

# Final Regulations Loan Topics

Laura Weiss  
Policy Specialist





# Loan Topics

---

- Simplification of Deferment Process
- Accurate and Complete Copy of Death Certificate
- Total and Permanent Disability Discharge
- NSLDS Reporting



# Loan Topics

---

- Certification of Assigned Electronic Signatures on Master Promissory Notes (MPNs)
- Counseling/Certification of Graduate Plus Loan
- Maximum Length of Loan Period

# Simplification of Deferment Process

---

- Deferment based on information from another loan holder or NSLDS if:
  - ✓ “New” borrower with first loan disbursed on or after July 1, 1993
  - ✓ Deferment request received (written or verbal)
  - ✓ FFELP or Direct Loan deferment already granted for same reason and same period
  - ✓ No conflicting information on eligibility

# ..... Simplification of Deferment Process – Information

---

- Notice to borrower required



# ..... Simplification of Deferment Process – Military

---

- Military service or armed forces deferment based on:
  - Request of borrower or borrower's representative
  - Documentation establishing borrower eligibility

# ..... Simplification of Deferment Process – Military

---

- Notice to borrower required
- Lender may notify borrower's representative of the outcome of request

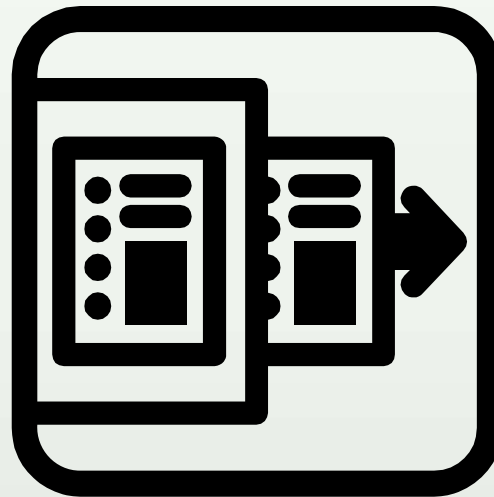




# Death Certificate Copy

---

- Death discharge regulations amended to allow use of an accurate and complete photocopy of a borrower's death certificate





# ..... Total and Permanent Disability Discharge

---

- Requires TPD application submission within 90 days of date certified by physician
- Defines borrower's TPD date as physician's certification date



# ..... Total and Permanent Disability Discharge

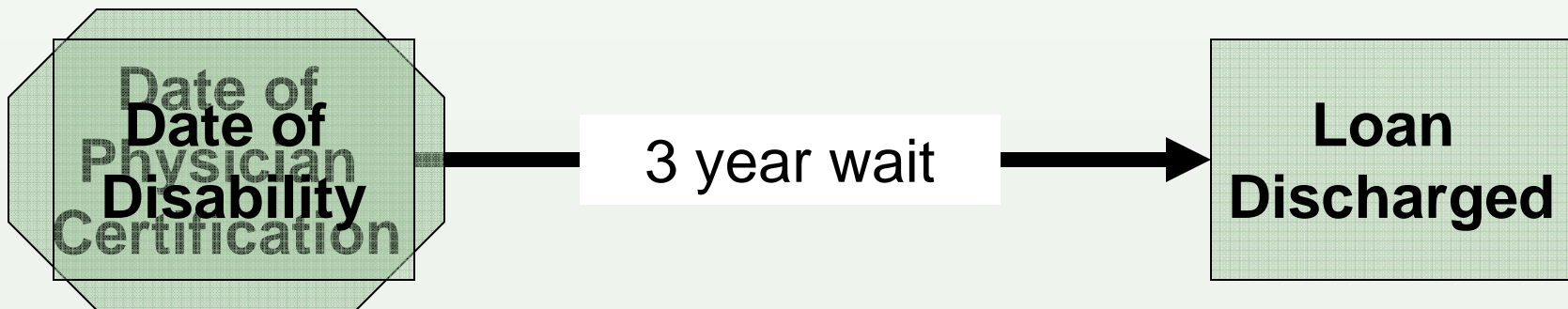
---

- DOES NOT disqualify the borrower for final discharge based on Title IV loans or earned income before the TPD date
- DOES disqualify the borrower for final discharge based on Title IV loans from TPD date until date of Secretary's initial TPD determination



