



## IMPORTANT UPDATE

**TO:** Financial Aid Officers  
Student Loan Officers

**FROM:** Jessie Cooper, Compliance Officer  
Georgia Student Finance Corporation

**DATE:** May 6, 2005

**SUBJECT:** COMMON MANUAL, *Unified Student Loan Policy Bulletin 79*

Each policy statement included in this package represents clarification, revision, or correction to an existing policy. The retroactive effective date associated with each provision is noted at the end of each section.

Enclosed you will find the following according to the order in which the policies were passed:

Reference # 762 – False Certification Loan Discharge and Claim Filing Deadlines  
Reference # 784 – Closed School Loan Discharge and Claim Filing Deadlines  
Reference # 823 – Forbearance Time Frames for Total and permanent Disability Discharges  
Reference # 824 – Timely Claim Filing for Total and Permanent Disability  
Reference # 826 – New Teacher Loan Forgiveness Provisions

If you have any questions about the enclosed common bulletin, please contact Jessie Cooper by phone at 770-724-9139 or e-mail at [jessiec@gsfc.org](mailto:jessiec@gsfc.org).

Attachment

The nation's guarantors provide the following summaries to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. These changes will appear in the manual's next annual update in July 2005. These changes will also be incorporated into the April 2005 *Integrated Common Manual*. The *Integrated Common Manual* is available on several guarantor websites, and it is also available on NCHERP's website at [www.NCHERP.org](http://www.NCHERP.org) in the e-library. Please carefully note the effective date of each policy change.

### **False Certification Loan Discharge and Claim Filing Deadlines**

The entire subsection that addresses false certification loan discharge provisions (subsection 12.8.D) has been restructured. The restructuring project:

- Organizes the subsection in a 'life of loan' manner to more accurately reflect the processing flow for the loan discharge application and to consolidate like information into adjacent paragraphs.
- Eliminates unnecessarily duplicative text.
- Makes editorial corrections to eliminate passive-voice text and to convert text to the *Common Manual* convention that specifies that text be written in the present tense when possible.
- Clarifies that administrative forbearance is required in cases where the lender learns the borrower may be eligible for a false certification loan discharge.
- Refers to the actual common form names, and to the forms themselves as loan discharge applications in other text rather than previous references to 'the form' and 'the request.'
- Consolidates in the subsection already designated for those policies the information regarding administrative forbearance, both mandatory and discretionary, for closed school loan discharge and false certification loan discharge.
- Ensures that the special claim-filing requirements for Consolidation loans are stated in succinct, easily identified bullet points.

Policy changes clarify that the lender must process an administrative forbearance on a loan when the lender is notified of the borrower's potential eligibility for a false certification loan discharge. If the lender receives notification that the false certification loan discharge may be applicable to the underlying loans of a Consolidation loan, the lender also is required to suspend collection activity on the Consolidation loan.

In addition, policies are added to ensure consistent processing of a loan that is 270 or more days past due when the lender is notified of the potential for a false certification loan discharge, or for loans that may be pending as other types of claims, such as a bankruptcy claim. These policies relate the applicable claim payment amounts and penalties, and closely parallel requirements for closed school claims where practicable.

- If the loan is 270 or more days past due, and the lender has not filed a claim on the loan, the lender or guarantor must identify the borrower's potential eligibility for loan discharge, process an administrative forbearance, and send the loan discharge application and other applicable notifications to the borrower as required for all false certification loan discharge applications.
- If the lender did not receive the discharge notification from the guarantor, the lender must notify the guarantor of each borrower it identifies as potentially eligible for loan discharge due to the false certification of his or her loan.
- If the loan discharge application is not returned within 60 days, or the guarantor or the Department has not instructed the lender to file a false certification loan discharge claim, the lender must discontinue the administrative forbearance and file the default claim.
- If the lender has filed a default claim with the guarantor and that claim has not yet been paid, the lender or guarantor must identify the borrower's potential eligibility for loan discharge and send the loan discharge application and applicable notifications to the borrower as required for other, non-default loans.
- In most cases, the lender may request that the guarantor return the default claim. (The lender should not request the return of a default claim if the borrower's address was invalid at the time

the claim was filed.) If the lender does not request the return of the claim, the guarantor will continue default claim processing.

