

Income Based Repayment Plan Implementation Guide Overview and Q&As

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Developed by the Team FFELP IBR Workgroup

This Guide was developed in order to provide the FFELP community with a resource for implementing the new Income Base Repayment (IBR) plan authorized by the College Cost Reduction and Access Act. As new and known issues are resolved, this document will be updated.

The Team FFELP IBR Workgroup was formed in September 2008 and consists of members of the Student Loan Servicing Alliance (SLSA) and the National Council of Higher Education Loan Programs (NCHELP). The represented organizations are:

Access Group
ACS, Inc.
AES/PHEAA
ALL Student Loan
Chase
Citi
College Foundation
Edfinancial Services
Graduate Leverage
Great Lakes
Iowa Student Loans
KHESLC
MOHELA
NCHELP

Nelnet
New Mexico Student Loans
NTHEA
PPSLC
Sallie Mae
SLSA
Student Assistance Foundation
Student Loan of North Dakota
TGSLC
UHEAA
USA Funds
Wells Fargo
Western States Learning Corp
XLS

IBR Implementation Overview And Q&A

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Section I: Income Based Repayment Overview

Background The CCRAA introduced a new repayment plan under Section 493C of the HEA for FFELP and FDLP loans, except for parent PLUS loans and Consolidation loans that paid parent PLUS loans. HEOA enacted August 23, 2008 amended certain provisions of IBR. The Department of Education conducted negotiations with industry representatives to regulate the provisions of the CCRAA. Proposed regulations were issued for public comment on July 1, 2008. Final regulations were issued October 23, 2008 and will be effective July 1, 2009.

Eligible Loans The document applies to the following outstanding FFEL loans:

- Subsidized and Unsubsidized Stafford
- SLS
- Student PLUS
- Consolidation loans that paid programs other than parent PLUS (e.g., Stafford, SLS, Perkins, HPSL, HEAL, FISL, etc.)

Note:

- Loans excluded:
 - Parent PLUS
 - Consolidation loans that paid parent PLUS
 - Defaulted loans
-

Key Terms **Adjusted Gross Income AGI:** The borrower's adjusted gross income as reported to the Internal Revenue Service (IRS). For a married borrower filing jointly, AGI includes both the borrower's and spouse's income, and for a married borrower filing separately, only the borrower's income.

Family Size: The number that is determined by counting the borrower, the borrower's spouse, and the borrower's children, including unborn children who will be born during the year the borrower certifies family size, if the children receive more than half their support from the borrower. A borrower's family size also includes other individuals if, at the time the borrower certifies family size the other individuals:

- live with the borrower; and
- receive more than half their support from the borrower and will continue to receive this support from the borrower for the year the borrower certifies family size.

Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care and payment of college costs.

Partial Financial Hardship: A circumstance in which the annual aggregate amount due on all of a borrower's eligible FFEL and FDLP loans, as calculated under a standard repayment plan based on a 10-year repayment

period at the time the borrower initially entered repayment (i.e., “standard-standard”), exceeds 15 percent of the difference between the borrower’s adjusted gross income and 150 percent of the poverty line for the borrower’s family size.

Standard-Standard Payment > 15%[AGI – (150% Poverty line applicable to family size)]

Poverty Line Income: The income categorized by State and family size in the Poverty Guidelines published annually by the United States Department of Health and Human Services pursuant to 42 U.S.C. 9902(2). If a borrower is not a resident of a State identified in the Poverty Guidelines, the borrower’s poverty line income is the income used for the 48 contiguous States

Standard Repayment: The law contemplates three possible types of standard repayment levels once a borrower elects an IBR plan:

- **Standard-Standard:** The payment amount calculated for a 10-year repayment period based on the loan balance outstanding when the borrower initially entered repayment on the loan.
- **Permanent-Standard:** The payment amount calculated for a 10-year repayment period based on the loan balance outstanding when the borrower begins repayment on the loan under an IBR plan.
- **Expedited-Standard:** The payment amount calculated for the repayment period remaining:
 - for Stafford, SLS and student PLUS loans, a 10-year repayment period, or
 - for a consolidation loan, the number of months remaining in the original loan repayment period,(which could have been a 10 to 30-year repayment period depending on the original loan balance).

Eligible Borrowers

A borrower must have a partial financial hardship to qualify for an income-based repayment plan. A borrower who at one time had a partial financial hardship, but ceases to have a partial financial hardship may remain in the IBR plan. For a spousal consolidation loan, both borrowers must qualify for IBR.

Disclosure of Availability of IBR

At the time of offering a borrower a loan and at the time of offering a borrower repayment options, a loan holder must provide the borrower with a notice that informs the borrower of the availability of income-sensitive and, except for parent PLUS borrowers and Consolidation loan borrowers whose loans paid off one or more parent PLUS loans, IBR plans.

This information may be provided in a separate notice or as part of the other disclosures. The notice must inform the borrower:

- That the borrower is eligible for income-sensitive repayment and may be eligible for IBR, including through loan consolidation;
- Of the procedures by which the borrower can elect income-sensitive or IBR;

and

- Of where and how the borrower may obtain more information concerning income-sensitive and IBR plans.

The federal promissory note and associated materials, approved by the Secretary, satisfy the initial loan origination disclosure notice requirements. However the lender per federal guidelines and as amended may be required to provide a borrower with information about all available repayment plans, including IBR, in other required disclosure documents or informational materials.

Conversion to Repayment and Repayment Options

Within six months prior to the date that the borrower's first payment is due, the loan holder must offer the borrower a choice of a standard, income-sensitive, income-based, graduated, or, if applicable, an extended repayment schedule.

A loan holder must require the borrower to repay the loan under a standard repayment schedule if the borrower:

- Does not select an income-sensitive, income-based, graduated, or if applicable, an extended repayment schedule within 45 days after being notified by the loan holder to choose a repayment schedule,
- Chooses an income-sensitive repayment schedule, but does not provide the required documentation, or
- Choose an income-based repayment schedule, but does not provide the required income documentation within the time period specified by the loan holder.

IBR Plan Election

If a borrower has eligible loans held by two or more loan holders, the borrower must request IBR from each loan holder if the borrower wants to repay all eligible loans under an IBR plan.

If a borrower elects an IBR plan, the loan holder must, unless the borrower requests otherwise, require that all eligible loans owed by the borrower to that holder be repaid under the IBR plan.

IBR Eligibility Documentation and Verification

The loan holder must determine whether a borrower has a partial financial hardship to qualify for the IBR plan for the year the borrower elects the plan and, for each subsequent 12-month period that the borrower remains on the plan.

However, at the discretion of the lender, if the borrower notifies the lender of a change in circumstances, the lender may recalculate a borrower's IBR partial financial hardship payment prior the end of the 12-month period. Such

a recalculation resets the borrower’s anniversary date of the lender’s required annual reevaluation for a partial financial hardship.

To make this determination, the loan holder must require the borrower to:

- Provide written consent to the disclosure of AGI and other tax return information by the Internal Revenue Service to the loan holder. The borrower provides consent by signing a consent form and returning it to the loan holder.
- For a spousal consolidation, where the borrowers filed separate tax returns, both borrowers must provide written consent to the disclosure of AGI and other tax return information by the Internal Revenue Service to the loan holder. The borrower provides consent by signing a consent form and returning it to the loan holder.
- If the borrower’s AGI is not available, or the loan holder believes that the borrower’s reported AGI does not reasonably reflect the borrower’s current income, the loan holder may use other documentation provided by the borrower to verify income.
- Annually certify the borrower’s family size. If the borrower fails to certify family size, the loan holder must assume a family size of one for that year.

Monthly Payment Amount Calculation for Period of Partial Financial Hardship

Step 1: Calculate

The monthly payment amount during a period of partial financial hardship is one twelfth of the following:

$$15\%[\text{AGI} - (150\% \text{ Poverty line applicable to family size})]$$

- The monthly payment amount may be equal to or less than accrued interest. In this case, unpaid principal is postponed until the borrower leaves the income-based repayment plan or no longer has a partial financial hardship.
- The monthly payment amount may be \$0.

Step 2: Prorate

If a borrower’s eligible loans include loans not held by the loan holder, the loan holder will adjust the monthly payment by multiplying the calculated payment by the percentage of total outstanding principal amount of eligible loans that are held by the loan holder. The NSLDS may be used to verify loans held by another holder for this purpose. Note: The term “loan holder” by rule is the eligible lender owning a FFEL Program loan and therefore is the lender and not the servicer.

Step 3: Round

If the calculated amount, or if applicable, the prorated calculated amount, is less than \$5.00, the borrower’s monthly payment is \$0.00. If the calculated amount is greater than or equal to 5.00 but less than \$10.00, the borrower’s monthly payment is \$10.00.

General Rounding Rule Exception

Generally, a loan holder may round a monthly payment to the next highest whole dollar amount that is a multiple of five dollars. This general rule does not apply to payments established for an IBR plan.

Payment Application Order

The loan holder must apply any payment made under an IBR plan in the following order:

- Accrued interest.
- Collection costs.
- Late charges.
- Loan principal.

The borrower may prepay the whole or any part of a loan at any time without penalty.

Advancing the Due Date for Prepayments

A borrower’s next payment due date is advanced if a prepayment equals or exceeds a scheduled monthly payment amount of \$10 or more, unless the borrower requests otherwise. The next payment due date is not advanced when the borrower sends a prepayment at a time when the borrower’s monthly payment is \$0.

Repayment Interest Subsidy

The Department will pay the calculated accrued interest on subsidized loans or the subsidized portion of the borrower’s Federal Consolidation loan during the three year period regardless of the amount the borrower pays. The Secretary pays to the holder the unpaid accrued interest for a period not to exceed three consecutive years from the established repayment period start date on each loan repaid under the IBR plan.

Except as noted, the three year subsidy period is consecutive, which means the counter continues no matter the status of each loan in IBR.