# ..... Total and Permanent Disability Discharge

- Makes the Conditional Discharge Period a 3-year prospective period from physician's initial TPD determination





# NSLDS Reporting Requirements

---

- Requires enrollment and loan status reporting (or any other Title IV-related data required by the Secretary) by Secretary's established deadline

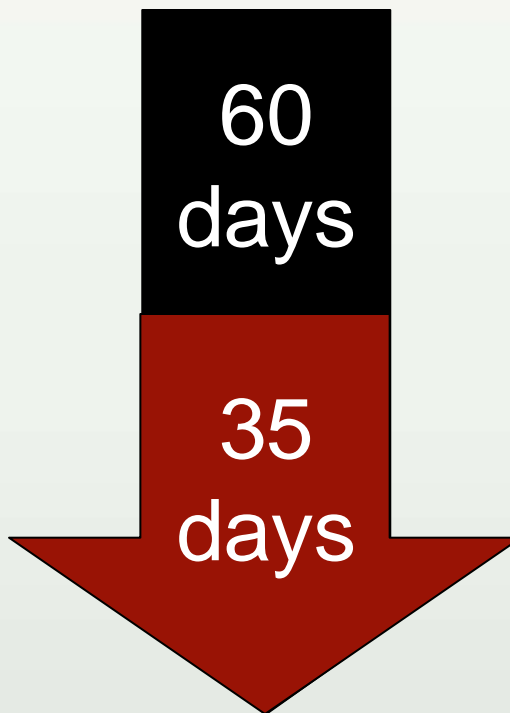




# NSLDS Reporting Requirements

---

- Guaranty agency enrollment and loan status reporting deadline to loan holders reduced





# Certification of Assigned MPNs' E-Signatures

---

- Loan holders must retain:
  - Certification of creation and maintenance of E-MPN process, including borrower authentication and signature process
  - An original electronically signed MPN for at least three years after all MPNs' loans are satisfied



# Certification of Assigned MPNs' E-Signatures

---

- Response to document requests on assigned loans required within 10 business days of ED's request
- Full and complete access to electronic records required until all MPN-derived loans satisfied



# Certification of Assigned MPNs' E-Signatures

---

- Definition of Satisfied:
  - ✓ Canceled
  - ✓ Paid-in-full
  - ✓ Discharged-in-full
  - ✓ (Perkins) paid-in-full under institutions compromise policy



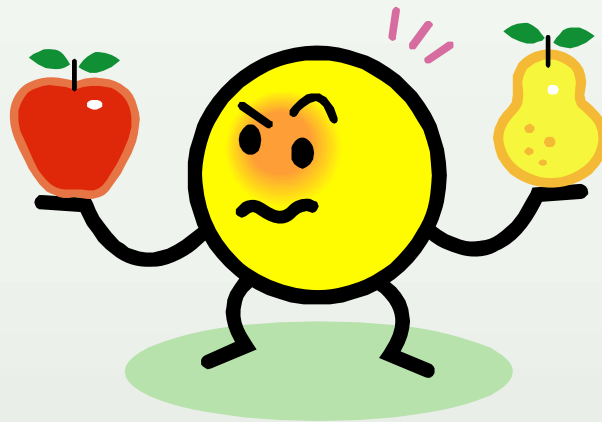
# Certification of Assigned MPNs' E-Signatures

- Upon Secretary's request:
  - Loan holder must:
    - provide certification to ensure admissibility
    - If necessary, provide testimony in a legal proceeding



# Certification/Counseling for Graduate PLUS Borrowers

- Must provide PLUS/Stafford comparison before certifying Grad PLUS
- Must provide opportunity to request maximum eligibility on Stafford Loan



# ..... Counseling for Graduate PLUS Borrowers

---

- Initial counseling required for **all** Grad PLUS borrowers
- Exit counseling average indebtedness should consider type of loans obtained