- If the guarantor returns the claim, the lender must process an administrative forbearance.
- In addition, if the lender did not receive the discharge notification from the guarantor, the lender must notify the guarantor of each defaulted, claim-filed borrower it identifies as potentially eligible for loan discharge due to the false certification of his or her loan. The lender must send the notice to the guarantor on the same day the lender sends the loan discharge application materials to the borrower.
- If the borrower returns a completed discharge application within 60 days and the default claim was returned to the lender, the lender must refile the claim as a false certification claim within 60 days of the date on which it receives either the completed loan discharge application or notice from the guarantor to file a false certification claim.
- If the borrower does not return the completed discharge application within 60 days and the claim was returned to the lender, the lender must refile the default claim within 60 days of the end of the 60-day administrative forbearance period.

The following time frames apply to the refile of a returned default claim or of a default claim for which processing was suspended due to the pending false certification loan discharge. Time frames are measured from the earlier of the date the lender receives notice from the guarantor to refile the default claim or the end of the 60-day administrative forbearance period. The lender must refile the default claim:

- Within 30 days to ensure that the claim will be paid including all outstanding interest.
- On or after day 31, but no later than day 60, to ensure that the claim will be paid, but interest will be limited to 270 days.

If the claim is not filed as a false certification claim, the loan's delinquency resumes at the point at which collection activity was suspended and the lender must refile the default claim as noted above. If the lender does not refile the default claim within 60 days of the events noted above, a timely filing violation exists and the guarantee on each applicable loan is canceled. To reinstate the guarantee, the lender must complete the cure procedures for timely claim filing violations (see subsection 13.5.D). If the guarantee on the loan has been canceled, but the lender later receives and forwards to the guarantor a completed discharge application, the guarantor will review the discharge application and, if approved, will waive the timely filing violation and will purchase the false certification claim. However, only the principal balance will be included in the claim payment; no interest will be paid to the lender in these situations.

If the guarantor does not return the claim, and the borrower returns a completed discharge application within 60 days, the lender must notify the guarantor to reactivate the claim as a false certification claim and must forward all pertinent false certification documentation to the guarantor. If the guarantor does not return the claim and the borrower fails to return the completed discharge application within 60 days, the lender must notify the guarantor that the 60-day response time frame has expired and that the lender has not received the loan discharge application.

The false certification claim filing deadline is measured from the earlier of the date the lender receives a completed loan discharge application or the date the lender receives notice from the guarantor to file the false certification claim. If the false certification claim is not filed within the required 60 days, the guarantor will pay the claim but the payment will reflect an interest penalty, and the guarantor will require the lender to repay all interest benefits and special allowance payments for amounts received or otherwise payable after the 60-day claim filing period.

<b>Affected Sections:</b>	12.8.D False Certification
<b>Effective Date:</b>	False certification loan discharges initiated by any party or false certification claims filed by the lender on or after July 1, 2005, unless implemented earlier by the guarantor.
<b>Basis:</b>	§682.402(e).
<b>Policy Information:</b>	762/Batch 121
<b>Guarantor Comments:</b>	None.

### **Closed School Loan Discharge and Claim Filing Deadlines**

The entire subsection that addresses closed school loan discharge provisions (subsection 12.8.B) has been restructured. The restructuring project:

- Reorganizes the subsection in a 'life of loan' manner to more accurately reflect the processing flow for the loan discharge application and to consolidate like information into adjacent paragraphs.
- Eliminates unnecessarily duplicative text.
- More succinctly describes claim filing requirements.
- Makes editorial corrections to eliminate passive-voice text and to convert text to the *Common Manual* convention that specifies that text be written in the present tense when possible.
- Refers to the actual common form name, and to the form itself as the loan discharge application in other text rather than previous references to 'the form' and 'the request.'
- Consolidates information regarding the administrative forbearance for closed school discharge and false certification in the subsection already designated for that information.
- Ensures that the special claim-filing requirements for Consolidation loans are stated in succinct, easily identified bullet points.

