



Higher Education Opportunity Act Lender Disclosures

This chart highlights the Higher Education Opportunity Act (HEOA) new requirements and/or revisions to FFELP lender required disclosures.

Disclosure Type	Prior Disclosure Requirements	*Effective Date	New HEOA Disclosure Requirements
Before Disbursement	<p>May be in written or electronic format and be part of federal loan materials, promissory note or other written form, which could include the Initial Loan Disclosure.</p> <p>The disclosure must contain the following:</p> <ul style="list-style-type: none"> ○ Lender telephone number. ○ Electronic address for additional loan information. (optional) ○ A statement that the borrower must repay the loan. ○ Lender name. ○ Address to send communication and payment. ○ Principal amount of loan. ○ Amount of any charges, such as origination fee or federal default fee, and whether the fee will be: <ul style="list-style-type: none"> ○ Collected at or prior to disbursement. ○ Deducted from proceeds. ○ Paid separately by borrower. ○ Stated interest rate. ○ Yearly and cumulative maximum amounts that may be borrowed. ○ Total cumulative balance, including the loan being applied for, owed by the student to the lender. ○ An estimate of the projected monthly payment. ○ When repayment is required. ○ When the borrower will be obligated to pay interest that accrues on the loan. ○ Minimum and maximum repayment terms. ○ Minimum annual payment required by law. ○ Explanation of option for consolidation or refinancing. ○ Statement of right to prepay at any time without penalty. ○ Circumstance in which repayment of the loan or interest may be deferred. ○ Description of default consequences. 	8/14/2008	<p>In addition to the old requirements, Stafford and PLUS loan disclosures must also contain the following:</p> <ul style="list-style-type: none"> ○ Whether the amount of any charges, such as origination fee or federal default fee will be paid by the lender. ○ Statement that unsubsidized Stafford and graduate PLUS borrowers may pay interest while in school and frequency of capitalization. ○ Statement that parent PLUS borrowers may pay interest while dependent student is in school and frequency of capitalization. ○ Statement that parent PLUS borrowers may defer during a parent’s half-time enrollment in school. ○ Descriptions of repayment plans. ○ Statement of circumstance in which the borrower may obtain forbearance ○ Description of forgiveness options and requirements. ○ Explanation of any costs or fees, including late payment fees and collection costs that a borrower may incur during repayment or in collection. ○ Disclosure revisions of cumulative balance to include the “loan being disbursed to the borrower” instead of the “loan being applied for by the student.”

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	<ul style="list-style-type: none"> ○ Description that a default will be reported to a consumer reporting agency. ○ Explanation of costs that a borrower may incur during repayment or in collection. 		
Separate Notification Borrowers Rights and Responsibilities	Restates current requirement that lender must provide FFELP borrowers a rights and responsibilities statement <u>separate from the initial disclosure</u> , and that it must include a statement of the consequences of default and that a default will be reported to a consumer reporting agency.	8/14/2008	Clarifies that this disclosure must be “in simple and understandable terms” instead of “in plain English.”
Before Repayment	<p>May be in written or electronic format and must contain the following:</p> <ul style="list-style-type: none"> ○ Lender telephone number. ○ Electronic address for additional loan information. (optional) ○ Lender name. ○ Address to send communication and payment. ○ Scheduled date on which repayment period will begin. ○ Estimated balance of loans covered by the disclosure. ○ Estimated interest to be capitalized, if applicable, as of the scheduled date on which the repayment period is to begin. ○ Stated interest rate on the loan or loans, or the combined interest rate of loans with different stated interest rates. ○ Repayment schedule for all loans covered by the disclosure, including: <ul style="list-style-type: none"> ○ First payment due date. ○ Payment number, amount, and frequency. ○ Options and terms for loan consolidation or refinancing. ○ Projected total interest assuming payments made as scheduled. 	8/14/2008	<p>Revises the FFELP repayment disclosure for Stafford (subsidized and unsubsidized) loans and additionally, makes it applicable to PLUS loans. This disclosure must be provided not less than 30 days nor more than 150 days (previously was 240 days) before the first payment due date and must contain the following:</p> <ul style="list-style-type: none"> ○ Lender’s name or servicer, if applicable. ○ Scheduled payment due date or deferment end date for parent and graduate PLUS. ○ Estimated interest to be capitalized, if applicable, as of the scheduled date on which the repayment period is to begin or deferment is to end for parent and graduate PLUS. ○ Information on any loan repayment benefits, including: <ul style="list-style-type: none"> ○ Contingencies, such as rate reduction tied to automatic checking account deduction or making a specified number of payments, or other benefits that could reduce the amount or length of repayment. ○ Limitations, such as reasons a borrower may lose eligibility, for a interest rate reduction, examples of the impact on repayment amount and length, the effect on the payoff amount and time for repayment (if requested by borrower), whether and how to regain eligibility if a benefit is lost. ○ Description of repayment plans and statement that the borrower may change plans during repayment. ○ Repayment schedule for all loans covered by the disclosure, including:

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	<ul style="list-style-type: none"> ○ Any fees that may be charged during the repayment period. ○ Statement of right to prepay at any time without penalty. 		<ul style="list-style-type: none"> ○ First payment due date. ○ Payment number, amount, and frequency based on a standard plan or the plan selected by the borrower. ○ Any interest already paid. ○ Options to avoid or remove a default, including any fees. ○ Additional resources, including nonprofit organizations, advocates, and counselors (including ED Ombudsman) of which the lender is aware, where borrowers may receive advice and assistance on loan repayment.
During Repayment	N/A	7/01/2009	<p>A lender must provide Stafford, PLUS, and Consolidation loan borrowers with a bill or statement (as applicable) that corresponds to each payment installment time period in which a payment is due and that includes the following:</p> <ul style="list-style-type: none"> ○ Original principal amount. ○ Current balance, as of the time of the bill or statement. ○ Interest rate. ○ Total amount paid in interest. ○ Aggregate amount paid for the loan, including amount paid in interest, amount paid in fees, and amount paid against the balance. ○ Description of each fee charged for the most recent installment. ○ Date by which the borrower needs to make a payment in order to avoid additional fees and the amount of such payment and the amount of such fees. ○ Address and toll-free phone number for payment and billing error purposes. ○ A reminder of the option to change repayment plans. ○ A list of repayment plans. ○ Link to the Department's website to obtain repayment plan information and directions to change plans.
Deferment		8/14/2008	<p>A lender shall, at the time it grants a deferment (applies to new borrowers on or after 7/1/2003) on an unsubsidized Stafford loan, provide the borrower with information to understand the impact of interest <u>capitalization</u> over the life of the loan.</p>

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Forbearance		8/14/2008	A lender is required, at the time it grants a forbearance, to provide information on the impact of capitalization of interest and then to contact the borrower at least every 180 days during the forbearance with information on the amount of principal and interest that has accrued since the last statement, the amount of interest that will be capitalized and the dates of such capitalization, and notice that the borrower can pay interest before it is capitalized and discontinue the forbearance at any time.
Borrower Having Difficulty Making Payments		7/01/2009	A lender is required to provide a borrower who notifies the lender of difficulty making payments on a Stafford, PLUS, or Consolidation loan the following information: <ul style="list-style-type: none"> ○ Description of repayment plans. ○ How to request a change in plans. ○ Description of the requirements for obtaining forbearance and associated costs. ○ Description of the options to avoid default, and any fees or costs associated with these options.
Delinquency		7/1/2009	A lender is required to provide a borrower who is <u>60 days delinquent</u> on a Stafford, PLUS, or Consolidation loan with a notice that contains the following: <ul style="list-style-type: none"> ○ Date on which the loan will default if no payment is made. ○ Minimum payment to avoid default. ○ Description of options to avoid default (and any fees or costs) including a description of deferment and forbearance. ○ Discharge options. ○ Additional resources, including nonprofit organizations, advocates, and counselors (ED Ombudsman) where the borrower can receive advice and assistance on repayment.
Loan Sale		8/14/2008	In cases where a loan transfer changes the identity of the party with whom the borrower needs to communicate or send payments, <u>both the transferor and transferee</u> must now also notify the borrower of the date of the transfer, the date the current servicer will stop accepting payments, and the date the new servicer will begin accepting payments.

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Special Disclosure Rules on PLUS loans and Unsubsidized Loans	Restates current requirement that PLUS and unsubsidized Stafford loans are exempt from the lender providing a disclosure of monthly payment amounts. Instead, the lender may provide a sample projection of monthly repayment amounts assuming different levels of borrowing and interest accruals resulting from capitalization of interest.	8/14/2008	Provides a <u>new requirement to include the cost of capitalization and of paying interest as it accrues.</u>
Consolidation Loans		8/14/2008	Requires a FFELP lender to disclose, at the time the lender provides a Consolidation loan application, the following: <ul style="list-style-type: none"> ○ Whether consolidation would result in a loss of benefits under the FFEL or Direct Loans (e.g., loan forgiveness, cancellation, deferment), or under Perkins (e.g., interest-free periods, deferment, cancellation). ○ Available repayment plans. ○ Options to prepay (e.g., shorter schedule, change repayment plans). ○ That benefit programs may vary among lenders. ○ The consequences of default. ○ That the submission if an application does not obligate the borrower to take the Consolidation loan.
Cost of Disclosures	Restates current provisions for all disclosures that: <ul style="list-style-type: none"> ○ Disclosures shall be available without cost to the borrower. ○ Lender’s failure to provide information shall not relieve a borrower of the obligation to repay a loan or provide a basis for a claim for civil damages. ○ Disclosures are not subject to the Truth in Lending Act. ○ Secretary may limit, suspend or terminate the lender’s participation for non-compliance. 		Removes lender protection from loss of guarantee or reinsurance for failure to provide any of the disclosures. Lenders and servicers must ensure that all the required disclosures are made or risk the loss of insurance and reinsurance on a loan. The following language was stricken from HEA section 433(c): <p style="text-align: center;">“The failure of an eligible lender to provide information as required by this section shall not (3) be deemed to abrogate the obligation of the Secretary under a contract of insurance or reinsurance, or the obligation of a guaranty agency under a contract of guaranty.”</p>
Repeal of Duplicative Notice Requirement		8/14/2008	Removes requirement to disclose exclusively about the availability of income-sensitive repayment option because there are more general disclosures that the lender is required to send out.

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