

Common Claim Review Procedures

Introduction

This document outlines the procedures a guarantor is encouraged to use as a guide to review a claim filed on the common Claim Form. Guarantors may require lenders to provide additional information or documentation on a case-by-case basis should additional clarification be needed. Lenders and servicers are required to perform all required due diligence and must ensure information provided on the common Claim Form is accurate and complete. These procedures are applicable to both paper and electronic claim filing. However, the field numbers identified are for reference and are only applicable to the paper Claim Form.

Guarantors will review the data provided on the common Claim Form along with the associated documentation and make the appropriate review disposition for each claim. If data is incomplete or discrepant, the guarantor should make every effort to obtain the needed information from the sources available by reviewing the claim documentation, seeking additional information from the lender, reviewing its own system information, etc., before returning the claim to the lender for clarification.

It is important to note that lenders and servicers are still required to follow all regulations required by the Department of Education. The implementation of the common Claim Form has resulted in the need for the guarantors to shift some previous review procedures to the program review arena in order to ensure lender compliance with regulations.

Common Claim Review Procedures

Section I. Claim Information

Field 1 Claim Type	This field will be used by the guarantor to determine the type of claim being filed and to decide how to review the claim based on the type. The code being used must be an approved code as defined in the Claim Form instructions.
Field 2 DCO	The DCO (date condition occurred) will be used by the guarantor in combination with field 1 to assist in determining timely filing based on the claim type and date the condition occurred. The date in this field must be equal to or after the last disbursement and earlier than today's date.
Field 3 Claim Review Status	This field will only be used if the guarantor requires it for claim filing (see Chapter 13 subsection. 13.1.A of the <i>Common Manual</i>).

Common Claim Review Procedures

Section II. Borrower Information

Field 4 Social Security #	The guarantor will ensure the borrower's Social Security Number in this field matches the information on its database.
Field 5 Name (Last, First, MI)	The guarantor will ensure the name in this field matches the name on the guarantor's database for the Social Security Number. If the name provided in this field does not match the guarantor's database, the guarantor will review field 6 for further information.
Field 6 AKA	The guarantor will use this field, in conjunction with field 5, to identify the borrower on its system.
Field 7 Address	This field will be used for informational purposes.
Field 8 Valid?	This field will be used for informational purposes.
Field 9 Home #	This field will be used for informational purposes.
Field 10 Valid?	This field will be used for informational purposes.
Field 11 Other #	This field will be used for informational purposes.
Field 12 Valid?	This field will be used for informational purposes.
Field 13 Work #	This field will be used for informational purposes.
Field 14 Valid?	This field will be used for informational purposes.
Field 15 Employer	This field will be used for informational purposes.

Common Claim Review Procedures

Field 16

E-mail Address

This field will be used for informational purposes. As this is an optional field, its use or lack thereof will not result in the return of a claim or any penalties imposed by the guarantor.

Common Claim Review Procedures

Section III. Loan Information

Section Note:

Data in fields 17, 18, and 19 will be used to determine the loan(s) being claimed by the lender.

Field 17 Loan Type	The guarantor will use this field to identify the loan type being claimed. The loan type must match the guarantor's database and promissory note for each loan identified. If this field is blank, the guarantor will attempt to match the loan on the guarantor's database using the data in fields 18 and 19.
Field 18 Loan ID	The guarantor will use this field to help identify the loan being claimed by the lender. If this field is blank, the guarantor will attempt to match the loan on the guarantor's database using the data in fields 17 and 19.
Field 19 1 st Disb Dt	The guarantor will use this field to help identify the loan being claimed and to determine the correct interest rate and insurance percentage.
Field 20a \$ Curr Prin Bal	The guarantor will ensure the sum of the amounts entered in this field match the amount entered in field 47.
Field 20b \$Unpd Fee/Int	The guarantor will use this field to identify separately the unpaid origination fee and unpaid capitalized interest included in the principal balance on the date claimed for each applicable loan subject to IRS reporting.
Field 21 Dt Loan Sold	This field will be used for informational purposes.
Field 22 Dt Servicer Resp	This field will be used for informational purposes. If there is a date in this field, field 55 must be complete.
Field 23 Int Rate/Type/Conv Dt	The guarantor will compare the information provided in this field to the information on its database for each loan identified to ensure the loan was converted to a variable rate appropriately under the excess interest provisions and to ensure the claim is paid with the correct interest rate and rate type.
Field 24 \$ Uninsured Interest	The guarantor will ensure the amount(s) entered in this field equals the combined amount entered in fields 48 and 52.