Exceptions

- Economic Hardship Deferment: The three consecutive year subsidy period excludes any period during which the borrower receives an economic hardship deferment.
- Consolidation: The three consecutive year subsidy period does **not** re-start when a loan is consolidated, that is, it includes periods for which accrued interest was paid by the Secretary on the underlying loans.

Special Allowance on Unpaid Interest During Partial Financial Hardship Period

During a period of partial financial hardship, special allowance is paid on an average daily balance of the outstanding accrued interest that includes the accrued interest that is the borrower's responsibility and the accrued interest that is the Department's obligation to pay. If the borrower PFH period ends prior to the end of a quarter, the average daily balance calculation will stop as of that date.

To compute the average daily balance of unpaid accrued interest the loan holder adds the unpaid accrued interest on such loans for each eligible day of the quarter, divides this sum by the number of days in the quarter, and rounds the result to the nearest whole dollar. The resulting figure is the average daily balance for the quarter.

The special allowance rate is calculated as follows:

- Determine the:
 - average of the bond equivalent rate of the 91-day Treasury bills auctioned for the quarter, or
 - average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter as reported by the Federal Reserve in Publication H-15 (or its successor), as applicable
- For purposes of subtracting the applicable interest rate, the rate is deemed to be **zero**.
- Add the appropriate special allowance percentage factor.
- Divide by four.

Collection Letters

Collection letters sent during 16-180 days of delinquency must include information for a borrower regarding IBR.

Administrative Forbearance

A loan holder may grant forbearance, upon notice to the borrower or if applicable, the endorser, with respect to payments of interest and principal that are overdue or would be due:

- For a period of delinquency at the time a borrower makes a change to the repayment plan.
- For a period not to exceed 60 days necessary for the loan holder to collect and process documentation supporting the borrower's eligibility for loan forgiveness under the income-based repayment program. The loan holder must notify the borrower that the requirement to make payments on the loans for which forgiveness was requested has been suspended pending approval of the forgiveness by the guaranty agency.

**Loan
Forgiveness
Criteria**

To qualify for loan forgiveness after 25 years, the borrower must have participated in the IBR plan and satisfied at least one of the following monthly conditions for a 25-year period:

- Made monthly payments calculated on the basis of the borrower having a partial financial hardship, (includes a calculated amount of \$0).
- Made monthly “permanent-standard” payments.
- Made monthly payments under any repayment plan (i.e., standard, income sensitive, graduated, or extended repayment) not less than “standard-standard” payments.
- Received economic hardship deferment.

Payments During Default

- Payments made on a defaulted loan are not counted toward the 25-year forgiveness period.

Beginning Date

- The beginning date for purposes of counting the 25-year time frame is the date the borrower made a qualifying payment or received an economic hardship deferment on that loan, but no earlier than July 1, 2009.
- The 25 year forgiveness time frame re-starts when a loan is paid by consolidation.
- A lender is to count all qualifying payments a borrower makes on a consolidation loan that is made on/after 7/1/2009, which means that qualifying payments made prior to the borrower entering IBR and made after the borrower enters IBR on the consolidation loan would count toward the 25-years forgiveness.

**Loan
Forgiveness
Payment
Processing**

No later than 60 days after the loan holder determines that a borrower qualifies for loan forgiveness the loan holder must request payment from the guaranty agency.

If the loan holder requests payment from the guaranty agency later than 60 days after the loan holder makes the determination that the borrower qualifies for forgiveness, interest that accrues on the discharged amount after the expiration of the 60-day filing period is ineligible for reimbursement by the Secretary, and the holder must repay all interest and special allowance received on the discharged amount for periods after the expiration of the 60-day filing period. The holder cannot collect from the borrower any interest that is not paid by the Secretary.

Within 45 days of receiving the holder’s request for payment, the guaranty agency must determine if the borrower meets the eligibility requirements for loan forgiveness and must notify the holder of its determination. If the guaranty agency approves the loan forgiveness, it must, within the same 45-day period pay the holder the amount of the forgiveness.

After being notified by the guaranty agency of its determination of the eligibility of the borrower for loan forgiveness, the holder must, within 30 days, inform the borrower of the determination and that the borrower's repayment obligation on the loans for which income-based forgiveness was requested is satisfied.

The loan holder must also provide the borrower general information on the tax treatment of the forgiveness amount and refer borrowers to the IRS for further information.

The holder must apply the proceeds of the IBR loan forgiveness amount to satisfy the outstanding balance on those loans for which IBR forgiveness was requested.

If the forgiveness amount exceeds the outstanding balance on the eligible loans subject to forgiveness, the loan holder must refund the excess amount to the guaranty agency.

The loan holder must promptly return to the sender any payment received on a loan after the guaranty agency pays the amount of loan forgiveness.

If the guaranty agency does not pay the forgiveness claim, the loan holder will continue the borrower in repayment on the loan. The loan holder is deemed to have exercised forbearance of both principal and interest from the date the borrower's repayment obligation was suspended until the new payment due date. Unpaid interest during this period may be capitalized, unless the claim denial is due to an error by the loan holder.

**Borrower
Ceases Partial
Financial
Hardship**

If a borrower no longer has a partial financial hardship, chooses to stop making partial financial hardship payments, fails to renew the required written consent for income verification, or withdraws consent and does not select another repayment plan, the borrower remains under the IBR plan but the loan holder must recalculate the borrower's monthly payment. In either case, the monthly payment amount is the "permanent-standard" amount. Except for periods of partial financial hardship or reduced payment forbearance, the loan once again is required to meet the annual \$50 minimum monthly and \$600 annual payment amount.

The borrower's repayment period based on the recalculated payment amount may exceed 10 years.

Capitalization

Accrued interest is capitalized at the time the borrower chooses to leave the IBR plan or no longer has a partial financial hardship. If a borrower alternates between a partial financial hardship and "permanent-standard", unpaid interest must be capitalized each time the borrower no longer has a partial financial hardship.

**Borrower No
Longer Wishes
to Pay under
IBR**

If a borrower no longer wishes to pay under an IBR plan, the borrower must pay under a standard repayment plan based on an “expedited-standard” payment amount.

Section II: Eligible Loans Q&A

Q1. If a Consolidation loan repaid any HEAL, Perkins, and/or HPSL loans (but not any parent PLUS loan) is it eligible for IBR?

A1. Yes. A FFEL Consolidation loan that repaid any underlying HEAL, Perkins, and/or HPSL loan is deemed eligible for IBR (provided the Consolidation loan did not also include the payoff of any parent PLUS loan).

Q2. If parent PLUS loans are not eligible for IBR, are Consolidation loans that include underlying parent PLUS loans also not eligible for IBR? If the Consolidation loan is not eligible for IBR is the entire Consolidation loan not eligible or only the parent PLUS loan portion of the Consolidation loan not eligible for IBR?

A2. If a Consolidation loan includes a parent PLUS loan, the entire Consolidation loan would not be eligible for IBR.

Q3. If a borrower has both parent PLUS loans and other types of loans and wishes to consolidate the loans, may the borrower obtain two Consolidation loans, one for the parent PLUS loans and one for the other loans, to preserve eligibility for IBR on the other loans?

A3. Yes. Neither the statutes nor regulations prohibit a borrower from obtaining two separate consolidation loans as long as only one application is pending at a time. This would be a counseling issue between the loan holder and the borrower to review the best options for that particular borrower.

Q4. Are defaulted loans held by a guarantor eligible for IBR?

A4. No. The HEOA provided a technical amendment to the IBR statutes to specifically exclude defaulted loans held by the guarantor from eligibility for IBR.

Q5. Are FISL, Student PLUS (aka ALAS) and SLS loans eligible for IBR?

A5. Yes, they are title IV, Part B loans.

Section III: Monthly Payment Amount Q&A

Q1. For purposes of the partial financial hardship (PFH) calculation, are Direct loans held by the Department included in the prorated monthly payment amount?

A1. Yes. Direct loans are deemed eligible for IBR (except Direct Parent PLUS and Consolidated Direct Parent PLUS loans). In this case, if a loan holder is aware that a FFEL borrower also has Direct loans held by the Department, the total calculated PFH payment must be prorated, that is, multiplied by the percentage of the total outstanding principal amount of IBR eligible loans that represents the amount of IBR eligible loans that are held by the loan holder.

Q2. If at the time a borrower requests IBR the loan payments have been prepaid sufficient to advance the due date more than 11 months in the future, should the borrower be placed in IBR or wait until the next payment is due?

A2. As in place today for repayment plan changes, this may be a counseling matter.

Q3. If a borrower's calculated partial financial hardship (PFH) payment is \$0, and the borrower makes a payment greater than \$0, how should the loan holder handle the advancement of the next payment due date?

A3. The loan holder may not advance the next payment due date. In addition, the Final Regulations under §682.215(c)(3) were clarified to state that if the borrower makes a payment while the PFH payment amount is \$0, the loan holder must apply it consistent with the IBR provisions regarding the order of payment allocation.

Q4. What if a borrower is on IBR and at some point asks for his monthly PFH payment amount to be increased? Is the loan holder required to remove the PFH schedule as a request to increase the payment amount would seem to indicate that the borrower no longer wants the PFH payment and implies he no longer has a partial financial hardship?

A4. Any extra amount over the required payment amount should be handled just as such payments are handled today. The loan holder should inquire as to whether the borrower wants the permanent-standard payment or the expedited-standard payment and adjust accordingly.

Q5. For the loans held by the loan holder, is the payment amount subject to the \$0 and \$10 payment tolerances at the loan level?

A5. No. The \$0 and \$10 payment tolerances are applied at the loan holder level for all the loans held by that loan holder. If the prorated or straight math method of determining the payment amount for each loan results in a payment that is within the tolerances, the loan holder must apply that calculated payment amount to the individual loan to ensure that the borrower's payment does not exceed the total PFH payment amount applicable to the borrower for the loans held by that loan holder.

Q6. May the \$0 and \$10 tolerances be applied at the servicer level?