When policy statements regarding forbearance already found in subsection 12.8.B were identified and consolidated into a single subsection, certain policy inconsistencies were eliminated and common policy is clarified to require that the lender provide an administrative forbearance when the lender learns the borrower may be eligible for a closed school loan discharge.

In addition, the policies related to the processing requirements for a closed school loan discharge application on a loan that is 270 or more days past due are clarified, including those related to the filing of a closed school loan discharge claim, and the filing or refiling of a default claim when the processing of that claim is interrupted by a potential closed school loan discharge. These policies are expanded to provide more specific guidance to lenders, to relate more accurately the applicable claim payment amounts and penalties, change references to the "recall" of a claim to refer to the return of the claim to more accurately reflect the terminology in use in guarantor operations, and to more closely parallel processing requirements for false certification claims where practicable. In specific, these 'post-default' policies state that:

If the loan is 270 or more days past due, and the lender has not filed a claim on the loan, the lender or guarantor must identify the borrower's potential eligibility for loan discharge and send the loan discharge application and other applicable notifications as required for all closed school loan discharge applications. The lender must process an administrative forbearance on the loan. If the lender did not receive the discharge notification from the guarantor, the lender must notify the guarantor of each borrower it identifies as potentially eligible for loan discharge due to the student's school's closing.

If the borrower does not return the loan discharge application within 60 days, or the guarantor or the Department has not instructed the lender to file a school closure discharge claim, the lender must discontinue the administrative forbearance and file the default claim.

If the lender has filed a default claim with the guarantor and that claim has not yet been paid, the lender or guarantor must identify the borrower's potential eligibility for loan discharge and send the discharge application and applicable notifications as required earlier in this subsection. In most cases, the lender may request that the guarantor return the default claim. (Lenders should not request the return of a default claim if the borrower's address is invalid.) If the lender does not request the return of the claim, the guarantor will continue default claim processing. If the guarantor returns the claim to the lender, the lender must process an administrative forbearance. In addition, if the lender did not receive the discharge notification from the guarantor, the lender must notify the guarantor of each defaulted, claim-filed borrower it identifies as potentially eligible for loan discharge due to his or her school's closing. The lender must send the notice to the guarantor on the same day the lender sends the loan discharge application materials to the borrower.

If the borrower returns a completed discharge application within 60 days and the guarantor returned the default claim to the lender, the lender must refile the claim as a closed school claim within 60 days of the date on which it receives either the completed discharge application or notice from the guarantor to file a closed school claim. If the borrower does not return the completed discharge application and the guarantor returned the claim to the lender, the lender must refile the default claim within 60 days of the end of the 60-day administrative forbearance period.

The following time frames apply to the refiling of a returned default claim or of a default claim for which processing was suspended due to the pending closed school loan discharge. Time frames are measured from the earlier of the day the lender receives notice from the guarantor to file the default claim or, if no response is received from the borrower, within 60 days of the end of the administrative forbearance period. The lender must refile the returned default claim:

- Within 30 days to ensure that the claim will be paid including all outstanding interest.
- On or after day 31, but no later than day 60, to ensure that the claim will be paid, but interest will be limited to 270 days.

If the claim is not filed as a closed school claim, the loan's delinquency resumes at the point at which it was suspended and the lender must refile or notify the guarantor to resume processing the default claim. If the lender does not refile the default claim within 60 days of the events noted above, a timely filing violation exists and the guarantee on each applicable loan is canceled. To reinstate the guarantee, the lender must complete the cure procedures for timely claim filing violations (see *Common Manual* subsection 13.5.D). If the guarantee on the loan has been canceled, but the lender later receives and forwards to the guarantor a completed loan discharge application, the guarantor will review the loan discharge application and, if approved, will waive the timely filing violation and will pay the closed school loan discharge claim. However, the guarantor will pay only the principal balance; no interest will be paid to the lender in these situations.

