

Income-Based Repayment

April 16, 2009 Webinar

PFH Determination Tracking / Forgiveness Claim

Questions & Answers

Question:

Answer:

1	<i>Is there a copy available of the form that NCHELP has submitted for Department approval for IBR Application/Family Size certification?</i>	ED has responded to the initial form. An interim form has been distributed to the industry for use pending a final form being approved. The interim form is available on the NCHELP website.
2	<i>If a customer is in a PFH and is approved for a deferment. We will shorten the PFH and process the deferment. When that customer exits the deferment, are we allowed to cap interest that accrued during the deferment period? Once the customer exits the deferment, they will go back to a permanent standard plan under IBR, correct? If so, should or would that payment amount be adjusted if the interest is capitalized after the deferment period?</i>	<ol style="list-style-type: none">1. Yes, normal capping rules apply.2. The lender has the option to return the borrower to the PFH payment amt if there is time remaining under the 12 month period otherwise it reverts to the permanent standard.3. No, the permanent standard amount is never adjusted. If the borrower returns to the remaining PFH payment months this amount is also not adjusted.
3	<i>Would you please explain how the family size is determined for a borrower who files married/separate, but have dependent children.</i>	Family size is self certified on the IBR application regardless of how the borrower(s) filed their taxes.
4	<i>For the 4506-T, can you submit a batch smaller than 50 for IVES? If so - what is the criteria?</i>	Yes, however the IRS strongly encourages you to submit in batches of 50. No specific criteria has been provided for batches of less than 50.
5	<i>When you have to calculate the standard-standard payment amount, what interest rate do you use for a variable rate loan, the interest rate in effect at the time of granting IBR or the interest rate cap?</i>	You would use the interest rate that your system utilizes when calculating repayment terms.

6	<i>If a borrower enters expedited standard and can't afford the one monthly payment required on this plan, can they request a forbearance to serve as their one monthly installment before choosing a different plan?</i>	Yes, however, the lender /servicer should first disclose and bill for the one payment and then apply the forbearance to cover this month.
7	<i>Can you explain the disclosure of repayment terms when disclosing PFH?</i>	This is really up to the lender/servicer on how they will disclose. One method is that the repayment schedule would reflect the first 12 months at the PFH payment amount then the remaining term at the Permanent -Standard payment amount.
8	<i>What does repayment plan change mean (interest capitalization)?</i>	When the borrower moves from the PFH payment amount to the Permanent-Standard or requests to leave IBR and moves to the Expedited-Standard payment amount then you are allowed to capitalize interest.
9	<i>Can you please review the permanent standard and expedited standard plans again?</i>	Permanent-Standard is the payment amount calculated immediately preceding PFH based upon the current principal balance and 10 year repayment term. This is the maximum monthly installment amount that the borrower will have to pay while under the IBR umbrella. Expedited-Standard is the payment amount calculated upon leaving the IBR umbrella and is calculated on the current principal balance and the remaining term.
10	<i>Who ends up paying the forgiveness claim; lender, guarantor, or government?</i>	The guarantor will pay the lender. Then the Dept will pay the guarantor.
11	<i>I'm assuming that the borrowers payment made while in default does not count toward IBR</i>	This is correct.
12	<i>If a borrower resolves a default by consolidation vs. rehabilitation, do prior payments made with the lender also count toward the 25 year payment period?</i>	No, when consolidating the 25 year clock starts over.
13	<i>If a borrower qualifies for economic hardship on May 1 2009 - would July 09 -through May 2010 months in EHD count towards the 300 qualifying payments and "banked"?</i>	Yes, these would count.

14	<i>Payment banking / counting; if a borrower is not in IBR and their required payment is less than a STD \ STD payment, however they make voluntary payments on occasion greater than STD \ STD, are we required to count them as a qualifying payment?</i>	Yes
15	<i>Does Standard-Standard, Standard-Permanent and Expedited-Standard all fall under IBR?</i>	Yes, with the exception of Expedited-Standard which is calculated when the borrower voluntarily leaves IBR.
16	<i>Are the deferments still only for a period of 3 years?</i>	If this is in regards to Economic Hardship deferments, then yes this is still limited to 3 years.
17	<i>What if the borrower enters and a deferment ends in the same IBR year? Would they go to Perm-Std, even though we already have all necessary information for that year?</i>	The lender has the option to return the borrower to the PFH payment amount if there is time remaining under the 12 month period otherwise it reverts to the permanent standard.
18	<i>If a borrower comes to us after July 1 that is currently in repayment, do we have to offer them the IBR option?</i>	Yes, by regulation you are required to offer the borrower a choice in repayment plans and IBR must be included.
19	<i>Will the interest that has accrued on the loan also be forgiven after 25 years?</i>	Yes, any outstanding accrued interest will be forgiven.
20	<i>How are borrowers to be notified of the new repayment plans?</i>	Lender/servicers are required to disclose certain information at certain time, e.g., prior to disbursement disclosures, prior to repayment disclosures, 60 day delinquent disclosures, monthly billing disclosures, difficulty making payment disclosures and any other times that repayment options are discussed and offered.
21	<i>If they have a family size larger than what's on their tax forms, how do we determine the correct family size? Do we just take their word for it?</i>	Family size is self-certified by the borrower so you would use the information that they provide on the application.
22	<i>For a borrower who left PFH to enter a deferment period - would there actually be 2 events of capitalization? 1 because the borrower left PFH and 1 at the end of the deferment</i>	Yes, you would cap interest twice.