Common Claim Review Procedures

Section IV. Endorser/Comaker/PLUS Student (E/C/S) Information

Field 25 Loan ID	The guarantor will review fields 26 and 27 and if they are completed, this field is required. The loan ID(s) indicated in this field must match the applicable loan ID(s) in field 18. In addition, the guarantor will review the promissory note(s) in the file to determine if this field should be completed. If this field is blank, and fields 26 and 27 are completed, the guarantor will attempt to match the endorser/comaker identified by fields 26 and 27 with the promissory note(s) in the file.
Field 26 E/C/S Code, ID #	<p>The guarantor will ensure this field is completed if fields 25 and 27 are completed. If this field is blank and fields 25 and 27 are completed, the guarantor will attempt to match the endorser/comaker identified by fields 25 and 27 with the promissory note(s) in the file.</p> <p>For each individual reported with an “E” or “C” code, the guarantor will review the activities in Section IX to determine if due diligence was completed correctly.</p>
Field 27 E/C/S/ Name	The guarantor will ensure this field is completed if fields 25 and 26 are completed. If this field is blank and fields 25 and 26 are completed, the guarantor will attempt to match the promissory note(s) for the loan(s) identified with the appropriate name.
Field 28 Social Security #	The guarantor will ensure this field is completed for loans first disbursed on or after September 1, 1998, if fields 25, 26, and 27 are completed.
Field 29 Address	This field will be used for informational purposes.
Field 30 Valid?	This field will be used for informational purposes.
Field 31 Home #	This field will be used for informational purposes.
Field 32 Valid?	This field will be used for informational purposes.

Common Claim Review Procedures

Section V. Conversion to Repayment Information

Field 33 OSD	The guarantor will ensure that the date reported is earlier than the first payment due date. The guarantor will accept the OSD reported on the Claim Form as verified if the information matches its records.
Field 34 Notification Dt	The notification date must be earlier than or equal to the first payment due date. If it is not, then the guarantor should review field 35 for a “Y” indicator, and request clarification if needed. If this field is blank or contains zeros, the guarantor will assume timely notification of the OSD.
Field 35 Repayment Change?	The guarantor will use this field to determine if different OSD information was received after the borrower was in repayment based on the lender’s OSD of record. An “N” will indicate that applicable conversion rules will be utilized to determine timely conversion to repayment. A “Y” will indicate that an OSD change took place after the borrower was placed into repayment. In this case, conversion will be considered acceptable unless, in the course of verifying the OSD in field 33, the guarantor determines an earlier notification date than the date provided in field 34. The guarantor may then request additional verification.
Field 36 1 st Pmt Due Dt	This date must be later than the OSD and must be prior to or the same as the payment due date. If it is not, the guarantor must seek clarification from the lender. Depending upon loan program type, notification date, etc. the appropriate conversion rules must be applied to determine timely conversion to repayment. The following provides guarantor procedures for determining timely conversion.

Normal Conversion:

The guarantor will allow the appropriate number of days for the lender to convert the loan based on program type, and immediate repayment/deferment for PLUS/SLS, and Graduate PLUS loans (see *Common Manual*). In addition, the guarantor will add 30 days to the applicable number of days allowed to convert Stafford loans and SLS loans entering repayment on or after July 1, 1994 (excluding PLUS, Graduate PLUS and Consolidation loans). The time period between the deadline for establishing the first payment due date and the

Common Claim Review Procedures

lender's actual scheduled first payment due date will be measured to determine the gap.

Late Notification of the Out of School Date:

The guarantor will allow the appropriate number of days (see *Common Manual*) for the lender to convert the loan to repayment when notification of an OSD for Stafford loans or deferment end date for PLUS/SLS, and Graduate PLUS loans is received after the loan should have entered repayment. In addition, the guarantor will add 30 days to the applicable number of days allowed to convert Stafford loans and SLS loans entering repayment on or after July 1, 1994 (excluding PLUS, Graduate PLUS and Consolidation loans). The time period between the deadline for establishing the first payment due date and the lender's actual scheduled first payment due date will be measured to determine the gap.

