

February 21, 2014

OSFA/FFELP #13-14-02

Dear Student Loan Participant:

On January 16, 2014, the *Common Manual* Governing Board approved three proposals from Batch 198 to modify the *Common Manual*. The changes will be incorporated into the *Common Manual* with the publication of the next quarterly integrated update. Enclosed are the following updates:

- **Verbal Forbearance for Defaulted Loans**
- **Forbearance Provisions for Borrowers Receiving Department of Defense Student Loan Repayment Benefits**
- **Administrative Forbearance for Delinquency before an Authorized Forbearance**

For further information you may contact me at (850) 410-6846 or e-mail at Reitha.scott@fldoe.org.

Sincerely,

Reitha Scott, Policy Manager
Office of Student Financial Assistance

COMMON MANUAL UPDATES

Verbal Forbearance for Defaulted Loans

The *Common Manual* has been updated to align with November 1, 2013, Final Rules regarding verbal discretionary forbearance and affirmation of the obligation to repay the debt received after default but prior to claim payment. The updated policy states that if a lender grants a verbal request and affirmation of the obligation to repay the debt, the forbearance period is limited to 120 days and cannot be granted consecutively. The lender must verbally review with the borrower or endorser the terms of the forbearance, including the consequences of interest capitalization, and all other repayment options available to the borrower or endorser.

Updated policy also adds information regarding an affirmation of the debt. An affirmation in this case means an acknowledgement of the loan by the borrower or endorser in a legally binding manner. The form of the affirmation of the debt may include, but is not limited to one of the following:

- A new signed repayment agreement or schedule, or another form of signed agreement to repay the debt;
- A verbal acknowledgment and agreement to repay the debt documented by the lender in the borrower's or endorser's file and confirmed by the lender in a notice to the borrower or endorser; or
- A payment made on the loan.

Further, the updated policy states that if the lender grants a discretionary forbearance based on a verbal agreement and affirmation of the debt, the lender must record the forbearance terms and the affirmation of the debt in the borrower's file. The lender must send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the forbearance agreement and affirmation of the debt as well as information on all other repayment options available to the borrower or endorser.

Affected Sections:	11.20.B	Documentation Required for Authorized Forbearance
	11.20.C	Forbearance Length
	11.20.H	Forbearance of Defaulted Loans
	11.22	Discretionary Forbearance

Effective Date: Forbearances granted by the lender on or after July 1, 2014, based on the borrower's or endorser's verbal request. The lender may choose to implement the provision no earlier than November 1, 2013.

Basis: §682.211(d); §685.205(a)(8).

COMMON MANUAL UPDATES

Policy Information: 1293/Batch 198

Guarantor Comments: None.

COMMON MANUAL UPDATES

Forbearance Provisions for Borrowers Receiving Department of Defense Student Loan Repayment Benefits

The *Common Manual* has been updated to align with the November 1, 2013, Final Rule regarding mandatory forbearance for borrowers who are receiving Student Loan Repayment benefits authorized under the Department of Defense. The updated policy states that a lender must grant forbearance, in yearly increments or lesser amounts to equal the actual service period that the borrower is eligible to a borrower who is performing eligible service under *any* Department of Defense programs for repayment of student loans.

Affected Sections: 11.24.C National Service, Loan Forgiveness, Department of Defense Repayment, or Active Military State Duty

Effective Date: Forbearances granted by the lender for performing service that qualifies a borrower for Department of Defense loan repayment programs as of July 1, 2014. A lender may choose to implement the provision no earlier than November 1, 2013.

Basis: §682.211(h); §685.205(a)(9)(i).

Policy Information: 1294/Batch 198

Guarantor Comments : None.

COMMON MANUAL UPDATES

Administrative Forbearance for Delinquency before an Authorized Forbearance

The *Common Manual* has been updated to align with the November 1, 2013, Final Rules. Lenders may now use an administrative forbearance to resolve the delinquency that exists before an authorized period of forbearance. This allows a borrower to exit the deferment or forbearance in a current status.

Affected Sections: 11.20.G Forbearance of Delinquent Loans
 Figure 11-2 Forbearance Eligibility Chart
 11.21.G Delinquency before a Deferment or Certain
 Forbearances

Effective Date : Administrative forbearances granted by the lender on or after July 1, 2014, to resolve a delinquency before an authorized period of forbearance. The lender may choose to implement the provision no earlier than November 1, 2013.

Basis: §682.211(f)(2); §685.205(b)(2).

Policy Information: 1295/Batch 198

Guarantor Comments: None.