A6. No. Based on guidance from the Department, the regulatory term "holder" means "lender", not "servicer". The tolerances may only be applied at the loan holder level. The Department expects loan servicers that are servicing a borrower's loans for multiple holders to comply by the applicable effective date with the payment adjustment requirements of the regulations. The Department believes this is critical to ensure that

borrowers under IBR are treated consistently by all loan holders and are not overbilled. The Department will take steps to ensure that IBR payments are calculated correctly for the FFEL and Direct Loans it holds.

Following are some examples of how this would apply:

Example 1: Calculated PFH payment \$8, multiple holders that service own loans

Borrower has 50% of loans held/serviced by Lender A and 50% of loans held/serviced by Lender B. Borrower's total calculated monthly PFH payment is \$8. After proration between holders the amounts are \$4 for Lender A and \$4 for Lender B. Under the \$5/\$10 rule, borrower would have a monthly payment of \$0 for Lender A and \$0 for Lender B.

Example 2: Calculated PFH payment of \$8, multiple holders that use same servicer

Same as Example 1 except all of the borrower's loans are serviced by Servicer A for both Lender A and Lender B. Proration is done for each loan holder regardless of single servicer, the borrower would pay \$0 to both Lender A and Lender B.

Example 3: Calculated PFH payment of \$8, one holder that uses two servicers

Same as Example 1 except Lender A holds all of the borrower's loans and 50% are serviced by Servicer A and 50% serviced by Servicer B. No proration is necessary so the borrower would owe a PFH payment of \$10, which will be split \$5 for Servicer A and \$5 for Servicer B. In this case the \$5 PFH payment per servicer is an acceptable amount even though it falls between \$0 and \$10.

Q7. Given that a borrower's PFH payment is limited to a year at a time, how should the loan holder disclose a borrower's remaining payments?

A7. The payment amount for a loan under an IBR plan is no longer subject to a specified maximum repayment period. Therefore, instead of amortizing the loan over a remaining repayment period, the loan holder will notify the borrower to make either the calculated amount based on the applicable variables that apply to a period of partial financial hardship or if the borrower no longer has a partial financial hardship, the calculated amount based on the applicable variables that apply to a standard-permanent amount.

Q8. If a borrower elects expedited-standard repayment, is the number of months in repayment under IBR counted when determining the maximum remaining months available under the expedited-standard repayment plan?

A8. Yes. The number of months in repayment used under IBR does count against the remaining months available.

Q9. If the borrower elects expedited-standard repayment, and the borrower qualifies for extended repayment, may the loan holder use 25 years when determining the remaining months available under the expedited-standard repayment plan?

A9. No. The expedited-standard repayment amount must be calculated using the remaining months in a 10-year period for all loans but consolidation loans. Based on guidance from the Department, the expedited-standard repayment amount for a consolidation loan must be calculated on the remaining months in the original consolidation loan repayment period but based on the amount of the consolidation loan outstanding at the time the borrower leaves IBR.

Q10. If a borrower elects to leave the IBR plan and enters into an expedited-standard repayment plan, can the borrower subsequently apply for a different repayment option, e.g. Graduated, Extended, etc.?

A10. Yes. The time remaining under another plan excludes any prior months in repayment both before and during IBR.

Q11. If a borrower elects IBR while they are on another repayment plan and the borrower fails to provide the required documentation or does not qualify for PFH, does the loan holder maintain the current repayment plan or is the loan holder required to convert the borrower to a standard plan as outlined in §682.209(a)(6)(v)?

A11. The borrower would continue in their current repayment plan. In the case of initial repayment, if the borrower does not select another plan, the borrower would receive the standard repayment plan, as occurs today.

Q12. If a PFH payment comes out to \$10.35 can the loan holder round it up to the next highest dollar amount of \$11.00?

A12. No. §682.215(b)(1) states that the loan holder adjusts the calculated amount only in the three listed instances.

Q13. If the borrower's AGI is less than 150% of the borrower's applicable poverty level, then the calculated payment would be a negative number. In this case, is the PFH payment amount set at \$0.00?

A13. Yes.

Q14. How does the loan holder report the loan to a credit reporting agency during the PFH period when the borrower's monthly payment amount is \$0?

A14. The credit reporting agencies have indicated that the best way the loan holder should report these loans is as in deferment for any period when a \$0 payment amount is due during PFH as this would show that a payment is not due. However, a loan holder may instead report the loan as in current repayment with a \$0 payment amount.

Q15. The loan holder initially disclosed to a borrower using a 9 year repayment term when the borrower initially entered repayment. The borrower subsequently selects IBR, chooses to leave the plan, and the loan holder is required to recalculate the payment amount using an expedited repayment plan. Is the loan holder required to recalculate the payment amount using the remainder of 10 years or the remainder of 9 years as initially disclosed?

A15. §682.215(d)(2)(i) states "The time remaining under the maximum ten-year repayment period" for any loan except a consol loan. Since it specifically states "the maximum ten-year repayment period" and not "up to a maximum ten-year repayment period" the loan holder would use the remaining payments out of 10 years to determine the expedited-standard payment amount, subject to the \$50 minimum monthly payment.

Q16. In calculating the proration of the PFH payment amount between loan holders, does the loan holder exclude from the calculation the balance of any loan(s) that the borrower chooses not to repay under IBR?

A16. No. §682.215(b)(1)(i) requires the loan holder to prorate the payment based on the outstanding balances of all eligible loans. "Eligible loan" is defined in §682.215(a)(2) and it does not exclude loans that a borrower does not wish to repay under IBR.

Q17. If a borrower elects to not pay a particular loan(s) under IBR, but wishes to repay another loan(s) under IBR, is the standard-standard payment amount on the excluded loan(s) used to determine PFH eligibility?

A17. Yes. §682.215(a)(4) requires that in determining whether a borrower has a PFH, the loan holder must use the annual amount due on “all of a borrower’s eligible loans”. “Eligible loan” is defined in §682.215(a)(2) and it does not exclude loans that a borrower does not wish to repay under IBR.

Q18. If the borrower elects to exclude some loans from IBR, but chooses to repay other loans under IBR, how is the PFH payment amount allocated across those loans?

A18. The PFH payment amount is allocated to all of the borrower’s eligible loans, including any that the borrower has chosen to exclude from IBR. The portion of the PFH payment amount attributable to the excluded loans is not reallocated among the other loans; it stays with the excluded loans and becomes part of whatever alternate payment the borrower chooses on those loans. This policy prevents potentially disparate treatment of different borrowers in different loan holder/servicer situations. The following illustrates this concept.

Two borrowers, each has six IBR-eligible loans but wants one of them left out of IBR because it is being repaid by a parent on a different schedule. Here is the vital information:

Total outstanding balance of eligible loans: \$50,000
 Initial PFH payment amount (15% of AGI – PLI): \$100.00

Loan breakdown (all loans are owned by the same holder):

Loan 1 = \$1,500 (3% of \$50,000); PFH payment is 3% of \$100 or \$3.00
Loan 2 = \$2,000 (4% of \$50,000); PFH payment is 4% of \$100 or \$4.00
Loan 3 = \$8,000 (16% of \$50,000); PFH payment is 16% of \$100 or \$16.00
Loan 4 = \$10,000 (20% of \$50,000); PFH payment is 20% of \$100 or \$20.00
Loan 5 = \$21,000 (42% of \$50,000); PFH payment is 42% of \$100 or \$42.00
Loan 6 = \$7500* (15% of \$50,000); PFH payment is 15% of \$100 or \$15.00

*This is the loan being voluntarily excluded from IBR repayment. The borrower’s standard payment amount on this loan, based on a ten-year term and a 6.8% fixed interest rate, is **\$86.31**.

BORROWER 1: All six loans are handled by one servicer:

SCENARIO 1: Applying the full PFH payment on 5 non-excluded loans. In this case, since the same servicer has all of the loans, they would need to reallocate the \$15 payment on loan 6 proportionally among the other 5.					
Loan 1	Loan 2	Loan 3	Loan 4	Loan 5	Loan 6
\$3.00 + \$0.53	\$4.00 + \$0.71	\$16.00 + \$2.82	\$20.00 + \$3.53	\$42.00 + \$7.41	\$86.31
Borrower’s total monthly payment amount: \$186.31					
SCENARIO 2: Leave PFH payment for loan 6 as part of loan 6					
Loan 1	Loan 2	Loan 3	Loan 4	Loan 5	Loan 6
\$3.00	\$4.00	\$16.00	\$20.00	\$42.00	\$86.31
Borrower’s total monthly payment amount: \$171.31					

BORROWER 2: Loans 1 and 2 under servicer 1, Loans 3, 4 and 5 under servicer 2, Loan 6 under servicer 3

SCENARIO 1: Applying the full PFH payment on 5 non-excluded loans. In this case, servicers 1 and 2 won't know that Loan 6 was excluded and therefore won't know to reallocate the PFH payment among the loans they're servicing.					
Loan 1	Loan 2	Loan 3	Loan 4	Loan 5	Loan 6
\$3.00	\$4.00	\$16.00	\$20.00	\$42.00	\$86.31
Borrower's total monthly payment amount: \$171.31					
SCENARIO 2: Leave PFH payment for loan 6 as part of loan 6					
Loan 1	Loan 2	Loan 3	Loan 4	Loan 5	Loan 6
\$3.00	\$4.00	\$16.00	\$20.00	\$42.00	\$86.31
Borrower's total monthly payment amount: \$171.31					

These examples show that reapportioning the PFH payment for the excluded loan among the other loans could result in different payment amounts for different borrowers, depending on how the ownership and servicing of their loans is allocated. So, the only policy that does not result in potentially disparate treatment, with regard to the total monthly payment amount, is to not re-allocate the calculated PFH payment amount on the excluded loan among the other loans. The borrower is still, in essence, paying at least the minimum PFH payment amount of \$100; it's just that part of that \$100 is being paid under a different plan in one case.

Section IV: Loan Forgiveness Q&A

Q1. Would payments made after leaving IBR count toward forgiveness?

A1. As long as the payments made after leaving IBR are not less than the borrower's standard-standard payment amount, they will count toward the 300 payments required for forgiveness.

