

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
1311	Guarantor Responsibilities in Loan Rehabilitation	<i>Common Manual</i> text has been revised to remove language that dictates guarantor requirements regarding rehabilitation of defaulted FFELP loans.	Organizational	NA
1312	Increasing the Minimum Claim Payment Amount	In an effort to reduce operational costs on small balance claims on which lenders, servicers, and guarantors all face slim margins, the <i>Common Manual</i> has been updated to reflect an increase in the minimum claim payment amount that a guarantor will approve from \$50 to \$100.	Guarantor	July 1, 2016
1313	Loan Rehabilitation Collection Costs	The <i>Common Manual</i> has been updated to reflect that the maximum amount of rehabilitation collection costs that can be assessed has decreased from 18.5% to 16%.	Federal	July 1, 2014

Batch 205 (Bulletin Language)

## COMMON MANUAL – ORGANIZATIONAL POLICY PROPOSAL

Date: June 28, 2016

X	DRAFT	Comments Due	July 15
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Guarantor Responsibilities in Loan Rehabilitation

**AFFECTED SECTIONS:** 13.7 Rehabilitation of Defaulted FFELP Loans

**POLICY INFORMATION:** 1311/Batch 205

**EFFECTIVE DATE/TRIGGER EVENT:**

**BASIS:** HEA §428F; §682.405; *Dear Colleague Letter* GEN-08-12/FP-08-10.

**CURRENT POLICY:**

Current policy includes actions required of a guarantor during rehabilitation of a defaulted loan.

**REVISED POLICY:**

Revised policy removes or revises language that dictates guarantor requirements regarding rehabilitation of defaulted FFELP loans.

**REASON FOR CHANGE:**

The *Common Manual* is designed for lenders, servicers, and schools and should not be dictating guarantor actions. This change is necessary to align the *Common Manual* with its original intent of guiding lenders, servicers and schools in the FFEL Program requirements.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Section 13.7, page 16, column 1, paragraph 5, 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.~~

~~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 rehabilitation repurchase.~~

~~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 loans(s).~~

...

Revise Section 13.7, page 17, column 1, paragraph 3, as follows:

~~The purchasing lender guarantor will receive provide payment history information (such as payment amounts and dates when the loan was in a default status) with the loan documentation sent to the purchasing lender to assist in the accurate conversion to~~

repayment. A rehabilitated loan retains the same interest rate and deferment provisions that were applicable when the loan was first disbursed and repayment terms and all other benefits applicable to other FFELP loans made under the same loan type.[§682.405]

...

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Guarantor Responsibilities in Loan Rehabilitation**

*Common Manual* text has been revised to remove language that dictates guarantor requirements regarding rehabilitation of defaulted FFELP loans.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Student/Borrower:*

None.

*School:*

None.

*Lender/Servicer:*

None.

*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 7, 2016.

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

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ks/edited-kh

# COMMON MANUAL –GUARANTOR POLICY PROPOSAL

Date: June 30, 2016

X	DRAFT	Comments Due	July 15
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Increasing the Minimum Claim Payment Amount

**AFFECTED SECTIONS:** 13.3.A Claim Payment Amount  
13.4 Requests for Increase/Decrease in Claim Payment

**POLICY INFORMATION:** 1312/Batch 205

**EFFECTIVE DATE/TRIGGER EVENT:** July 1, 2016

**BASIS:** None.

**CURRENT POLICY:**

Current policy states that guarantors will not pay any type of claim for a total amount that is less than \$50.

**REVISED POLICY:**

Revised policy increases the minimum amount that guarantors will pay for any type of claim to \$100.

**REASON FOR CHANGE:**

This change is being requested to reduce operational costs on small balance claims on which lenders, servicers, and guarantors all face slim margins. In the long run, increasing the minimum claim to \$100 from the current \$50 minimum could benefit servicers and lenders by allowing them to forego the operational costs incurred in due diligence that may exceed the claim reimbursement amount.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 13.3.A, page 9, column 2, paragraph 1, bullet 2, as follows:

**13.3.A**  
**Claim Payment Amount Reduced**

If a lender has complied with applicable servicing requirements and has not incurred interest penalties or violations sufficient to cause the loss of guarantee on the loan, a claim will be paid as follows:

...

- The guarantor will not pay any type of claim for a total amount that is less than \$5100.00.

Revise Section 13.4, page 12, column 1, paragraph 1, as follows:

**13.4**  
**Requests for Increase/Decrease in Claim Payment**

...

The guarantor will not pay a supplemental claim for a total amount less than \$5100. That amount may include principal, interest, or both.

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Increasing the Minimum Claim Payment Amount**

In an effort to reduce operational costs on small balance claims on which lenders, servicers, and guarantors all face slim margins, the *Common Manual* has been updated to reflect an increase in the minimum claim payment amount that a guarantor will approve from \$50 to \$100.

**GUARANTOR COMMENTS:**

None

**IMPLICATIONS:**

*Borrower:*

None

*School:*

None

*Lender/Service:*

The lender/service will be required to write off any type of claim amount that is less than \$100.

*Guarantor:*

The guarantor will not approve any type of claim payment for less than \$100.

*U.S. Department of Education:*

None

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

American Student Assistance

April 12, 2016

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

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

**PROPOSAL DISTRIBUTED TO:**

**Comments Received from:**

**Responses to Comments**

an/edited – kh

# COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: June 30, 2016

X	DRAFT	Comments Due	July 15
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Loan Rehabilitation Collection Costs

**AFFECTED SECTIONS:** 15.3.C Reviewing the Loan Verification Certificate

**POLICY INFORMATION:** 1313/Batch 205

**EFFECTIVE DATE/TRIGGER EVENT:** July 1, 2014

**BASIS:**

The Bipartisan Budget Act of 2013, Title V, Section 501; §682.405(b)(1)(vi)(B).

**CURRENT POLICY:**

Current policy states that rehabilitation collection costs are limited to 18.5% for loans in the Federal Family Education Loan program upon sale to an eligible lender or assignment to the Department.

**REVISED POLICY:**

Revised policy reflects the decrease in the rehabilitation collection cost limit from 18.5% to 16%.

**REASON FOR CHANGE:**

This change is required by the Bipartisan Budget Act of 2013, which decreased the rehabilitation collection cost limit from 18.5% to 16%.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 15.3.C, page 7, column 1, paragraph 6, as follows:

**15.3.C**  
**Reviewing the Loan Verification Certificate**

...

The payoff amount should include outstanding accrued interest, late charges, and the outstanding principal balance for each loan. The payoff amount for defaulted loans may also include collection costs. However, collection costs exceeding ~~18.5~~16% of the outstanding balance at the time of certification will not be guaranteed.  
[§682.401(b)(18)]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Loan Rehabilitation Collection Costs**

The *Common Manual* has been updated to reflect that the maximum amount of collection costs that can be assessed at rehabilitation has decreased from 18.5% to 16%.

**GUARANTOR COMMENTS:**

None

**IMPLICATIONS:**

*Borrower:*

A borrower will incur a maximum of 16% collection costs upon rehabilitation.

*School:*

None

*Lender/Servicer:*

None

*Guarantor:*

A guarantor may charge no more than 16% in collection costs upon rehabilitation.

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:**

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

**PROPOSAL DISTRIBUTED TO:**

**Comments Received from:**

**Responses to Comments**

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