Common Claim Review Procedures

Section VI. Repayment Information

Section Note:

Data in fields 38, 39, 40 and 42 will be summed. The total number of months calculated will be added to the reported date in field 36. If the resulting calculated date is equal to or after the date in field 43, the payment due date reported in field 43 will be considered to be correct. If the resulting calculated date is earlier than the date in field 43, then gaps in servicing may have occurred. The guarantor will request clarification of the discrepancies.

Field 37a \$ Total Borrower Pmts	The guarantor will review this field to determine if any payments were made on the account.
Field 37b \$ DI Refund	The guarantor will use this field to report to the U.S. Department of Education the total amount of payments made by or on behalf of the borrower that were received by the lender/servicer after the date the borrower became unable to work and earn money.
Field 38 # Mnths Pmts	See Section Note. If this field has a number greater than zero, field 37a must be greater than zero.
Field 39 # Mnths Def/Forb	See Section Note. If this field has a number greater than zero, field 41 must be greater than zero. See Q&A # 8 at the end of this document for more information.
Field 40 # Mnths Violation	See Section Note. If this field has a number greater than zero, field 41 must be greater than zero.
Field 41 # Events	The guarantor may use this data to verify the lender established the correct number of reconversion months indicated in field 42. If this field has a number greater than zero, field 39 or field 40 must be greater than zero. See Q&A # 7 at the end of this document for more information.
Field 42 # Reconv Mnths	See Section Note. This field must not exceed field 41 by more than 3 times for Stafford and SLS loans, and not more than 2 times for PLUS, Graduate PLUS and Consolidation loans.
Field 43 Pmt Due Dt	See Section Note. The guarantor will monitor due diligence and, for default claims only, timely filing from this date.

Common Claim Review Procedures

Section VII. Requested Claim Amount

Section Note:

The amount in field 45 will be added to, and the amount in field 46 will be subtracted from, the amount in field 44, to verify the amount in field 47. The amount in field 48 will then be subtracted from the amount in field 47 to verify the amount in field 49.

If a lender capitalized interest at the time of default and an interest penalty must be assessed at claim purchase, the guarantor will either return the claim to the lender or contact the lender, if necessary, to obtain additional information to correctly purchase the claim.

Field 44
Total Amount Disb/
Repurchased

Generally, the amount reported in this field must be less than or equal to the guarantee amount, or repurchased amount, on the guarantor's database. If the amount is greater than the amount guaranteed/repurchased, the difference may not be eligible for claim payment.

If the amount disbursed is less than the amount guaranteed, the guarantor may update its records to reflect the correct amount disbursed by the lender.

If this field is blank, the guarantor may identify the disbursed amounts by using the loan(s) identified in field 18.

Field 45
Capitalized Int

See Section Note.

Field 46
Prin Repaid

See Section Note.

Field 47
Prin Used for Int
Claimed

See Section Note.

Field 48
Cure Int Capitalized

The amount in this field must be less than or equal to the amount in field 45.

Field 49
Prin Claimed

See Section Note.

Field 50
Int-Paid-Through Dt

The guarantor will calculate the dollar amount of interest accrual between this date and the date in field 51, using the amount in field 47 and the interest rate(s) in field 23. The amount in field 51 cannot exceed the calculated amount of interest by more than one month's interest accrual.

Common Claim Review Procedures

Field 51 Int Claimed as of	Both the amount and the date must be recorded in this field. The interest amount reported in this field, along with interest accruing between the date in this field through the claim purchase date, is eligible for claim payment in accordance with the provisions outlined in the <i>Common Manual</i> .
Field 52 Unpaid Cure Int not Capitalized	The guarantor will ensure this amount is included in the borrower's post-purchase loan balance, but this amount will not be paid to the lender.
Field 53 Other Charges Claimed	For FC and CS claims only, the guarantor will ensure this amount is included in the lender's claim payment but will be excluded from interest accrual calculations.

