest Rate |
|---|--|---|
| <i>Higher Education Amendments of 1986:</i> | Quarter ending 9/30/92: 7.03% | 7/1/93 through 6/30/94: 6.37% |
| 8%/10% Stafford loans first disbursed before July 23, 1992, when such loans are accruing at the 10% interest rate. | Quarter ending 12/31/92: 6.39% | 7/1/94 through 6/30/95: 7.58% |
| | Quarter ending 3/31/93: 6.42% | 7/1/95 through 6/30/96: 9.07% |
| | Quarter ending 6/30/93: 6.30% | 7/1/96 through 6/30/97: 8.41% |
| | Quarter ending 9/30/93: 6.30% | 7/1/97 through 6/30/98: 8.41% |
| 8%/10% Stafford loans first disbursed on or after July 23, 1992, but before October 1, 1992, when such loans are accruing at the 10% interest rate, to borrowers who had no outstanding FFELP loans on the date the promissory note was signed. | Quarter ending 12/31/93: 6.33% | 7/1/98 through 6/30/99: 8.41% |
| | Quarter ending 3/31/94: 6.39% | 7/1/99 through 6/30/00: 7.87% |
| | Quarter ending 6/30/94: 6.59% | 7/1/00 through 6/30/01: 9.14% |
| | Quarter ending 9/30/94: 7.40% | 7/1/01 through 6/30/02: 6.94% |
| | Quarter ending 12/30/94: 7.88% | 7/1/02 through 6/30/03: 5.01% |
| | Quarter ending 3/31/95: 8.71% | 7/1/03 through 6/30/04: 4.37% |
| | | 7/1/04 through 6/30/05: 4.32% |
| | | 7/1/05 through 6/30/06: 6.25% |
| | | 7/1/06 through 6/30/07: 8.09% |
| | | 7/1/07 through 6/30/08: 8.17% |
| | | 7/1/08 through 6/30/09: 5.16% |
| | | 7/1/09 through 6/30/10: 3.43% |
| | | 7/1/10 through 6/30/11: 3.42% |
| | | <u>7/1/11 through 6/30/12: 3.31%</u> |
| | | <u>7/1/12 through 6/30/13: 3.34%</u> |
| | | <u>7/1/13 through 6/30/14: 3.30%</u> |
| | | <u>7/1/14 through 6/30/15: 3.28%</u> |
| | | <u>7/1/15 through 6/30/16: 3.27%</u> |
| | | <u>7/1/16 through 6/30/17: 3.60%</u> |
| <i>Higher Education Amendments of 1992:</i> | Quarter ending 9/30/92: 6.88% | 7/1/93 through 6/30/94: 6.22% |
| Stafford loans first disbursed at a fixed rate (7%, 8%, 9%, and 8%/10% loans when accruing at 8% and 10%) on or after July 23, 1992, to borrowers who had outstanding FFELP loans on the date the promissory note was signed. | Quarter ending 12/31/92: 6.24% | 7/1/94 through 6/30/95: 7.43%² |
| | Quarter ending 3/31/93: 6.27% | 7/1/95 through 6/30/96: 8.92%³ |
| | Quarter ending 6/30/93: 6.15% | 7/1/96 through 6/30/97: 8.26%³ |
| | Quarter ending 9/30/93: 6.15% | 7/1/97 through 6/30/98: 8.26%³ |
| | Quarter ending 12/31/93: 6.18% | 7/1/98 through 6/30/99: 8.26%³ |
| | Quarter ending 3/31/94: 6.24% | 7/1/99 through 6/30/00: 7.72%² |
| | Quarter ending 6/30/94: 6.44% | 7/1/00 through 6/30/01: 8.99%³ |
| | Quarter ending 9/30/94: 7.25%² | 7/1/01 through 6/30/02: 6.79% |
| | Quarter ending 12/30/94: 7.73%² | 7/1/02 through 6/30/03: 4.86% |
| | Quarter ending 3/31/95: 8.56%³ | 7/1/03 through 6/30/04: 4.22% |
| | | 7/1/04 through 6/30/05: 4.17% |
| | | 7/1/05 through 6/30/06: 6.10% |
| | | 7/1/06 through 6/30/07: 7.94%² |
| | | 7/1/07 through 6/30/08: 8.02%³ |
| | | 7/1/08 through 6/30/09: 5.01%³ |
| | | 7/1/09 through 6/30/10: 3.28%³ |
| | | 7/1/10 through 6/30/11: 3.27%³ |
| | | <u>7/1/11 through 6/30/12: 3.16%</u> |
| | | <u>7/1/12 through 6/30/13: 3.19%</u> |
| | | <u>7/1/13 through 6/30/14: 3.15%</u> |
| | | <u>7/1/14 through 6/30/15: 3.13%</u> |
| | | <u>7/1/15 through 6/30/16: 3.12%</u> |
| | | <u>7/1/16 through 6/30/17: 3.45%</u> |

- ¹ Quarterly interest rates are determined by adding 3.25% for the “1986 loans” or 3.10% for the “1992 loans” to the average of the bond equivalent rate of the 91-day Treasury bill rate as auctioned for the preceding 3-month period.
- ² Because the variable rate for Stafford loans in this category may not exceed the original interest rate, this variable interest rate does not apply to Stafford loans first disbursed at a fixed 7% interest rate, which are capped at 7%.
- ³ Because the variable rate for Stafford loans in this category may not exceed the original interest rate, this variable interest rate does not apply to Stafford loans first disbursed at a fixed 7% or 8% interest rate, which are capped at 7% and 8%, respectively.