Q2. If a borrower has pre-paid loans before July 1, 2009 such that the due date is extended after July 1, 2009, do the payments count toward forgiveness?

A2. Note that it will be possible for certain payments made before entering IBR to count toward forgiveness, provided the payment was made on or after July 1, 2009. In this example, since the prepayment is made before July 1, 2009, that payment does not count toward forgiveness even though the prepayment may advance a due date until on or after July 1, 2009.

Q3. For a borrower who is in repayment for several years before entering IBR, what kind of payments count toward the 25 years for forgiveness? Would only standard-standard payments count, or would payments in other plans like graduated and income-sensitive count?

A3. Only payments made on or after July 1, 2009 may be considered for eligibility toward the required number of payments for forgiveness (300 payments). Payments made under any type of repayment plan would be counted as eligible payments as long as they are not less than the standard-standard payment amount. Although a borrower may request a graduated or income-sensitive repayment plan when initially entering repayment, the loan holder will still need to calculate a standard-standard payment amount to measure against in the future. Please note that payments made while under a partial financial hardship payment plan are not required to meet the minimum standard-standard payment amount criteria to be counted as an eligible payment.

Q4. Can a borrower make a lump sum payment to accelerate the forgiveness of the loan?

A4. Lump sum payments may be applied as future payments and if otherwise eligible, may count toward the 300 payments the borrower must make to be eligible for forgiveness. However, the other criterion for forgiveness is that 25 years must have also passed. So a borrower may not accelerate the forgiveness by paying ahead.

Q5. Does a payment made on behalf of a borrower, such as a DOD loan repayment program payment, Americorp, and Teacher Loan Forgiveness count toward the number of payments required for forgiveness?

A5. This type of payment should be treated the same as such a payment is treated today outside of IBR in regard to how it is applied, principal reduction or advancement of monthly payments.

Q6. When does the 25 year forgiveness period begin?

A6. For loans in repayment on or before July 1, 2009, the 25-year forgiveness period may begin as early as July 1, 2009 if the borrower makes a qualifying payment or receives a period of economic hardship deferment as of that date. For loans that enter repayment after July 1, 2009, the 25-year forgiveness period begins on the date the borrower makes a qualifying payment or receives a period of economic hardship deferment. The earliest

any loan could qualify for forgiveness is July 1, 2034. For Consolidation loans made on or after July 1, 2009, see Question #8 below.

Q7. Please provide an example of how the 25-year forgiveness period and the 300 payments/deferment requirement interact in regard to forgiveness eligibility.

A7. Loan forgiveness eligibility is dependent on both the passage of 25 years of time *and* the occurrence of 25-years worth of qualifying payments and economic hardship deferment time. For example, if on or after July 1, 2009, a borrower makes 300 eligible payments, which includes payments deferred by economic hardship deferment, then on or after July 1, 2034 (i.e., 25 years from July 1, 2009), the holder may file a loan forgiveness claim with the guaranty agency. However, if on July 1, 2034, the borrower only made 290 eligible payments, which includes payments deferred by economic hardship deferment, then the borrower must meet 10 more months worth of qualifying payments or economic hardship deferment time to reach the 300-month requirement before qualifying for loan forgiveness.

Q8. There seems to be a conflict in §682.215(f)(3) of the Final Rules between the 25-year period start-date for consolidation loans made before July 1, 2009, sub-paragraph (i), and those made after July 1, 2009, sub-paragraph (iv). When does the 25-year forgiveness period start for consolidation loans made on or after July 1, 2009, on the date the borrower makes a payment on the consolidation loan or on the date the borrower qualifies for IBR?

A8. The Department has stated that the phrase “after qualifying for the income-based repayment plan” is a technical error and will be removed as a technical correction. Any qualifying payment made on the consolidation loan that meets the requirements in §682.215(f)(1) counts toward forgiveness, not just those qualifying payments made after the borrower qualifies for IBR.

Q9. Do accumulated partial payments that total a PFH, standard-standard, or permanent-standard payment amount count toward forgiveness?

A9. As is the case for partial payments made today under other repayment plans, partial payments made under an IBR plan may accumulate and apply towards forgiveness.

Q10. Are reduce monthly payments agreed to by the borrower and the loan holder, such as those made under a reduced-payment forbearance, either before, during or after IBR, considered qualifying payments for the IBR forgiveness provision?

A10. Depends. Scheduled monthly payments made prior to the borrower entering IBR and scheduled monthly payments made after the borrower completely exits IBR must be no less than the standard-standard monthly payment amount to qualify for forgiveness. Based on guidance from the Department, scheduled monthly payments made under the umbrella of the IBR plan, i.e., the PFH payment amount (including \$0.00 monthly payments) or a payment that is equal to the permanent-standard payment amount while the borrower remains in IBR (a borrower cannot be required to pay more than the permanent-standard amount while in IBR), count toward the number of monthly payments required to qualify for forgiveness.

Q11. Does the period of administrative forbearance found under §682.211(f)(13) run concurrently with the 60-day claim filing period found in §682.215(g)(1)?

A11. No, they are separate periods. If the borrower does not qualify for IBR loan forgiveness during the 60 day administrative forbearance period, collection activity would resume upon expiration of the 60 day period, or earlier upon determination of ineligibility. The 60 day claim filing period in §682.215(g)(1) does not begin until the loan holder's date of determination of the borrower's qualification for forgiveness.

Q12. Is the loan holder allowed to suspend collection activity on a borrower, or any endorser, from the date the loan holder determines that a borrower qualifies for IBR loan forgiveness?

A12. Yes. To comply with the notice to the borrower in §682.211(f)(13), a loan holder must suspend collection activity on a loan from the loan holder's date of determination of the borrower's qualification until the claim is forgiven or until a new payment due date is established. In accordance with §682.215(g)(6), this period would be covered by forbearance if the guarantor does not pay the forgiveness claim. This is also consistent with other claim filing processes.

Q13. Does the forbearance in §682.211(f)(13) and §682.215(g)(6) cover the same time frame?

A13. Not always. The forbearance in §682.215(g)(6) could only retroactively cover the same 60 day period of forbearance in §682.211(f)(13) if the loan did not resume repayment after the 60 day administrative forbearance expired, the claim was filed before the administrative forbearance expired, and the claim was subsequently denied.

Q14. If a borrower requests and is granted an Economic Hardship deferment that includes any period of time that equals 3 full years on or after July 1, 2009, and never requests the IBR plan, will the borrower's loan qualify for forgiveness after 25 years of combined deferment and payments assuming a balance remains? Must the borrower request IBR or does an Economic Hardship deferment act as that request?

A14. §682.215(f)(1) states that in order to qualify for forgiveness, "the borrower must have participated in the income-based repayment plan" and then satisfied one of the following conditions, which Economic Hardship deferment is one of those conditions. Economic Hardship deferment in and of itself does not qualify the borrower for potential forgiveness.

Section V: Deferment and Forbearance Q&A

Q1. Must a loan holder send a separate notification to a borrower and any applicable endorser when administrative forbearance is used to cover a period of delinquency prior to granting IBR?

A1. The proposed regulations amend the current rules that address the various uses of administrative forbearance under §682.211(f), all of which are contingent on providing notice to the borrower or if applicable, the endorser. This new use of administrative forbearance is permissible, but not mandatory. Existing processes used for handling delinquency for other repayment plans may continue, such as building a voluntary forbearance agreement into the borrower's request for a new repayment plan. The new authority under §682.211(f)(14), is intended to allow a loan holder to handle delinquency similarly to how it is handled under §682.211(f)(2) upon the beginning of an authorized deferment.

Q2. If the borrower requests and receives a deferment or a forbearance while the borrower is currently under partial financial hardship (PFH), does the repayment plan automatically revert back to PFH if there is any time remaining under the annual certification period or does it convert to a permanent-standard repayment plan after the deferment or forbearance ends, in which case the borrower would need to re-request PFH payments?

A2. The loan would enter into permanent-standard repayment at the end of the deferment or forbearance. The loan holder would have the option to return the loan to the PFH payment if there is any time remaining in the annual certification period. If the loan holder chooses to give back any remaining period of annual PFH certification after the end of deferment or forbearance, the loan holder should consider the affect of such decision on the ability to capitalize the interest during the deferment or forbearance period (see **Section VI: Capitalization, Q1**).

Q3. May the administrative forbearance in §682.211(f)(14) be used to cover a period of delinquency prior to the borrower entering only IBR.

A3. This administrative forbearance is not limited to a period of delinquency prior to entering IBR. It may be used for any repayment plan changes or changes within a repayment plan, made by the borrower.

Q4. May the administrative forbearance in §682.211(f)(14) be used to cover a period of delinquency that may occur during IBR when the borrower changes from PFH payment amount to a permanent-standard amount?

A4. Yes. The loan holder is required to capitalize all unpaid interest when the borrower leaves PFH. This administrative forbearance could also be used to bring the account current as the borrower is making a change to the repayment plan.

Section VI: Capitalization Q&A

Q1. If a borrower is in a partial financial hardship period and the borrower requests a deferment or forbearance, may the loan holder capitalize unpaid interest according to the rules that apply to a deferment and forbearance?

A1. If a borrower enters into a deferment or forbearance after entering PFH, such event would cause the borrower to exit PFH. Any unpaid accrued interest is capitalized as of the date the borrower leaves PFH. Once the borrower is in a deferment or forbearance, the normal capitalization rules apply, even though the borrower is still under the IBR plan. If the deferment or forbearance ends prior to the end of the borrower's annual PFH certification period, the loan holder may choose to use the remaining PFH certification period (see **Section V: Deferment and Forbearance**, Q2).

Q2. May a loan holder capitalize unpaid interest during a period of administrative forbearance authorized under the new paragraph in §682.211(f)(13) in cases where it is necessary for a loan holder to collect and process documentation supporting the borrower's eligibility for loan forgiveness (up to 60 days)?

A2. The regulations in §682.211(f)(13) do not expressly prohibit capitalization of the interest during this period.