Common Claim Review Procedures

Section VIII. Lender/Servicer Information and Certification

Field 54 Lender ID	The guarantor will ensure the ID reported in this field matches its database.
Field 55 Servicer ID	The guarantor will ensure the ID reported in this field matches its database. If this field is complete, field 22 must be complete.
Field 56 Lender/Servicer Name	This field will be used for informational purposes.
Field 57 Lender/Servicer Address	This field will be used for informational purposes.
Field 58 Prepared by	This field will be used for informational purposes.
Field 59 Preparer's #	This field will be used for informational purposes.

Common Claim Review Procedures

Section IX. Collection History (the 270 day period prior to default date)

Field 60
Borrower's Social
Security #

The guarantor will ensure the Social Security Number in this field matches the Social Security Number in field 4.

Field 61
Collection History

The guarantor will utilize this field to monitor the due diligence in accordance with Chapter 12 of the *Common Manual*. A comaker is treated the same as a borrower with regard to monitoring due diligence. Therefore, a separate set of due diligence will be monitored for each borrower and each comaker. In addition, if there is an endorser, the endorser due diligence will be monitored based on the activities reported in this field. The specific Collection Activity Codes are described in the Instructions for Completing Claim Form.

In monitoring due diligence, the guarantor must follow the sequence of events that occurred throughout the servicing period. Therefore, it is necessary to start at the 270th day (330th day for loans repayable in installments less frequent than monthly) prior to default, and ascertain what the due date was on that day; then proceed forward, noting changes in due dates, and following the applicable "normal", "skip" or "rolling delinquency" rules.

The due diligence on claims filed as BC, BH, DE, or DI which are delinquent prior to the DCO, will be monitored up to the DCO, not to exceed the 270th day of delinquency.

For claims filed for reason of (ID) identity theft, closed school (CS) or false certification (FC), no due diligence information is monitored.

For claims filed as an abbreviated cure (DU), only the Intensive Collection Activities performed by the lender in order to implement a cure are monitored.

For claims filed for reason of ineligible (IN), only the final demand collection activity is monitored.

The guarantor will begin by looking for any PR, CR, DB/DE, or FB/FE codes in the diligence history to ascertain whether the delinquency rolled (i.e., the due date and/or delinquency changed during the delinquency period), which alters servicing

Common Claim Review Procedures

and monitoring requirements.

The guarantor will also look for any codes indicating that skip-tracing activities must be monitored (as evidenced by the IA or IT codes appearing anywhere during the 270-day (330-day for loans repayable in installments less frequent than monthly) period prior to default or before delinquency if borrower's address or telephone number is invalid at the beginning of the delinquency period).

Rolling Delinquencies:

If there are any PR, CR, DB/DE and/or FB/FE codes in the collection history, the guarantor will identify the account as a rolling delinquency and due diligence will be reviewed in accordance with Chapter 12 subsections.12.4.A and. 12.4.B of the *Common Manual*.

Determining Delinquencies:

For rolling delinquency cases, the start of the 270-day period prior to default (330 days for loans repayable in installments less frequent than monthly) will not equal the payment due date (field 43). To ascertain the start of the 270-day period prior to default (330 days for loans repayable in installments less frequent than monthly), follow these procedures:

1. For each PR which occurs after the date in field 43, subtract one month from the date in field 43;
2. For each CR which occurs after the date in field 43, add one month to the date in field 43;
3. For each deferment that ends (DE) after the date in field 43, determine the number of months between the DB and the DE, and subtract the number of months calculated from the date in field 43;
4. For each forbearance that ends (FE) after the date in field 43, determine the number of months between the FB and the FE, and subtract the number of months calculated from the date in field 43;
5. The resulting calculated date will be the due date at the 270th day (330th day for loans repayable in installments less frequent than monthly) prior to default.

Endorser Due Diligence:

If an endorser exists on any loan in the claim, then endorser

Common Claim Review Procedures

due diligence will be monitored in accordance with the

policies outlined in Chapter 12, subsection. 12.4.E. of the *Common Manual*.

Normal Due Diligence Review:

If there is a “normal” uninterrupted delinquency period (i.e., there is no evidence of skip or rolling delinquency), then the guarantor will review the claim using the policies outlined in Chapter 12, subsections 12.4.A and 12.4.B of the *Common Manual*.

