



LoanNotes

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Self-Certification Form for Private Education Loans

On February 14, 2010, the U.S. Department of Education (ED) published *Dear Colleague Letter (DCL) GEN-10-01*, that is available at ifap.ed.gov, to provide schools and private education lenders with the Private Education Loan Applicant Self-Certification Form [Office of Management and Budget (OMB) Control Number 1845-0101, form expiration - 02/28/2013].

Schools are required to provide, beginning on February 14, 2010, this form to an enrolled or admitted student or to the parent of an enrolled or admitted student, upon the request of the applicant for a private education loan. A school may post an exact copy (pdf) of the Self-Certification Form on the school's website for applicants to download or the school may provide a paper copy of the form directly to an applicant. As an alternative to obtaining the Self-Certification Form from the school, the student or parent may obtain a copy of the Self-Certification Form from the private education loan lender.

If the school provides the Form to the student, either directly or through the website, or if the applicant obtains the Form from the private education loan lender, the school must provide the information requested in Section 2 to the extent that the school possesses the information. **Section 2 of the Self-Certification requests all of the following information:**

- The student's Cost of Attendance (COA) for the period of enrollment covered by the loan.
- The Estimated Financial Assistance (EFA) for the period of enrollment covered by the loan.
- The difference between the COA and the EFA.

The school may provide the COA, EFA, and difference to the private education loan applicant or to the private education loan lender. **A school is not required to track the status of the private education loan after providing the Self-Certification Form to the applicant or to the private education loan lender.**

ED notes in the DCL that schools which make loans to students or parents, including loans under Title VII or Title VIII of the Public Service Health Act, are generally considered to be private education loan lenders and these loans are generally



Self-Certification Form for Private Education Loans

considered private education loans. **When a school is itself the private education lender, it must complete and provide the Self-Certification to the applicant for an institutional private education loan.** The school must subsequently obtain the signed Form from the applicant before consummating the private education loan. Federal Perkins Loans are not, however, considered to be private education loans even though Perkins loans are made by the school.

If the school is making more than one private education loan to an applicant, the school may provide one Self-Certification form to the applicant. For example, a school may be making a loan to an applicant under Title VII or Title VIII of the Public Service Health Act and a private education loan funded by the school or from donor directed contributions to the same applicant. In these cases, the school may provide one Self-

Certification Form to the applicant. **However, the school must not include any private education loans that it is making to the applicant when determining the amount of EFA reported in Section 2 of the Form.**

The Private Education Loan Applicant Self-Certification Form must be printed by the school or by the lender with black ink on white paper. The typeface, point size, and general presentation of the Form may not be changed from the version approved by OMB. However, bold type in section headings may be removed and bold or italic type may be added to the instructions. Although schools and lenders may use any blank spaces at the top, bottom, or sides of the form for bar coding or other school- or lender-specific information, **such space may not be used to include the student's or parent's Social Security Number.**

Military Service Deferment Eligibility – Operation Unified Response (Haiti)

On January 16, 2010, President Obama authorized a call to active duty, designated "Operation Unified Response," for members of the Reserves to conduct relief efforts in Haiti. This operation was declared a Contingency Operation on January 24, 2010. A "military operation" is a contingency

operation as defined in 10 U.S.C. 101 (a) (13). As a result, **the U.S. Department of Education (ED) has advised that borrowers on active duty in the Armed Forces who are providing disaster relief in Haiti may qualify for military service deferments.**

The Health Care and Education Reconciliation Act of 2010

On March 30, 2010, President Obama signed into law (Public Law 111-152) the Health Care and Education Reconciliation Act of 2010 (HCERA). **This legislation terminates the authority "to make or insure new loans" under the Federal Family Education Loan Program (FFELP) after June 30, 2010.** All Stafford, PLUS (parent or Grad), and Consolidation loans first disbursed on or after July 1, 2010 must be made under the Direct Loan program. **All FFELP loans (Stafford, PLUS, and Consolidation) made prior to July 1, 2010 will continue to be serviced as FFELP loans throughout the life of the loans.**

As noted in *Dear Colleague Letter GEN-05-10*, if a loan is first

disbursed by a FFELP lender on or before June 30, 2010, **that lender must make any second or subsequent disbursements of that loan, even if those disbursements will be made after June 30, 2010. This is a longstanding regulatory requirement.**

Since lenders that make a first disbursement are obligated to make any subsequent disbursements, schools are encouraged to contact the lenders who have previously made FFELP loans to their students and confirm that these lenders are willing to make a first disbursement for a loan with an enrollment period beginning prior to July 1, 2010, that would have a subsequent disbursement after June 30, 2010.