Q3. If the guarantor denies the IBR forgiveness request, may the loan holder capitalize the outstanding interest and resume payments on the loan?

A3. Yes, with one exception. The Final Rules in §682.215(g)(6) state that the loan holder may capitalize any unpaid accrued interest in accordance with §682.202(b) if the denial was not due to an error by the loan holder. In either case, the borrower must resume payments on the loan.

Q4. May a loan holder capitalize unpaid interest during a period of administrative forbearance for a period of delinquency at the time a borrower is granted an IBR plan, which is authorized under the new paragraph in §682.211(f)(14)?

A4. Yes. The period of delinquency is for a time frame that precedes the time frame when a borrower is under an IBR PFH.

Section VII: IBR Eligibility Documentation and Verification Q&A

Q1. If a borrower has loans under an IBR plan, and subsequently obtains new loans, may the loan holder automatically add the new loans to the existing IBR plan or must the loan holder provide the borrower an option to repay the new loans under another repayment plan?

A1. Since a loan holder must provide the borrower a repayment disclosure within 150-30 days before repayment starts on the loan(s), and which provides all repayment options [§682.208(a) (6) (iii)], a borrower would have to contact the loan holder and select IBR for any new loans initially entering repayment. The possible scenarios are as follows:

1. Borrower does not contact loan holder before repayment on the new loan(s) begins or fails to submit required IBR paperwork in order to determine PFH eligibility. The loan holder is required to disclose under a standard level repayment plan. A borrower may request that the new loan(s) be added to IBR at a later date upon the loan holder's determination that the borrower qualifies for IBR using PFH eligibility guidelines.
2. Borrower contacts the loan holder to request IBR on the newer loan(s) and the current loans are in PFH IBR. The loan holder can add the new loan(s) to IBR. For the new loan(s), the loan holder should re-review the multiple-holder pro-ration, and must calculate a standard-standard and permanent-standard payment amount and set counters as of the IBR start date or the date the new loan(s) enter IBR. The PFH payment would be allocated across all loans in IBR. All loans may be re-certified at the end of the current PFH period or as of the certification period.
3. Borrower contacts loan holder to request IBR on the new loan(s) and the current loans are in permanent-standard IBR. The borrower must submit an application to qualify the new loan(s) for IBR using the PFH eligibility requirements. If the borrower qualifies for PFH, then the new loans would qualify for IBR and all loans would be in PFH IBR. The loan holder should re-review the multiple-holder pro-ration, and must calculate a standard-standard and permanent standard amounts for the new loan(s) and set the counters on the new loan(s) as of the IBR start date or the date the new loan(s) enter IBR. The PFH payment is allocated across all loans in IBR. All loans may be re-certified at the end of current PFH period or as of the certification period.
4. If the borrower does not qualify for PFH, then the new loan(s) do not qualify for IBR, and must continue in the repayment plan selected by the borrower or a standard level plan if the borrower failed to select a repayment plan. The loan holder may try to qualify all loans for IBR using PFH eligibility guidelines at a future date or at the IBR re-certification date as requested by the borrower.

Q2. If the borrower has loans not currently included in an existing IBR plan and elects IBR for new loan(s) or loan(s) not previously included in IBR do the borrower's PFH payment, standard-standard and permanent standard amounts have to be re-calculated?

A2. The standard-standard and permanent-standard payment amounts are maintained at a loan level. The standard-standard and permanent-standard payment amounts for the existing loans would remain the same. The loan holder must re-review the multiple-holder pro-ration, and must calculate a standard-standard and permanent-standard amounts for the new or added loan(s) and set the counters on the new loan(s) as of the IBR start date or the date the new loan(s) enter IBR. The PFH payment would be allocated across all loans in IBR.

Q3. If the borrower has a loan(s) currently not included in an existing IBR plan, and subsequently elects IBR for any loan(s) not previously included in the IBR plan, does the 3-year period of interest subsidy start over?

A3. The 3-year period of interest subsidy does not start over on the existing loans in IBR. However, because the 3-year interest subsidy is at a loan level [§682.215(b)(4)], a new

loan(s) added to IBR using PFH eligibility guidelines are eligible for the 3-year interest subsidy benefit during any PFH period starting as of the date the new loan(s) enters or starts IBR.

Q4. If the borrower has any loan(s) currently not included in an existing IBR plan and subsequently elects IBR for any loan(s) not previously included in IBR, must the borrower submit new PFH documentation and may the loan holder use this documentation to restart the annual re-certification period on all loans?

A4. The possible scenarios are as follows:

1. If the existing loans are in PFH IBR, the loan holder may elect to use the existing PFH documentation to add the new loan(s) to the IBR plan for the remaining amount of time in the PFH period. For the new loan(s), the loan holder should re-review the multiple-holder pro-ration, and must calculate standard-standard and permanent-standard payment amounts and set counters as of the IBR start date or the date the new loan(s) enters IBR. The PFH payment would be allocated across all loans in IBR. All loans may be re-certified at the end of the current PFH period or as of the certification period.
2. If the existing loans are in permanent-standard IBR, the borrower must submit IBR documentation to qualify the new loan(s) for IBR using the PFH eligibility requirements. If the borrower qualifies for PFH, then the new loan(s) would qualify for IBR and all loans would be in PFH IBR. The loan holder should re-review the multiple-holder pro-ration, and must calculate a standard-standard and permanent standard amounts for the new loan(s) and set the counters on the new loan(s) as of the IBR start date or the date the new loan(s) enters IBR. The PFH payment is allocated across all loans in IBR. All loans may be re-certified at the end of current PFH period or as of the certification period.

Q6. If a borrower decides to opt out of the IBR umbrella, enters an expedited-standard repayment plan, and later wants to re-enter IBR, do we start over with new qualifications?

A6. The potential scenarios include:

1. A borrower wants to re-enter IBR to include the same loans that were in the IBR plan when the borrower elected to exit IBR. The borrower must qualify for IBR using PFH eligibility requirements. The loan holder would proceed as follows:
 - a. The loan holder must obtain PFH documentation from the borrower.
 - b. If the borrower qualifies for IBR using PFH eligibility requirements, then the borrower resumes IBR.
 - c. The loan holder should re-review the multiple-holder pro-ration, and would not recalculate the standard-standard and permanent-standard payment amounts and the counters would resume.
 - d. The PFH payment is allocated across all loans in IBR.
 - e. If the borrower does not qualify for IBR using PFH eligibility requirements, then the loans are not eligible to resume IBR.
2. A borrower wants to re-enter IBR to include the same loans that were in the IBR plan when the borrower elected to exit IBR, and is also requesting to add loan(s) previously not included in the prior IBR plan. The borrower must qualify for IBR using PFH eligibility requirements. The loan holder would proceed as follows:
 - a. The loan holder must obtain PFH documentation from the borrower.
 - b. If the borrower qualifies for IBR using PFH eligibility requirements, then the loans are eligible for IBR.
 - c. The loan holder should re-review the multiple-holder pro-ration.
 - d. The loan holder does not recalculate the standard-standard and permanent-standard payment amounts for the loans previously in the IBR plan and the IBR counters resume.

- e. The loan holder must calculate standard-standard and permanent standard payment amounts for the new loan(s) and set the counters on the new loan(s) as of the IBR start date or the date the new loan(s) enter IBR.
 - f. The PFH payment is allocated across all loans in IBR.
 - g. If the borrower does not qualify for IBR using PFH eligibility requirements, then the loans are not eligible for IBR.
3. A borrower wants to re-enter IBR to include fewer loans than were in the IBR plan when the borrower elected to exit IBR. The borrower must qualify for IBR using PFH eligibility requirements. The loan holder would proceed as follows:
- a. The loan holder must obtain PFH documentation from the borrower.
 - b. If the borrower qualifies for IBR using PFH eligibility requirements, then the borrower resumes IBR.
 - c. The loan holder should re-review the multiple-holder pro-ration.
 - d. The loan holder does not recalculate the standard-standard and permanent-standard payment amounts and the IBR counters resume.
 - e. The PFH payment is allocated across all loans in IBR.
 - f. If the borrower does not qualify for PFH, then the loans are not eligible to resume IBR.

Q7. If a borrowers situation changes, such as annual income or family size, during a 12-month period of PFH payments, may the loan holder recalculate the borrower's PFH amount before the end of the current PFH 12-month period? If the loan holder elects to re-calculate the borrower's PFH payment amount, may the loan holder either keep the current PFH end date; or end the current PFH period and start a new 12-month PFH period based on the new PFH calculations?

A7. Yes. The Department has stated that a lender may recalculate a borrower's payment prior to the required annual evaluation. Such a recalculation resets the borrower's anniversary date for annual reevaluation.

Q8. A borrower is applying for IBR in February 2010. She has not yet filed her 2009 tax return. Form 4506-T states that return transcripts are available for the "current year and 3 prior tax years". Should the borrower request 2009, in which case the IRS would return a response of "no record of return filed" and then provide alternative documentation, or should she ask for 2008 data?

A8. §682.215(e) states the loan holder must determine whether a borrower is eligible for PFH for the year the borrower elects an IBR plan and for each subsequent year the borrower remains on the plan. When the loan holder determines that the borrower's tax return for the most recent tax year is not available, then the loan holder should decide whether it is more helpful for the borrower to either request a transcript for a prior year tax return or to provide alternative documentation after the loan holder considers such factors as the borrower's income history, the time of year the borrower is applying for IBR using PFH eligibility guidelines, and/or the loan holders' processing flow. If the borrower's financial situation has substantially changed, since their most recent tax return was filed or if the IRS returned "no record of return filed" for the tax year(s) requested, then the loan holder may ask the borrower to provide alternative documentation that the loan holder may use to calculate IBR using PFH eligibility requirements.

Q9. Is it permissible to have the borrower send their tax forms (W-2, tax return, 1099, etc.) directly to the loan holder rather than having them send written consent for

disclosure of AGI and other tax return information (a tax return transcript) by the IRS to the loan holder?