Skip Due Diligence Review:

If any invalid address (IA) or invalid telephone (IT) codes are identified for borrowers/comakers in the diligence history, the period in the history that is covered by an invalid address/telephone will be reviewed. For each situation identified below, the following activities/codes must be monitored:

Address Unknown:

Borrower/Comaker Invalid Address Minimum Guarantor Skip Trace Review	
Reference	<ul style="list-style-type: none">• 2 SR or• 1 SR and 2 SA or• 4 SA
School	<ul style="list-style-type: none">• 1 SS
Endorser	<ul style="list-style-type: none">• 1 SR or• 2 SA for each endorser identified in Section IV of the Claim Form.
Effective Commercial Skip Trace	<ul style="list-style-type: none">• 2 SO NOTE: An “SD” code may also be accepted in place of an “SO” code.

Common Claim Review Procedures

Endorser Invalid Address Minimum Guarantor Skip Trace Review	
Directory Assistance	• 1 SD numeric identifier
Effective Commercial Skip Trace	• 1 SO numeric identifier

Telephone Number Unknown:

Borrower/Comaker Invalid Telephone Number Minimum Guarantor Skip Trace Review	
Reference	<ul style="list-style-type: none"> • 2 SR or • 1 SR and 2 SA or • 4 SA
School	• 1 SS
Endorser	<ul style="list-style-type: none"> • 1 SR or • 2 SA for each endorser identified in Section IV of the Claim Form.
Directory Assistance	• 1 SD

Endorser Invalid Telephone Number Minimum Guarantor Skip Trace Review	
Directory Assistance	• 1 SD numeric identifier
Effective Commercial Skip Trace	• 1 SO numeric identifier

Skip Resolved Based on New Borrower Address and/or Telephone:

If a new address (VA) or telephone number (VT) is obtained for the borrower, due diligence must be resumed based on the delinquency which exists on the account at that time. Due diligence will be monitored in accordance with the *Common Manual*.

See Q&A's 1-6 and 9 at the end of this document for more information on collection codes..

Common Claim Review Procedures

Exceptional Performer

The U.S Department of Education published 10 questions and answers in DCL FP-04-04, dated March 16, 2004 related to claim review. Below are 4 of those questions and answers that impact claim review significantly. In addition, a guarantor is encouraged to use the procedures provided below as a guide to review a claim filed under the exceptional performer status.

Q1.22 What assurance does a guarantor have that ED and or/OIG will not assess a finding/penalty on a claim that contained an error but was paid by the guarantor as the lender/lender servicer had the EP designation?

A1.22 Any guarantor that reviews a claim for an organization with the EP designation may not reject that claim for repayment conversion, timely filing, or due diligence errors. However, if the guarantor determines that the claim is incomplete or otherwise ineligible, it must reject the claim. See 34 C.F.R. §682.460(s). The guarantor still has the responsibility to ensure that all normally required documentation/requirements are met prior to payment of the claim. If the guarantor has reviewed and paid a claim submitted by an exceptional performer in accordance with the regulations and guidelines issued by the Department in regard to the review and payment of such claims, there will not be a basis for liability. See 34 C.F.R. §682.414.

Procedure: Guarantor will verify lender/lender servicer provided all documentation applicable to the claim as defined in Common Manual Chapter 13, section.13.1.D. If the lender did not provide all applicable documentation the guarantor may contact the lender/lender servicer or return the package to the lender/lender servicer for the documentation.

NOTE: The regulatory citation §682.460(s) provided in A1.22 appears to be inaccurate since the regulatory citation provided does not exist in the Code of Federal Regulations.

Q1.24 If a loan has previously been deemed irrevocably out of guarantee and is subsequently submitted by the EP lender/servicer for reinsurance, does the guarantor assume any liability for paying that claim (as it would not be reviewed per the EP rules)?

A1.24 Yes, the GA would be liable for paying that claim. It is still the GA's responsibility to validate that the loan for which a claim is being submitted is a valid loan prior to the claim payment actually being made. As a reminder, please note the following basic reinsurance rules from 34 C.F.R. § 682.406(a):

(a) A guaranty agency may make a claim payment from the Federal Fund and receive a reinsurance payment on a loan only if --

(7) The lender satisfied all conditions of guarantee coverage set by the agency...

(12) The agency and lender, if applicable, complied with all other Federal requirements with respect to the loan...