# Maximum Length of Loan Period

---

- Eliminates 12-month loan period maximum
- Provide flexibility in non-term and nonstandard term program loan certification
- Provide flexibility in rescheduling “stop out and return” disbursements within 180-day period





# Questions?

---



# More Loan Topics

Mary Heid

Asst. Director for Policy,  
Compliance, and Training





# Loan Topics

---

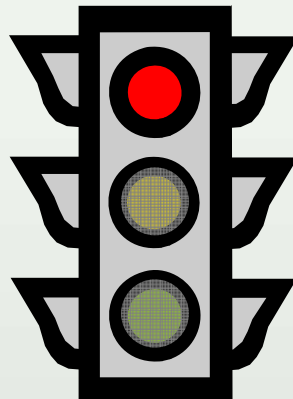
- Prohibited Inducements
- Permissible Activities
- Frequency of Capitalization
- Loan Discharge for False Certification as a Result of Identity Theft
- Preferred Lender Lists



# Prohibited Inducements-Lender

---

- Expands the borrower's legal rights under the Federal Trade Commission's (FTC) Holder Rule by:
  - Applying it to all loans made under FFELP
  - Applies if the lender making the loan offered or provided an improper inducements



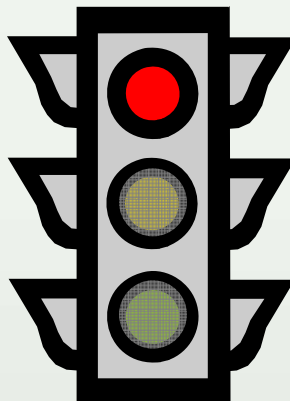




# Prohibited Inducements-Lender

---

- Secretary may apply “rebuttable presumption” for violations in prohibited inducement provisions in suspension, limitation, or termination proceedings

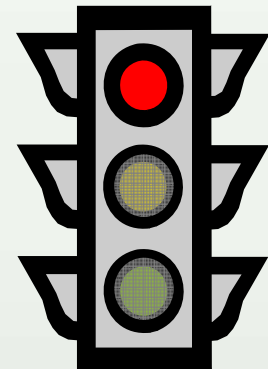




# Prohibited Inducements-Lender

---

- Definition forbids an eligible lender from:
  - Offering directly or indirectly, points, premiums, payments or other inducements to a school or any party to secure FFELP applications or loan volume or placement on preferred lender list

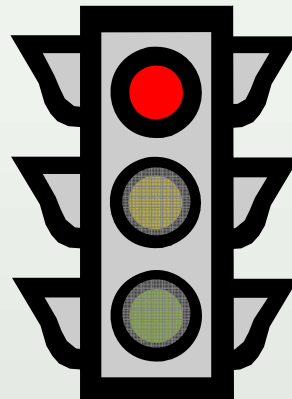




# Prohibited Inducements-Lender

---

- Payment and service on lender advisory boards
- Payments or other benefits to student lender reps on campus or other solicitors to secure loan applications from prospective borrowers

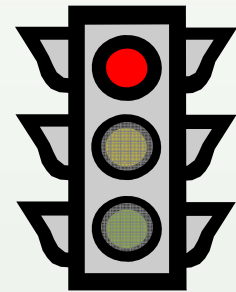




# Prohibited Inducements-Lender

---

- Payment of
  - Referral fees, or processing fees not required to comply with federal or state law, to another lender or other party
  - Conference or training registration, transportation, and lodging costs for school or school-affiliated organization employees
  - Entertainment expenses related to lender-sponsored activities

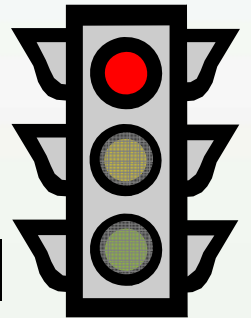




# Prohibited Inducements-Lender

---

- Undertaking philanthropic activities in exchange for FFELP applications, volume, or placement on a school's preferred lender list
- Providing staffing services to a school other than on a short-term, non-recurring emergency basis, including compensated and third-party contractual services