A9. §682.215(e) states that the borrower must provide written consent to disclose tax information by the IRS to the loan holder. The borrower provides consent by signing an approved IRS form, such as the 4506-T. Upon receiving the borrower's signed consent, the loan holder submits the consent to the IRS. The IRS returns to the loan holder, as indicated on the borrower's signed consent form, a transcript of the borrower's tax return for the years requested and/or confirmation that the borrower has not filed a tax return for the years requested. The loan holder may obtain alternative documentation to determine IBR using PFH eligibility requirements when:

- No transcript is available from the IRS; or
- If the borrower indicates and/or the loan holder believes that the borrower's circumstances have changed, making the IRS reported AGI no longer an indicator of the borrower's current income.

Q10. Can the borrower send the form 4506-T directly to the IRS instead of sending it to the loan holder?

A10. §682.215(e)(1)(i)(A) requires the borrower to provide consent to the loan holder to receive their tax transcript from the IRS. A borrower's completion of the IRS form 4506-T provides the consent necessary for the loan holder to receive an IRS transcript for purposes of obtaining the borrower's AGI. The loan holder's processing flow may allow the borrower to send the form 4506-T directly to the IRS or may require the borrower to return the completed form 4506-T to the loan holder for submission to the IRS.

Q11. If a borrower does not submit the required documentation for partial financial hardship (PFH) in a timely manner after being on PFH, the loan holder will capitalize interest and put the borrower on the "permanent-standard" schedule. Later, the borrower submits the documentation needed to qualify the borrower again for PFH. (Keep in mind that this could happen when the borrower is very delinquent.) Does the loan holder need to retroactively process the PFH to cover the missed payments and reverse the capitalized interest or does it apply to future payments only?

A11. The loan holder is not required to retroactively process the new PFH documentation and annual certification period. The loan holder may extend PFH prospectively with the new certification and cover any delinquency under the new administrative forbearance provided for repayment plan changes.

Q12. Would a loan holder be "required" to use NSLDS for loan verification or can the loan holder follow current procedures similar to the extended repayment plan where the borrower needs to send in proof of other loans from other loan holders to qualify?

A12. The Department provided a preamble comment to the final rules stating that this was an acceptable use of NSLDS. However, the loan holder would not be required to use NSLDS for this purpose and may require the borrower to provide documentation of other loans.

Q13. Must a loan holder include the income of a borrower's spouse when determining the borrower's PFH?

A13. If the borrower files a joint tax return, the spouse's income would be included. If the borrower files separately, the spouse's income would not be included.

Q14. For purposes of a Grad PLUS loan, at what point does the loan holder calculate the standard-standard payment amount when the borrower elects to defer repayment while in school?

A14. A Grad PLUS loan enters repayment on the date of the final disbursement. The standard-standard payment amount is calculated at that point in time.

Q15. Are the standard-standard and permanent-standard payment amounts subject to the \$50 minimum monthly payment provision, even if the borrower's actual payment is less due to an agreement with the borrower?

A15. The standard-standard and permanent-standard payment amounts are subject to the \$50 minimum because neither the regulations nor the statutes exclude these payment amounts from the applicable minimum. The Department has stated that only the PFH payment amount is exempt from the \$50 minimum payment requirement.

Q16. What rate does the loan holder use when calculating the standard-standard and permanent-standard payment amounts on a variable rate loan, the current rate or the maximum rate?

A16. Loan holders and servicers should continue to use the same rate they use when calculating payments under other plans when calculating the IBR payment amounts. Please note that once the standard-standard and permanent-standard payment amounts are calculated, they never change, even if the rate changes.

Q17. Can a borrower self-certify that they had zero income during the past year?

A17. The borrower must first provide authorization to obtain income information from the IRS then may provide self-certification of zero income.

Section VIII: IRS Income Verification Q&A

Note: The following Q&As are based on the 4506-T form as it is used today. In the future, the IRS may require a revised/new form for this authorization. Also, a better process may be developed as the industry and the IRS gain experience in the IBR process.

Questions regarding the form

Q1. How long does it take the IRS to process and post a tax return once it is filed by the borrower/taxpayer?

A1. It generally takes between 4-6 weeks for normal processing to post so that transcripts are available.

Q2. What tax years can be requested on the 4506-T?

A2. The current tax year and the three prior tax years.

Q3. Can form 4506-T be e-signed?

A3. No, the IRS requires a wet signature on the form. This is in large part because it is authorizing a third-party to view the taxpayer's return.

Q4. Is there a WORD version or some other format of 4506-T that loan holders can use to pre-populate from their system and send to borrowers?

A4. The PDF on the IRS website allows a loan holder to pre-populate fields.

Q5. Can Form 4506-T be pre-printed with the loan holder's name and address (line 5) before sending to the borrower?

A5. Yes, a loan holder may pre-populate line 5 of the 4506-T with their name, address, and telephone number prior to sending to the borrower/taxpayer.

Q6. Can the loan holder pre-fill any of the following lines on form 4506-T?

- Line 1a, 1b, 3, 4
- Lines 2a & 2b if the borrower/taxpayer filed a joint return and the loan holder is aware of the spouses name and social security number
- Line 6 - 1040
- Box 6a. Returned Transcripts
- Box 7. Verification of Non-filing (only when using the regular filing method)
- Line 9. Year(s) or period(s) requested –12/31/XX

A6. Yes the loan holder can pre-fill all lines on the form except the borrower/taxpayer's signature and the date. However, only box 6a **OR** box 7 can be pre-filled for each tax year requested on a single request.

Q7. What line items on the 4506-T need to be completed by the borrower/taxpayer in order for the loan holder to receive a 1040 transcript if the loan holder does not provide a pre-filled form?

A7. The following Line items should be completed on form with borrower/taxpayer information:

- Line 1a, 1b, 3, 4

- Lines 2a & 2b should be completed if the borrower/taxpayer filed a joint tax return
- Line 6
- Box 6a,
- Line 9. Year(s) or period(s) requested –12/31/XX
- All applicable lines in the signature section.

The loan holder should populate line 5 with their name, address, and telephone number prior to sending to the borrower.

Q8. What line items on the 4506-T need to be completed by the borrower/taxpayer in order for the loan holder to verify that the borrower/taxpayer did not file a return if the loan holder did not provide a pre-filled form?

A8. The following Line items should be completed on form with borrower/taxpayer information:

- Line 1a, 1b, 3, 4
- Lines 2a & 2b should be completed if the borrower/taxpayer filed a joint tax return
- Line 6
- Box 7 (only when using regular process; can not verify non-filing using IVES)
- Line 9. Year(s) or period(s) requested –12/31/XX
- All applicable lines in the signature section.

The loan holder should populate line 5 with their name, address, and telephone number prior to sending to the borrower/taxpayer.

Q9. What will occur if the IRS is not able to process the request due to missing or incorrect information on the 4506-T?

A9. The request will be denied, the borrower/taxpayer will be informed of the error and the loan holder will be notified of the rejection, but not the reason. Therefore it is in the best interest of all to ensure that the 4506-T is complete and accurate before submission to the IRS.

Q10. How long does it take for the borrower/taxpayer to receive the explanation of why the return information could not be provided to the loan holder and in what format?

A10. Borrower/taxpayer should receive a written notice through the mail within 21 days from the date the IRS received the 4506-T under the regular process and within 9-11 days from that date under IVES.

Q11. If the loan holder receives a rejected notification from the IRS, what action should the loan holder take with the borrower/taxpayer?

A11. The loan holder should notify the borrower/taxpayer that the request has been rejected by the IRS and inform the borrower/taxpayer to contact the loan holder to resolve. Borrower/taxpayer will receive the notice explaining the rejection within 9-21 days from the date the IRS received the 4506-T, depending on the submission process used (see previous question).

Q12. If there is more than one tax year entered on the form 4506-T in line 9 (current year plus the 3 prior years), will the IRS return a single transcript with all four years, or will they return four separate 1040 transcripts?

A12. Each transcript represents a single return. The IRS would return 4 separate transcripts.

Mail or Fax Submissions (normal RAIVS process)

Q13. Can the loan holder mail or fax IRS Form 4506-T to any RAIVS Center, or does the form have to be sent to the RAIVS Center based on the borrower's residence?

A13. The form should be faxed or mailed to the RAIVS Team for the state where the borrower/taxpayer filed the most recent return.

Q14. What is the turnaround time for the IRS to process Form 4506-T and return the transcript to the loan holder using the normal mail or fax process?

A14. Ten business days.

Q15. How does the IRS send the transcript information to the loan holder, by mail or by fax?

A15. The transcript will be mailed to the servicer.

Q16. Does the IRS charge a fee for processing 4506-T forms that are submitted through the normal RAIVS process?

A16. No, the IRS does not charge a fee for the normal RAIVS process.

Submissions using the IVES process

Q17. Does the IRS have a process to submit form 4506-T electronically through a batch process based on volume?

A17. Not at this time.

Q18. Does the IRS have a service to expedite the processing of the 4506-T?

A18. Yes, the IRS has a fee-based process called the IRS Income Verification Express Service (IVES). A user must apply to participate in the IVES process and a RAIVS Team address and fax number will be assigned to the user. When using the IVES system, the 4506-T forms must be faxed in batches of 50 with a cover sheet to the assigned RAIVS Center location, and the transcript is returned electronically via the IVES system. Information on the IVES system can be found at the following link:

<http://www.irs.gov/individuals/article/0,,id=161649,00.html>. The site includes tutorials on how to apply to participate in IVES and examples of the mail that will be delivered to the user's secure mailbox. However, there is no example showing what a tax transcript looks like..

Q19. Is there a cost to using this process?

A19. Yes, there is a fee of \$4.50 for each transcript requested. If the loan holder requests transcripts for multiple years, then there will be a charge of \$4.50 for each year requested. (Each year's tax return equates to a separate transcript)

Q20. How does IVES bill for the transcripts?

A20. IVES participants receive monthly bills (generally on the 5th of the month). Bills may only be paid using either ACH debit or credit, through the Pay.gov site at <https://www.pay.gov/paygov/>.