23	<i>Has the IRS and Department of Education reached an agreement about acquiring AGI information?</i>	Yes. The DOE has provided <u>recent</u> guidance that the lender/servicer may accept a copy of the first two pages of the income tax form or may utilize the 4506-T form. The borrower may also self-certify that they are not required to file a federal tax return.
24	<i>You mentioned that this information needs to be verified annually; does that mean the first of each year, or on the anniversary date of going into IBR?</i>	Annually, based upon the borrowers anniversary date established by the lender/servicer.
25	<i>If borrower can provide alternative AGI information, why can't you bypass IRS completing the 4506-T form?</i>	Per the regulations we are required to collect consent from the borrower to obtain income information from the IRS. The 4506-T form is the IRS method of doing so., However, under recent guidance from ED, the lender/servicer may accept a copy of the first two pages of the income tax form.
26	<i>The disclosure that is required for Lenders to inform the borrower of the availability of IBR, will there be a "Sample" of the notice available to ensure proper proper/legal correctness wording</i>	As with other disclosure requirements, the lender/servicer should consult their legal counsel for proper discloser wording.
27	<i>Please explain "Banking"</i>	A cumulative count of eligible months. Eligible months being: - Makes payments outside of IBR totaling at least the Standard-Standard payment amount - Uses Economic Hardship Deferment - Makes a payment under a PFH plan, including a payment amount of \$0 - Makes a payment under IBR, but outside of PFH, totaling at least the Permanent-Standard payment amount
28	<i>I believe you stated that if the servicer has a tax form that shows the number of dependents is less than the amount put on the self-certification, the lender would take what was provided on the self-certification form. Isn't there a need/requirement to reconcile that difference to ensure the family size is correct?</i>	No, you are not required to reconcile the difference.
29	<i>Under what circumstances might the borrower want to leave the IBR?</i>	Based on the balance of a loan the borrower may want to leave IBR to move to an extended repayment plan.

30	<i>How is the Expedited Standard payment amount calculated if a borrower has been in repayment under the IBR more than 10 years and then leaves the program?</i>	They would be required to pay the remaining balance in full.
31	<i>Which tax information is used to establish a borrower's IBR/PFH eligibility, previous years tax information or the most recent tax return? (For instance, if a borrower is requesting IBR in May 2010 - would they be using their 2009 tax return or their 2008 tax return)?</i>	You would use the most recent available AGI. In your example depending on when they filed the 2009 AGI may not be available so you may utilize the 2008 data.
32	<i>Please clarify how term is affected while in IBR i.e., when does term freeze, when does it decrement? Is the remaining term calculated for Expedited payment based on term remaining prior to entering IBR or post IBR? If it is post IBR, what if they used up their 10 year term?</i>	The term does not freeze while in IBR. They would be required to pay the remaining balance in full.
33	<i>Is the remaining term calculated for Expedited Payment based on term remaining prior to entering IBR or post IBR? If it is post IBR, what if they used up their 10 year term?</i>	They would be required to pay the remaining balance in full.
34	<i>Would this be a true statement? The Standard-Standard Payment amount is "the amount the borrower would pay when entering the IBR plan while experiencing a Partial Financial Hardship. i.e., the PFH payment amount?"</i>	No, this is not a true statement. The Standard-Standard payment amount is calculated when the borrower initially enters repayment. When the borrower enters the IBR umbrella the Partial Financial Hardship (PFH) payment amount would be established.
35	<i>When calculating the standard/standard payment amount everything refers to being based on a 10 year repayment, what about consolidation loans 25 - 30 years?</i>	It is a 10 year term regardless of the loan program.
36	<i>Is the Lender required to automatically send notification of IBR availability to all borrowers already in repayment or do we wait until they request deferment/hardship info?</i>	This notification would occur as part of the new disclosure requirements for during repayment.
37	<i>Let's say a borrower had a \$45,000 Grad PLUS loan. He chooses to leave IBR after five years, receives the expedited-standard payment, and then extends his term to 25 years. Would this borrower have 20 years to pay off the balance or 25 years?</i>	The borrower would have 20 years to pay off the balance.