Common Claim Review Procedures

Procedure: The loan being claimed must have an intact guarantee in place or be eligible for reinstatement through the cure process. The Exceptional Performer designation in and of itself does not resolve a non-guarantee situation. Claim payment on a loan permanently out of guarantee will not be reinsured by ED.

Q1.27 When a cure has been performed, is the EP lender/servicer still subject to denial of interest for the cure period or does the guaranty agency pay all outstanding interest including the interest during the uninsured period?

A1.27 The claim will still be subject to a denial of interest for the uninsured period. See 34 C.F.R. Part 682, Appendix D.

Procedures: If the guarantee was lost prior to EP status (there would be no due diligence, timely filing or conversion to repayment violations occurring after EP status), the claim can only be approved provided the lender/servicer has followed applicable cure procedures. The guarantor will review cure information supplied by EP lender/servicer the same as for non-EP claims and all interest during the violation period, including any interest that accrued during the EP status until the time of cure, should be deducted from the claim. If the information supplied by the EP lender/servicer does not match what the guarantor has on their system, the guarantor should return the claim or contact the lender for additional information (e.g. lender may need to supply different cure documentation or information as to how they determined the earliest uninsured violation date).

Q1.28 If the guaranty agency shows that a borrower has been continuously enrolled at least half time and the lender has placed the borrower in repayment, should the guaranty agency contact the lender regarding the discrepancy prior to the claim payment? Paying the claim would have a very negative impact on the borrower and the school.

A1.28 Enrollment verification is not part of the due diligence in collecting a loan and therefore should still be reviewed as part of the claims process for lender/servicers with the EP designation.

Procedure: Guarantor will verify the out-of-school date (OSD) provided by the lender on the Claim Form against the OSD information on their system. Although the guarantor cannot reject the claim for untimely conversion, the guarantor should return the claim or contact the lender to obtain additional information regarding applicable adjustments as necessary on the Claim Form (e.g. lender may need to adjust payment applications to principal and interest thus principal and interest requested on the Claim Form may need to be changed) prior to claim payment under exceptional performance rules.

Common Claim Review Procedures

Skip Trace Scenarios

SCENARIO 1 - One issue that has come up related to returns for skip tracing activity is the sending of the final demand letter. We know the final demand letter must be sent for all valid addresses. If the address is invalid at 240 days delinquent here is what can happen:

- A. If skip tracing has been exhausted and the address remains invalid at time of claim, letter does not need to be sent. (12.4.A – Final Demand Letter Exception – “loan becomes 241 days or more delinquent and the borrower’s address is invalid and remains invalid after the lender has exhausted skip tracing activities and required due diligence efforts.)
- B. If skip tracing is exhausted and the address becomes valid after 241 days; 12.7.C – “If a lender obtains a valid address for a borrower on or before the 240th day of delinquency, it must resume the appropriate due diligence activities...”

We are having our issue with “B”. We have accounts in which the address becomes valid after 241 days, the final demand letter is not sent and we receive a penalty for missing final demand letter. Should this be a penalty?

ANSWER: If the address becomes valid prior to the 240th day of delinquency, the lender is required to send the final demand letter when the loan becomes 241 days or more delinquent. However, if the address becomes valid after the 241st day of delinquency, the lender may be excused from sending the final demand letter if the lender has exhausted all required skip tracing requirements.

In this scenario, a penalty should not be cited. The lender is excused from sending the final demand letter since skip trace was exhausted and the address became valid after the 241st day of delinquency.

SCENARIO 2 - A borrower is found to have an invalid telephone number and skip tracing is completed. A different phone number is found through Accurint or another form of skip tracing assistance but is not verified as a valid phone number. If this number is updated in the borrower's account and found to be invalid the following day or shortly thereafter, would phone skip need to be completed again?

I believe a CAM RT 3 is sent if a phone number is updated for the home number, work number or other number. Our skip department is no longer updating this phone number until it has been validated. Would these attempts then be classified as "skip others"?

ANSWER: Yes. If the lender discovers that it does not have a valid telephone number prior to the 270th day of delinquency for a delinquent borrower and the lender has not completed all four diligent telephone efforts to contact the borrower by telephone, the lender is required to again to perform telephone skip tracing activities.