Q21. What if there are less than 50 consent forms (for example 35)? Or what if there are 235 consent forms? Can a batch of less than 50 be faxed under any circumstances?

A21. The IRS strongly prefers batches of 50 but will work with the loan holder.

Q22. What is the turnaround time for the IRS to process and return a transcript through the IVES process?

A22. The IRS provides a return transcript within 2 business days.

Q23. How is the transcript delivered to the loan holder?

A23. The transcript information is delivered to a secure mailbox, which the loan holder receives when it registers to use the IVES system.

Q24. What format is the transcript?

A24. The transcript is a pdf document.

Q25. How long does the transcript remain available in the secure mailbox?

A25. An item in the secure mailbox remains available for 3 business days after the item is opened. If the item has not yet been opened it remains available in the secure mailbox for 30 days.

Q26. Are there commercial services that provide submission to the IRS on the loan holder's behalf?

A26. Yes. Internet research reveals several commercial services that provide this service. Some advertise that they will provide a transcript within 24 hours, and the cost appears to run between \$15-20. They also use the IVES system, however, and have been promised no more expedited service than 2 business days.

Regulatory Questions

Q27. How long is the form 4506-T valid after the borrower/taxpayer signs the form?

A27. 60 days; since the form 4506-T is only valid for 60 days after the borrower/taxpayer signs the form, the loan holder must ensure that it is transmitted to the IRS within that timeframe.

Q28. Does the loan holder need to request the borrower/taxpayer's W-2 information via form 4506-T?

A28. §682.215(e)(1) states that the loan holder is to obtain the borrower's AGI and/or other tax return information from the IRS. The 4506-T provides the borrower/taxpayer's consent for the loan holder to receive an IRS transcript of the borrower/taxpayer's completed tax return information for the most recent tax filing period of record. This transcript includes the AGI information necessary to determine IBR eligibility using the PFH eligibility guidelines. If the loan holder has reason to believe, or the borrower indicates, that the reported AGI is not accurate or if the IRS indicates that the transcript is

not available, then the loan holder may request alternative documentation from the borrower.

Q29. How does the borrower/taxpayer renew the required written consent for income verification?

A29. Since the 4506-T is only valid for 60 days after the date borrower/taxpayer signs the 4506-T and the borrower/taxpayer must submit the form on an annual basis, the loan holder should notify the borrower on an annual basis that they must submit a new 4506-T so that their income can be verified.

IRS Output Results Scenarios

The following Q&As and chart are a quick reference of output results based on different request scenarios.

RAIVS Process

Q30. If Box 6A (Return Transcript) is checked to request a transcript, what will the IRS return to the loan holder if the borrower/taxpayer did not file a return?

A30. The loan holder will receive a response of “no record of return filed.”

Q31. If Box 6A (Return Transcript) is checked to request a transcript and Section 9 contains multiple years, what will the IRS return to the loan holder if the borrower/taxpayer filed a return in some of the years, but did not file a return in all of the years?

A31. The loan holder will receive a response of “no record of return filed” for the year(s) the borrower/taxpayer did not file a return. The loan holder will receive the transcript(s) for the year(s) the borrower/taxpayer did file.

Q32. If Box 7 (Verification of Non-filing) is checked to confirm that a return was not filed, what will the IRS return to the loan holder if the borrower/taxpayer did not file a return?

A32. The loan holder will receive verification that a return was not filed.

Q33. If Box 7 (Verification of Non-filing) is checked to confirm that a return was not filed, what will the IRS return to the loan holder if the borrower/taxpayer did in fact file a return?

A33. The loan holder will receive a letter advising it to contact the borrower/taxpayer. The borrower/taxpayer will get a letter with a copy of the transcript.

Q34. If Box 7 (Verification of Non-filing) is checked to confirm that a return was not filed and Section 9 contains multiple years, what will the IRS return to the loan holder if the borrower/taxpayer did in fact file a return for some of the years?

A34. The loan holder will receive verification of non-filing for any year in which the borrower/taxpayer did not file. For any requested year in which the borrower/taxpayer did file, the loan holder will receive a letter advising it to contact the borrower/taxpayer, and the borrower/taxpayer will receive a letter with a copy of the transcript.

IVES Process

Q35. If Box 6A (Return Transcript) is checked to request a transcript, what will the IRS return to the loan holder if the borrower/taxpayer did not file a return?

A35. The loan holder will receive a response of “no record of return filed.”

Q36. If Box 6A (Return Transcript) is checked to request a transcript and section 9 contains multiple years, what will the IRS return to the loan holder if the borrower/taxpayer filed a return in some of the years, but did not file a return in all of the years?

A36. The loan holder will receive a response of “no record of return filed” for the year(s) the borrower/taxpayer did not file a return. The loan holder will receive the transcript(s) for the year(s) the borrower/taxpayer did file.

Q37. If Box 7 (Verification of Non-filing) is checked to confirm that a return was not filed, what will the IRS return to the loan holder if the borrower/taxpayer did not file a return?

A37. The loan holder should not submit any forms through the IVES process with Box 7 checked. IVES is not currently able to verify non-filing.

The following chart summarizes Section VIII, Questions 30 through 37 for quick reference:

Method of Filing	If Box 6A Checked			If Box 7 (Verification of Nonfiling) Checked		
Paper/ Fax (RAIVS)	If return filed, loan holder receives transcript	If no return filed, loan holder receives response “no record of return filed”	If 4506-T is for multiple years (line 9 says 2007 and 2008), what is response if borrower/taxpayer filed in 2008, but not in 2007? Loan holder receives transcript for 2008. For 2007, loan holder receives “no record of return filed.”	If return not filed, loan holder receives verification	If return was filed, what response? Separate response to taxpayer and loan holder. Taxpayer receives letter with copy of transcript; loan holder receives letter advising to contact taxpayer.	If 4506-T is for multiple years (line 9 says 2007 and 2008), what is response if taxpayer filed in 2008, but not in 2007? Loan holder receives verification of non-filing for 2007. For 2008, taxpayer receives letter with copy of transcript; loan holder receives letter advising to contact taxpayer.
IVES	If return filed, loan holder receives transcript	If no return filed, loan holder receives response “no record of return filed”	If 4506-T is for multiple years (line 9 says 2007 and 2008), what is response if taxpayer filed in 2008, but not in 2007? Loan holder receives transcript for 2008. For 2007, loan holder receives “no record of return filed.”	IVES unable to verify non-filing at this time. Loan holder should not send any forms with Box 7 checked through the IVES process.	IVES unable to verify non-filing at this time. Loan holder should not send any forms with Box 7 checked through the IVES process.	IVES unable to verify non-filing at this time. Loan holder should not send any forms with Box 7 checked through the IVES process.

Section IX: Interest Subsidy and Special Allowance Q&A

Q1. When does the 3-year period start and end in which the Department will pay interest subsidy?

A1. The 3-year period begins on the date the borrower initially enters IBR PFH repayment on each loan and ends exactly three years later. This 3-year period is not interrupted except for periods of economic hardship deferment. The 3-year period continues to run even if the borrower no longer qualifies for PFH.

Q2. How is the three-year period of interest subsidy calculated when an Economic Hardship deferment is granted before the three-year period ends?

A2. The three-year period of interest subsidy is calculated in the same manner as a time-limited deferment is today. The counter would be suspended, however, during the period when a borrower is in an Economic Hardship deferment.

Q2. Does consolidation restart the 3-year period?

A2. No, if a borrower later consolidates his loans after entering IBR, the 3-year period does not restart.

Q3: If a borrower has two Stafford loans and exhausts 12 months of their 3-year interest subsidy on one and only 6 months on the other, and then consolidates both loans, how many subsidy months will they have remaining on the Consolidation loan?

A3: A portion of the consolidation loan would be eligible for 30 months of interest subsidy and the other portion would be eligible for 24 months.

Q4. If a borrower consolidates a consolidation loan, how do we know what type the underlying loans were?

A4. NSLDS can be used to determine eligibility for IBR on consolidation loans to check if any underlying loan was a parent PLUS loan.

Q5. If the HEAL portion of a Consolidation Loan does qualify for IBR, does the HEAL portion qualify for Special Allowance on the average unpaid interest?

A5. No. Since HEAL loans are not eligible for SAP on principal, the deduction from the regulations in regards to eligible loan types and interest rates for SAP would exclude HEAL loans from being eligible on the unpaid interest portion as well.

Q6. If the borrower enters into a forbearance or deferment the borrower is considered to have left PFH. Will the loan holder be able to bill SAP on the unpaid interest during the forbearance or deferment period?

A6. No.

Q7. May the loan holder continue to bill for SAP on unpaid interest during the time of Economic Hardship Deferment?

A7. No. At the time of an economic hardship deferment the borrower is no longer in PFH and has reverted back to permanent standard which is not eligible for SAP on unpaid interest.

Q8. If loan holder bills for interest and SAP on the unpaid interest outstanding at the end of the quarter and then the borrower pays the outstanding interest in the next quarter, does the loan holder have to refund any interest subsidy and/or SAP paid in the previous quarter?

A8. No. Just like today, the loan holder billed correctly on what was outstanding at the end of the quarter or on the correct average daily balance for the quarter. However, if the payment is posted retroactively with an effective date on or prior to the end of the quarter, the loan holder may have to adjust billings accordingly, just like what happens today.

Q9. Will the government interest billed during a period of economic hardship deferment while the borrower is in an IBR plan be based solely on accrued interest during the deferment period or will the borrowers scheduled payment amount be factored into the amount billed?

A9. Interest during the deferment in this case, or any deferment during an IBR plan, will be billed as normal deferment interest because the borrower is no longer in PFH and there is no scheduled payment due during the deferment.

Q10. If an enrollment update results in **an earlier** repayment start date on a Stafford loan, would the standard-standard and permanent-standard payments amounts need to be adjusted, would PFH eligibility based on new standard-standard payment need to be re-evaluated, and would all counters need to be adjusted?

A10. Any adjustments would be at the loan holder's discretion based on the borrower's particular circumstances.