Final Rules... A Continuation

The U.S. Department of Education (ED) published Final Rules in the Federal Register dated October 28, 2009 on school-based loan issues, and October 29, 2009 on lender issues. Both Federal Registers are available at ifap.ed.gov. This second article is a continuation of the lender related provisions.

» NO ACCRUAL OF INTEREST BENEFIT FOR ACTIVE DUTY MILITARY PERSONNEL AVAILABLE THROUGH CONSOLIDATION

A FFELP loan first disbursed on or after October 1, 2008, including a FFELP Consolidation Loan that repaid FFELP or Direct Loan Program loans first disbursed on or after October 1, 2008, **may be consolidated into the Direct Loan Program to take advantage of the non accrual of interest benefit for active duty military service members.** Borrowers with Federal Direct Loan Program loans **may have the interest accrual on their loans suspended for a period of not more than 60 months while serving in an area of hostilities in which service qualifies for special pay under Section 310 of Title 37 of the United States Code and either of the following:**

- Serving on active duty during a war, other military operation, or national emergency.
- Performing qualifying National Guard duty during a war, other military operation, or national emergency.

» REHABILITATION OF A DEFAULTED STUDENT LOAN

Effective for any FFELP or Direct loan successfully rehabilitated on or after August 14, 2008, a provision of the Higher Education Opportunity Act (HEOA) precluded the same loan from being rehabilitated a second time. In the preamble or introductory text to the federal regulations that were updated to include this statutory provision, **ED clarified that a consolidation loan is considered to be a new loan.** Therefore, a **consolidation loan, that includes a loan rehabilitated on or after August 14, 2008, is eligible for rehabilitation.**

» NOTIFICATION TO BORROWERS RESPONSIBLE FOR PAYING INTEREST DURING A DEFERMENT PERIOD

For deferments granted on or after July 1, 2010, a borrower who is responsible for payment of the interest that accrues during a period of deferment (e.g. PLUS or unsubsidized Stafford or unsubsidized Direct or unsubsidized Consolidation) **must be notified by the lender, at or before the date the deferment is granted, that the borrower has the following options to satisfy the accruing interest charges:**

- Pay the accruing interest during the deferment period.
- Cancel the deferment and resume repayment on the loan.

In addition, the lender must describe the impact of capitalization on the principal balance of the loan and on the total amount of interest to be paid over the life of the loan. **This information may be general and need not be specific to the borrower.** Currently, this information is included on the In-School Deferment Request, the Education Related Deferment Request, the Unemployment Deferment Request, the Economic Hardship Deferment Request, and the Parent PLUS Borrower Deferment Request. The Military Service/Post-Active Duty Student Deferment Request is being revised to include the required capitalization information.

» REQUIRED LENDER DISCLOSURES

The HEOA required additional disclosures by lenders to borrowers, revised the time period for providing disclosures before repayment, and revised the content of disclosures. These changes and respective effective dates are detailed in the [April 2009 Issue](#) of *Loan Notes*.

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ED incorporated these statutory changes into federal regulations and made the following additional changes which are effective on July 1, 2010:

Repayment Disclosure

The Disclosure At or Prior to a Federal Stafford or PLUS loan entering repayment

This disclosure must be provided to the borrower no less than 30 days, but not more than 150 days, before the date the first payment is due. With an effective date no later than July 1, 2010, federal regulations clarify that the 30- and 150-day time frames are based on the repayment start date for a PLUS loan, i.e. the date on which the loan is fully disbursed, regardless of any deferment that might otherwise postpone the first payment due date.