In regards to the CAM Record Type 3 issue, the lender would be required to use the collection code “SO” (skip other) when reporting this activity on the Claim Form.

Common Claim Review Procedures

SCENARIO 3 - Telephone number valid and remains valid through 270th day of delinquency but address becomes invalid on day 82. The lender sends a letter or makes a diligent effort to contact each comaker, endorser, relative, individual, entity, and school in the borrower's loan file. They also perform other effective commercial skip tracing activities. However, they fail to contact or attempt to contact all the references identified in the borrower's loan file. Thus, they have not exhausted all required skip tracing requirements by the 270th day of delinquency. The address becomes valid on day 289. Is the lender excused from sending the final demand letter in this scenario?

ANSWER: According to 12.4.A. of the *Common Manual*, the lender must mail a final demand letter to the borrower any time the loan becomes 241 days or more delinquent. There are two exceptions to this requirement that excuse the lender from mailing the borrower a final demand letter:

- The loan becomes 241 days or more delinquent and the borrower's address is invalid and remains invalid after the lender has exhausted all required skip tracing activities and required diligent efforts.
- The lender previously mailed a timely final demand letter prior to a rolling delinquency or a special occurrence.

In this scenario, the lender is not excused from sending the final demand letter since skip tracing was not exhausted when the address became valid.

SCENARIO 4 - Telephone number valid and remains valid through 270th day of delinquency but address becomes invalid on day 82. The lender sends a letter or makes a diligent effort to contact each reference, comaker, endorser, relative, individual, entity, and school in the borrower's loan file. They also perform other effective commercial skip tracing activities. They have exhausted all required skip trace activity by 254th day of delinquency. The address becomes valid on day 289. Is the lender excused from sending the final demand letter in this scenario?

ANSWER: Yes. The lender is excused from sending the final demand letter since they have met the exception (skip trace exhausted) requirement in Common Manual subsection 12.4.A.

SCENARIO 5 - Telephone number valid and remains valid through 270th day of delinquency but address becomes invalid on day 262. The lender mailed a final demand letter on day 241. Lender does not perform any skip trace activity. The address becomes valid on day 289. Is the lender excused from sending the final demand letter in this scenario? Is the lender required to perform skip trace activity for the invalid address?

Common Claim Review Procedures

ANSWER: Yes. The lender is excused from sending another final demand letter since the lender previously mailed a timely final demand letter and the loan has remained at least 241 days or more delinquent since the final demand letter was mailed. The lender is not required to perform skip trace activity since all diligent activities have been performed.

SCENARIO 6 - Telephone and address become invalid on the 122nd day of delinquency. Lender exhausts all skip trace activity by the 145th day of delinquency. Telephone and address become valid on the 330th day of delinquency. Lender files a claim with the guarantor on the 331st day of delinquency. Is the lender required to send a final demand letter to the borrower? If so, will they lose insurance since they are required to wait 30 days to file a claim after mailing a final demand letter?

ANSWER: The lender is excused from sending the final demand letter since they have met the exception (skip trace exhausted) requirement in *Common Manual* subsection 12.4.A.

Common Claim Review Procedures

QUESTIONS and ANSWERS

1. **Q.** Should the 'LN' code be used whenever a late notification administrative forbearance is present on the loan or only when the late notice effects the current delinquency cycle?
A. The reporting of the 'LN' code was intended only in situations that would affect the current delinquency cycle (last 270 days). Original notification of the OSD would be reported in Section V (Conversion to Repayment Information) of the Claim Form.
2. **Q.** Should a request for a credit bureau report be reported as an 'SO' code?
A. Yes
3. **Q.** When calling directory assistance to skip a borrower should an 'SD' code be used?
A. Yes
4. **Q.** When calling directory assistance to skip a reference should an 'SA' code be used?
A. Yes
5. **Q.** What code should be used when all skip tracing activities have been completed?
A. No code should be used as this is not an actual activity.
6. **Q.** What code should be used when a skip letter is sent to a reference?
A. An 'SR' code should be used
7. **Q.** How should the claim submitter calculate the "# Events" that are recorded on the Claim Form?
A. A deferment or forbearance immediately followed by another deferment or forbearance may be counted as one event or two. Likewise, a series of deferment and/or forbearance periods covering all sequential due dates may be counted as a single event or as multiple events. While both methods are acceptable, each claim submitter should select the method it prefers, and employ this method consistently.