If the guarantor *did not* return the claim, and the borrower returns a completed discharge application within 60 days, the lender must notify the guarantor and must forward all pertinent closed school documentation to the guarantor. If the guarantor did not return the claim to the lender and the borrower fails to return the completed loan discharge application within 60 days, the lender must notify the guarantor that the closed school loan discharge is no longer pending.

**Affected Sections:** 10.19.C Closed School or False Certification  
12.8.B Closed School  
13.4.A Original Filing Deadline

**Effective Date:** Closed school loan discharges initiated by any party, or closed school discharge claims filed by the lender on or after July 1, 2005, as applicable, unless implemented earlier by the guarantor.

**Basis:** §682.402(d).

**Policy Information:** 784/Batch 121

**Guarantor Comments:** None.

#### **Forbearance Time Frames for Total and Permanent Disability Discharges**

The *Common Manual* has been revised to allow a lender to grant an administrative forbearance from the date that the lender receives reliable information that a borrower is totally and permanently disabled until the date that the lender receives a *complete* loan discharge application or other form(s) approved by the Department, as long as the forbearance period does not exceed 60 days. Previous language in the manual indicated that the lender must end the forbearance on the date that documentation is received, regardless of whether the documentation is complete.

**Affected Sections:** Figure 10-2 Forbearance Eligibility Chart  
10.19.0 Total and Permanent Disability

**Effective Date:** Retroactive to the implementation of the *Common Manual*.

**Basis:** §682.211(f)(5); §682.402(c).

**Policy Information:** 823/Batch 121

**Guarantor Comments:** None.

#### **Timely Claim Filing for Total and Permanent Disability Discharge**

The *Common Manual* has been revised to ensure that lenders have the maximum amount of time allowed to file a disability claim with the guarantor. Previously, the manual indicated that a lender must file a disability claim within 60 days of receiving a physician's certification. Revised language states that a lender must file a disability claim within 60 days of receiving a complete loan discharge application or other form(s) approved by the Department.

**Affected Sections:** Figure 12-3 Timely Filing Deadlines for Claims and Discharges  
12.8.E Total and Permanent Disability  
13.2 Timely Claim Filing Violations

**Effective Date:** Retroactive to the implementation of the *Common Manual*.

**Basis:** §682.402(g)(2)(i).

**Policy Information:** 824/Batch 121

**Guarantor Comments:** None.

### **New Teacher Loan Forgiveness Provisions**

The *Common Manual* has been revised to incorporate information regarding the new, higher amount of teacher loan forgiveness applicable to Stafford loans and Consolidation loans, to the extent that the Consolidation loan repaid a borrower's eligible underlying Stafford loan(s). Previously, loan forgiveness for qualifying periods of teaching service was limited to a maximum of \$5,000. New statutory provisions have increased the maximum loan forgiveness to \$17,500 for some borrowers with no outstanding balance on a FFELP or FDLP loan on October 1, 1998, or no outstanding balance on a FFELP or a FDLP loan on the date that a loan was obtained after October 1, 1998, and before October 1, 2005. However, in order to be eligible for this higher amount, borrowers also must have additional qualifications and are required to teach in specific fields, as follows:

For a borrower who begins a period of qualifying teaching service prior to October 30, 2004, the borrower may be eligible for loan forgiveness of up to \$5,000 if he or she is either:

- A full-time elementary school teacher who demonstrates knowledge and teaching skills in reading, writing, mathematics, or other areas of the elementary school curriculum.
- A full-time secondary school teacher teaching a subject area that is relevant to his or her major.