Installment Bill/Statement

A Disclosure Required During the Repayment Period

Effective for loans with a first payment due on or after July 1, 2010, **federal regulations require the subject disclosure to clarify the following:**

- The amount of interest paid by the borrower is the total amount of interest that the borrower has paid on the loan since the last bill or statement.
- The aggregate amount paid by the borrower on the loan also includes separate aggregate amounts identifying the interest paid, the fees paid, and the amount paid against the principal balance.
- The lender's or loan servicer's address and toll-free phone number for repayment options in addition to the lender's or loan servicer's address and toll-free phone number for payment and billing error purposes.

In the preamble to the Notice of Proposed Rulemaking (NPRM) published in the Federal Register, dated July 23, 2009, and available at ifap.ed.gov, ED noted that the **installment bill/statement disclosures may be provided to a borrower based on the lender's or loan servicer's current system methodology** and, therefore, may be disclosed at the loan, account, or borrower level.

Disclosure for Borrowers Having Difficulty Making Payments

In the preamble to the federal regulations, ED noted that the subject disclosure is triggered by the borrower contacting the lender and requesting assistance.

Disclosures for Borrowers who are 60 Days Delinquent

Effective for loans that become delinquent on or after July 1, 2010, **this notice must be sent within five days of the date the borrower becomes 60 days delinquent**, unless the lender has sent such a notice within the previous 120 days. Also effective for loans that become delinquent on or after July 1, 2010, **the notice must include the following clarifying information:**

- As of the date of the notice, the minimum payment the borrower must make to avoid default, including the payment amount needed either to bring the loan current or to pay the loan in full.

Disclosure Procedures When a Borrower's Address is Not Available

For invalid borrower addresses identified by a lender on or after July 1, 2010, **federal regulations exempt the lender from providing further disclosures unless a valid address for the borrower is received before the 241st day of delinquency**. However, if a valid address is received before the 241st day of delinquency, the lender must resume providing the installment bill or statement as well as any of the other required disclosures that were not previously sent.

Temporary Loan Consolidation Authority

Beginning July 1, 2010 and extending through June 30, 2011, the Health Care and Education Reconciliation Act of 2010 (HCERA) permits eligible borrowers who have not yet entered repayment on 1 or more of their federal loans to consolidate those loans into the Direct Loan Program. To be eligible, a borrower must have loans in at least 2 of the following 3 categories:

- Federal Direct Loan Program Loans;
- Federal Family Education Loan Program (FFELP) Loans held by an eligible lender;
- FFELP loans that have been purchased by the U.S. Department of Education (ED) through the Ensuring Continuing Access to Student Loans Act of 2008 (P.L. 110-227).

If all of a borrower's loans are first disbursed on or after July 1, 2006, the interest rate on the consolidation loan made under this temporary authority will be equal to the lesser of:

- The weighted average interest rates on the loans consolidated (this rate is not to be rounded to the nearest higher one-eighth of 1%).
- 8.25%

If any of a borrower's loans are first disbursed prior to July 1, 2006, the interest rate on the consolidation loan made under this statute will be equal to the lesser of:

- The weighted average interest rates on the loans consolidated; rounded to the nearest higher one-eighth of 1%.
- 8.25%.

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CONTACT

BUSINESS DEVELOPMENT
& OPERATION/LOAN GUARANTY
Mon - Fri, 7:30 am to 9:00 pm ET

STUDENT/PARENT
GRANT & LOAN INQUIRIES
800.692.7392
granthelp@aesSuccess.org
studentloans@aesSuccess.org

SCHOOL/LENDER INQUIRIES
800.443.0646
loanhelp@aesSuccess.org

PHEAA/AES is one of many Guarantors participating in the Federal Family Education Loan Program (FFELP). A student or parent borrower may obtain a FFELP loan from a lender that uses PHEAA/AES as the Guarantor or any other participating lender. These materials have been developed and paid for by PHEAA/AES for informational purposes. The information contained herein is believed to be accurate at the time of printing. Due to the rapidly changing nature of the law and the industry, information contained in this document may become outdated and PHEAA/AES does not guarantee the accuracy of the information herein. You should verify that this information is correct.