Following are examples:

Example:

Due Date:	6/1/2008
Administrative Forbearance:	6/1/2008 – 8/1/2008
Deferment:	08/08/2008 – 10/08/2008

Common Claim Review Procedures

Oct 25, 2007	April 25, 2008
Nov 25, 2007	May 25, 2008
Dec 25, 2007	June 25, 2008
Jan 25, 2008	July 25, 2008
Feb 25, 2008	August 25, 2008

TOTAL = 12 months

NOTE: The due date in effect during the deferment period was the 25th of the month. Thus, if the deferment begin date and end date did not overlap the 25th of the month, that month cannot be counted in the # of months of deferment. Therefore, in this example August 2007 and September 2008 cannot be counted in the number of months of deferment.

The number of regular monthly installments FORBORNE are as follows:

May 25, 2006	January 25, 2007
June 25, 2006	Feb 25, 2007
July 25, 2006	March 25, 2007
August 25, 2006	April 25, 2007
Sept 25, 2006	May 25, 2007
Oct 25, 2006	June 25, 2007
Nov 25, 2006	July 25, 2007
	Aug 25, 2007

TOTAL = 15

NOTE: The due date in effect during the forbearance period was the 25th of the month. Thus, if the forbearance begin date and end date did not overlap the 25th of the month, that month cannot be counted in the # of months of forebearance. Therefore, in this example December 2006 cannot be counted in the number of months of forbearance.

9. **Q.** Please review the rules of the “PR” and “CR” codes used in Section IX of the Claim Form.

A The definition of the “PR” and “CR” code included in Section IX of the Claim Form are as follows:

PR Code: The date on which one monthly installment was satisfied by payment or prepayment (when reporting a payment that includes multiple installments, provide a PR code for each installment)

CR Code: The date on which the payment was reversed due to nonsufficient funds for one monthly installment (when reporting nonsufficient funds that includes multiple installments, provide a CR code for each installment)

Following are examples to better explain how to record the ”PR” and “CR” codes on the Claim Form.

Example :

Loan 1 \$2625.00

Common Claim Review Procedures

Loan 2 \$2625.00

1st payment due 12/01/2007 @ \$60.42 for 120 months

Lender uses \$5.00 tolerance

01/03/2008 Borrower Payment \$58.00

04/02/2008 Borrower payment \$50.00

Payment Due Date: 1/01/2008

Claim Form Section IX (Collection History)

PR 1/3/2008

NOTE: On 1/3/2008 one monthly installment was satisfied since borrower made a payment that is within \$5 of the amount due or of the regularly scheduled payment amount. The lender must identify this payment with a PR code on the Claim Form. The payment made on 4/2/2008 did not satisfy a monthly installment and should not be listed in Section IX of the Claim Form.

Example

Loan 1 \$2625.00

Loan 2 \$2625.00

1st payment due 12/01/2007 @ \$60.42 for 120 months

Lender uses \$5.00 tolerance

01/03/2008 Borrower payment \$60.42

01/14/2008 Borrower Payment reversed \$60.42

Payment Due Date 12/1/2007

Claim Form Section IX (Collection History)

PR 01/03/2008

CR 01/14/2008

NOTE: On 1/3/2008 one monthly installment was satisfied since borrower made a full payment. The lender must identify this payment with a PR code on the Claim Form. The payment made on 01/03/2008 was reversed on 1/14/2008 due to nonsufficient funds. The lender must identify the reversal with a CR code on the Claim Form.

Example 3:

Consolidation Loan \$52,000

Unsub portion: \$29,000 @ \$122.27 month

Sub portion: \$23,000 @ \$96.97 month

Common Claim Review Procedures

Total due per month \$219.24 with 1st payment due 12/01/2007
Lender uses \$5.00 tolerance

01/03/2008 Borrower Payment \$115.00
01/03/2008 Borrower Payment \$96.97

Payment Due Date: 12/01/2007

Claim Form Section IX

A payment code of PR should not be listed in this section since a full payment within a \$5.00 tolerance was not made on the loan. The total payment amount of \$211.97 made on 1/3/2008 was not within \$5.00 tolerance to advance the due date.