For a borrower who begins a period of qualifying teaching service prior to October 30, 2004, the borrower may be eligible for up to \$17,500 in loan forgiveness (less any forgiveness amount received under the previous criteria) if the borrower has completed the period of qualifying teaching service as a highly qualified full-time mathematics or science teacher in a qualifying secondary school or as a highly qualified special education teacher.

For a borrower who began a period of qualifying teaching service on or after October 30, 2004, the borrower may be eligible for loan forgiveness of either:

- A maximum of \$5,000 for teaching as a highly qualified full-time teacher in an eligible elementary or secondary school.
- A maximum of \$17,500 for teaching as a highly qualified full-time mathematics or science teacher in an eligible secondary school or as a highly qualified special education teacher.

The *Common Manual* also adds a definition of 'highly qualified' since that term is a critical eligibility criterion for teacher loan forgiveness at the increased amount of \$17,500 and for loan forgiveness for periods of qualifying teaching service that begin on or after October 30, 2004. A *highly qualified* teacher is a teacher in a public or nonprofit elementary or secondary school who has obtained a full State certification as a teacher (including certification obtained through alternative routes to certification) or passed the State teacher licensing examination and holds a license to teach in that state, except that when used with respect to any teacher teaching in a public charter school, the term means that the teacher meets the requirements set forth in the State's public charter school law; and has not had certification or licensure requirements waived on an emergency, temporary, or provisional basis. In addition, the teacher must be one of the following:

- An elementary school teacher who is new to the teaching profession; holds a bachelor's degree; and has demonstrated, by passing a rigorous State test, subject knowledge and teaching skills in reading, writing, mathematics, and other areas of basic elementary school curriculum (which may consist of passing a State-required certification or licensing test or tests in reading, writing, mathematics, and other areas of the basic elementary school curriculum).
- A middle or secondary school teacher who is new to the profession; holds a bachelor's degree; and has demonstrated a high level of competency in each of the academic subjects in which the teacher teaches by passing a rigorous State academic subject test in each of the academic subjects in which the teacher teaches (which may consist of a passing level of performance on a State-required certification or licensing test or tests in each of the academic subjects in which the teacher teaches), or by successfully completing, in each of the academic subjects in which the teacher teaches, of an

academic major, a graduate degree, coursework equivalent to an undergraduate academic major, or advanced certification or credentialing.

- An elementary, middle, or secondary school teacher who is not new to the profession, holds at least a bachelor's degree, and meets the applicable standards of an elementary, middle, or secondary school teacher who is new to the profession; or demonstrates competence in all the academic subjects in which the teacher teaches based on a high objective uniform State standard of evaluation that meets all of the following criteria:
  - Is set by the State for both grade appropriate academic subject matter knowledge and teaching skills.
  - Is aligned with challenging State academic content and student academic achievement standards and developed in consultation with core content specialists, teachers, principals, and school administrators.
  - Provides objective, coherent information about the teacher's attainment of
  - Is applied uniformly to all teachers in the same academic subject and the
  - Takes into consideration, but is not based primarily on, the time the teacher
  - Is made available to the public upon request.
  - May involve multiple, objective measures of teacher competency.

In addition, the revised policy adds a brief description and cross-references regarding the teacher loan forgiveness forbearance for which the borrower may apply, but that the lender is required to grant, if the lender believes that the anticipated forgiveness amount will satisfy the outstanding loan balance at the time the borrower will complete the qualifying period of teaching service.

Finally, subsection 12.9.B is reorganized to insert new subheadings and to congregate related policy text under these new subheadings.

**Affected Sections:** 12.9.B Teacher Loan Forgiveness Program  
**Effective Date:** Teacher Loan Forgiveness Applications received by the lender or the guarantor on or after October 30, 2004, from a "new borrower" on or after October 1, 1998.  
**Basis:** GEN-05-02/FP-05-02.  
**Policy Information:** 826/Batch 121  
**Guarantor Comments:** None.