Q11. If an enrollment update results in **a later** repayment start date on a Stafford loan, would the standard-standard and permanent-standard payments amounts need to be adjusted, would PFH eligibility based on new standard-standard payment need to be re-evaluated, and would all counters (including the 3-year interest subsidy counter) need to be adjusted?

A11. These items should be adjusted and re-evaluate to provide the borrower the maximum benefit under the IBR plan.

Q12. If a late or canceled disbursement results in change to the loan balance when the loan initially entered repayment on a Stafford or Grad PLUS loan, would the standard-standard and permanent-standard payments amounts need to be adjusted, would PFH eligibility based on new standard-standard payment need to be re-evaluated, and would all counters (including the 3-year interest subsidy counter) need to be adjusted?

A12. These items should be re-evaluated to provide the borrower the maximum benefit under the IBR plan. The PFH payment amount would remain the same throughout the remainder of the annual certification period and may need to be reapportioned across the loans at the next PFH certification.

Q13. If the permanent-standard amount happens to be less than the monthly interest accruing, may the loan holder bill the Department for subsidized interest during the 3-year period?

A13. It is very unlikely that a permanent-standard payment amount would ever be less than accrued interest. However, if this were to occur, billing would be permitted because

§682.215(b) and §682.300(b) do not limit the subsidy to periods of a partial financial hardship, but rather authorize a subsidy to all periods under an income-based repayment plan for the first three consecutive years from the established repayment start date.

Q14. The preamble to the of the October 23, 2008 Final Rule [page 63237] states that "A borrower's scheduled monthly payment amount, regardless of whether it covers accrued interest, is the borrower's payment obligation. During the 3-year period, the Department's obligation under the law is to pay only the amount of unpaid accrued interest that is not the borrower's obligation to pay during this period." Does the Department's subsidy payment for a borrower remain unchanged regardless of the actual amount that the borrower pays relative to the borrower's scheduled monthly payment amount? Is this true if a borrower makes a payment that exceeds the scheduled IBR payment amount? Are such prepayments from a borrower applied as provided under §682.215(c)(1)?

A14. The Department has stated that they will pay the calculated interest during the three year period regardless of the amount the borrower actually pays. This is the case both when the borrower pays less than the borrower's scheduled monthly payment or if the borrower pays more than the borrower's scheduled monthly payment. Any prepayments or excess payments made by the borrower should be applied as provided under 34 CFR §682.215(c)(1).

Q15. Is the "scheduled payment amount" based on all loans, all subsidized loans or on the payment amount for each subsidized loan?

A15. The calculated PFH payment amount should be allocated across all loans for a borrower with a specific loan holder. This could mean that a borrower has a very low scheduled payment amount allocated to a loan that is not adjusted under the \$5 and \$10 tolerances. Interest subsidy would be calculated at the loan level for LaRS reporting based on the scheduled payment amount allocated to that subsidized loan or the subsidized portion of a consolidation loan.

Q16. When determining the average daily balance of the unpaid accrued interest on the loan, does the loan holder include any interest during the 3-year subsidy period that has accrued in the quarter that is the Department's obligation to pay?

A16. Yes, the portion of the Department's accrued interest would be included when determining the average daily balance of the unpaid accrued interest.

Q17. What changes will occur to Part II, Interest Subsidy, of the LaRS report?

A17. Beginning with the September 30, 2009 quarter, the Department will require loan holders to use the following new billing codes in Column C, Billing Code and to report the amount of interest ~~Interest Amount~~ in Column F, Interest Amount ~~of~~ on the 'Lender's Interest and Special Allowance Request and Report (LaRS/799)', even if the billing is for the current quarter. While the Department ~~will use this amount to calculate the amount of interest payable~~, loan holders ~~will still be required to populate all fields (a zero dollar amount will be accepted)~~. will pay the amount in Column F, the loan holder will be responsible for maintaining the supporting documentation showing how the amounts were determined. The Department has asked that the interest rate be reported and zero dollar amounts will be accepted in Column D, Ending Principal Balance & Column E, Average Daily Principal Balance.

IC - Billing Current

II - Previous quarter increase adjustment
ID - Previous quarter decrease adjustment

Q18. What changes will occur to Part III, Special Allowance, of the LaRS report?

A18. The same billing codes used in Part II will be used in Part III, Column A, Billing Code. The special allowance will be calculated on an average daily balance of the outstanding accrued interest that includes the accrued interest that is the borrower's responsibility and the accrued interest that is the Department's obligation to pay. If the borrower's PFH ends prior to the end of a quarter, the average daily balance calculation will stop as of that date. Report on LaRS/799 using the same special allowance code as used on the principal amount for loan type in Column E, Special Allowance Category with a 0% interest rate in Column F, Interest Rate and use the average daily balance of the unpaid accrued interest. As is reported today, current quarter billings are reported in Column H, Average Daily Principal Balance and prior quarter adjustments are reported in Column I, Adjustment for Difference in Average Daily Principal Balance. ~~Similar to Part II, all fields are required ('0' is acceptable in Columns G and/or H). For current billing, code IC, the average daily balance of the unpaid accrued interest must be reported in Column H~~The average daily balance of the unpaid accrued interest must be reported in Column I, Adjustment for Difference in Average Daily Principal Balance and the Interest Rate must be reported as '.00' in order calculate special allowance. The loan holder will be responsible for maintaining the supporting documentation showing how the amounts were determined.

Q19. What changes will occur to Parts IV and V of the LaRS report?

A19. None. The ending balances should not be carried forward to either Parts IV or V.

Section X: Payment Application Q&A

Q1. If payments are made by someone other than borrower (DOD, Americorp, etc), are they applied to interest first as required under IBR rules?

A1. Absent specific instructions from the third party, these payments are to be applied according to §682.215(c).

Q2. How do we handle a payment that would pay a loan ahead beyond the 12th month of a PFH term?

Example 1: Borrower's PFH payment is \$10 for 12 months. In month 12, the borrower makes a \$20 payment. That \$20 satisfies the \$10 payment due for month 12 of the PFH term. How do you apply the remaining \$10?

Example 2: A borrower's 12th PFH payment of \$20 is due on June 10, 2010. He sends in \$40 and wants to re-qualify for another year of PFH payments. Does the additional \$20 pay toward the July 10 payment, even though his payment amount may or may not be \$20 for the next year of PFH payments?

A2. §682.215(c)(3) provides for advancing payment due dates under §682.209(b)(2)(ii) based on the monthly payment for the borrower's repayment schedule established for the loan. Since the scheduled monthly payment amount will likely vary between partial financial hardship periods and permanent-standard periods, as well as for consecutive partial financial hardship periods, any advancement of due dates for a prepayment should correspond to the scheduled monthly payment for the applicable period, at the loan holder's discretion.

Q3. The regulations state that payments must go toward accrued interest first. Is the loan holder allowed to post payments to the unsubsidized accrued interest first before the subsidized Stafford accrued interest or is the loan holder required to pro-rate the payment toward all loans?

A3. Current practices regarding payment application, including borrower instructions, will continue to be in effect.

Section XI: Forms Q&A

Q1. How will industry participants report any use of the 3-year subsidy period on the underlying loans to the consolidating lender?

A1. The proposed Consolidation Loan “Loan Verification Certificate” includes two new fields to be used by the underlying loan holder to report any period of IBR and Economic Hardship Deferment granted. Until the forms are in use, consolidating lenders will have to work with the holders of the loans to obtain this information.

Q2. How will certain data elements be reported to the guarantor during a claim process?

A2. The DACS Workgroup has revised the claim form and the electronic claim file to accommodate new data reporting elements required due to the borrower’s prior or future eligibility for IBR. The revised claim form and CAM record 54 are now available in the NCHELP e-library: <http://www.nchelp.org/elibrary/index.cfm?parent=1047>.

Q3. Will there be a new IBR request form developed by the industry and/or the Department?

A3. The IBR Workgroup has developed drafts of an IBR Request form and an Alternative Documentation of Income form that has been sent to the Department for approval. Comments on the draft forms are expected from the Department in late May or early June and the IBR Workgroup will finalize the forms based on the comments from the Department for industry use as a "good faith effort" until the official forms are approved and distributed by the Department.

Q4. When must we begin tracking eligible payments/deferment periods, when the borrower requests IBR, or on July 1, 2009?

A4. On July 1, 2009. Even though the borrower may never request IBR while the loan is held by the current loan holder, the current loan holder must determine the standard-standard payment amount (when the borrower initially entered repayment based on a 10-year repayment period) and compare the standard-standard payment to any payments made on or after July 1, 2009. If any payment made by the borrower is not less than the standard-standard payment, the payment must be counted. Any months of economic hardship deferment on or after July 1, 2009 must also be counted. If the loan should enter into claim status, the loan holder must pass the standard-standard payment amount and number of qualifying payments/HRD deferment to the guarantor in case the loan should be rehabilitated, or, in the case of disability, the borrower does not qualify for permanent discharge.

Q5. Under certain scenarios, it may be very difficult for a loan holder to calculate and provide the guarantor at claim filing an accurate standard-standard payment amount. For example, there may be times when a subsequent loan holder may not know the standard-standard payment amount or the outstanding balance at initial repayment to calculate the standard-standard because the data was not provided by the original loan holder. This is especially true if it is a rehabilitated loan, a loan acquired from another lender no longer in business, etc. If the standard-standard payment amount is not readily available, what is the expectation for the loan holder to determine/calculate that amount?

A5. Loan holders will need to utilize any and all resources at their disposal, e.g. NSLDS or records from previous holder(s), to calculate/determine the standard-standard payment

amount to the best of their ability. Guarantors will accept the accuracy of the data elements submitted by the loan holder at claim filing.

Section XII: Issues Under Review

1. PFH Payment Amount Calculation on Spousal Consolidation Loans
2. Calculating Standard-Standard and Permanent-Standard on Variable Rate Loans
3. Forgiveness Eligibility of Payments Made On A Standard Plan
4. Monthly Payments Due vs. Monthly Payments Made