

May 2, 2017

OSFA/FFELP #16-17-04

Dear Student Loan Participant:

On April 20, 2017, the *Common Manual* Governing Board approved two proposals, one proposal from Batch 209 and one proposal from Batch 211, 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:

- **Loan Rehabilitation and Interest Capitalization**
- **Closed School Discharge**

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

Sincerely,

Reitha Scott, Policy Manager  
Office of Student Financial Assistance

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# COMMON MANUAL UPDATES

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## Loan Rehabilitation and Interest Capitalization

The *Common Manual* is being revised to incorporate regulatory changes outlined in the November 1, 2016 *Federal Register* that prohibit the lender's capitalization of outstanding accrued interest when purchasing a rehabilitated loan from a guarantor and establishing the borrower's repayment schedule. The lender may not consider the purchase of a rehabilitated loan as entry into repayment or resumption of repayment for the purpose of interest capitalization. The change is effective for rehabilitated loans purchased on or after July 1, 2017. The manual is also revised to clarify that the guarantor will provide outstanding principal, outstanding accrued interest, and interest-paid-through date information to assist the lender with an accurate conversion to repayment.

Affected Sections:            10.10            Capitalizing Accrued Interest  
   13.7            Rehabilitation of Defaulted FFELP Loans

Effective Date:                For rehabilitated loans purchased on or after July 1, 2017.

Basis:                            Final Rule published in November 1, 2016 *Federal Register* (81 FR 75926); §682.202(b)(1) and §682.405(b)(4)(ii).

Policy Information:            1320/Batch 209

Guarantor Comments:        None.

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# COMMON MANUAL UPDATES

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## Closed-School Discharge

The Manual is being revised to incorporate new regulatory requirements for closed school discharge. A lender will be required to send another closed school discharge application at the time the lender resumes collection activity for a borrower who fails to submit an application within 60 days of being notified of the option for discharge or if the borrower has been denied discharge. The Manual is also revised to explain the possibility that the Department or guarantor may determine that a borrower is automatically eligible for a closed school discharge (i.e., no application needed). Such determinations can be made by either the Department or guarantor for borrowers who attended schools that closed on or after November 1, 2013, when the borrower fails to re-enroll in any title-IV eligible school within three years from the date the borrower's school closed.

Affected Sections:	13.8.B	Closed School
Effective Date:	Closed school discharge application sent to borrowers on or after July 1, 2017, for sending a second application.  Notifications received on or after July 1, 2017, from guarantors or the Department of automatic discharges.	
Basis:	Final Rule published in November 1, 2016 <i>Federal Register</i> (81 FR 75926); §682.402(d)(6)(ii)(l), §682.402(d)(6)(ii)(K)(3), §682.402(d)(7)(ii) and (iii), and §682.402(d)(8)(ii).	
Policy Information:	1323/Batch 211	
Guarantor Comments:	None.	