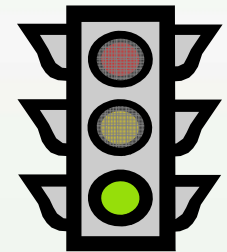




# Permissible Activities-Lender

---

- An eligible lender MAY provide:
  - Assistance to schools comparable to that provided DL schools by the Secretary
  - Support for or participation in student aid/financial literacy outreach with schools and guaranty agencies

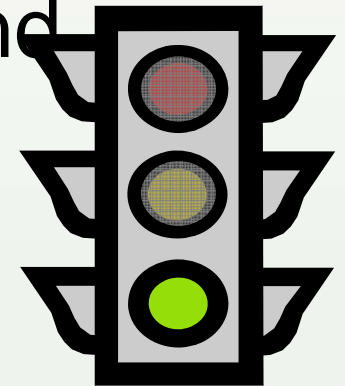




# Permissible Activities-Lender

---

- Reasonable costs of meals, refreshments, and receptions for meetings, training, or conferences if open to all attendees
- Toll-free numbers for FFELP info and school loan data transmission
- Reduced origination fees
- Reduced interest rates

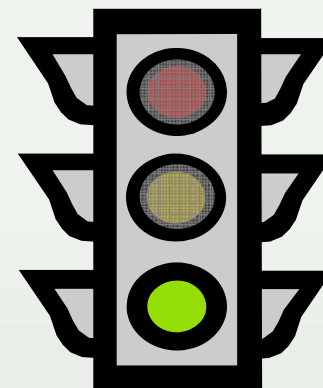




# Permissible Activities-Lender

---

- Payment of Federal Default fees
- Borrower benefits under repayment incentive and certain loan forgiveness programs
- Items of nominal value



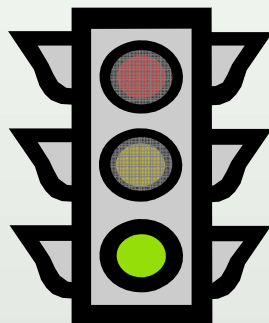




# Permissible Activities - GAs

---

- Same as lenders, except permitted to pay:
  - Travel and lodging expenses related to school employee service on GA advisory or governing board
  - Reasonable costs of meals and refreshments for GA-sponsored training, workshops, and forums permitted





# Frequency of Capitalization

---

- May only capitalize unpaid interest on Federal Consolidation Loans at expiration of in-school deferment period





# Loan Discharge for Identity Theft

---

- Defines “crime” for discharge as judicial determination by local, state, or Federal court that “crime” of identity theft has occurred and **names perpetrator**
- Requires that victim did not receive or benefit from loan proceeds





# Loan Discharge for Identity Theft

---

- Upon receipt of valid identity theft report/notice alleging ID theft, lender shall:
  - Suspend credit bureau reporting on a loan for 120 days
  - Grant a 120-day administrative forbearance





# Preferred Lender Lists

---

- List must contain at least three unaffiliated lenders
  - “Unaffiliated” means:
    - No common control or ownership
    - No common directors, trustees, or general partners





# Preferred Lender Lists

---

- Schools **MUST**:
  - Disclose method/criteria for lender inclusion on list
  - Provide comparative information on borrower benefits offered by listed lenders
  - Include prominent statement advising borrowers that use of the school's preferred lender(s) not required
  - Update list at least annually





# Preferred Lender Lists

---

- Department to provide model format for optional school use





# Preferred Lender Lists

---

- Schools **MUST NOT**:
  - Assign lender to first-time borrower
  - Include lenders that have offered or were solicited to offer financial or other benefits to the school for inclusion on the list
  - Cause any unnecessary delays in certification for borrowers not using one of the school's preferred lenders







# Early Implementation

---

- Simplification of deferment process
- Borrower's representative can request military or Armed Forces deferment
- Photocopy of death certificate
- Counseling for Grad PLUS
- Frequency of interest capitalization on consolidation loan
- Identity theft – 120 day suspension of credit reporting and administrative forbearance.





# Questions?

---

