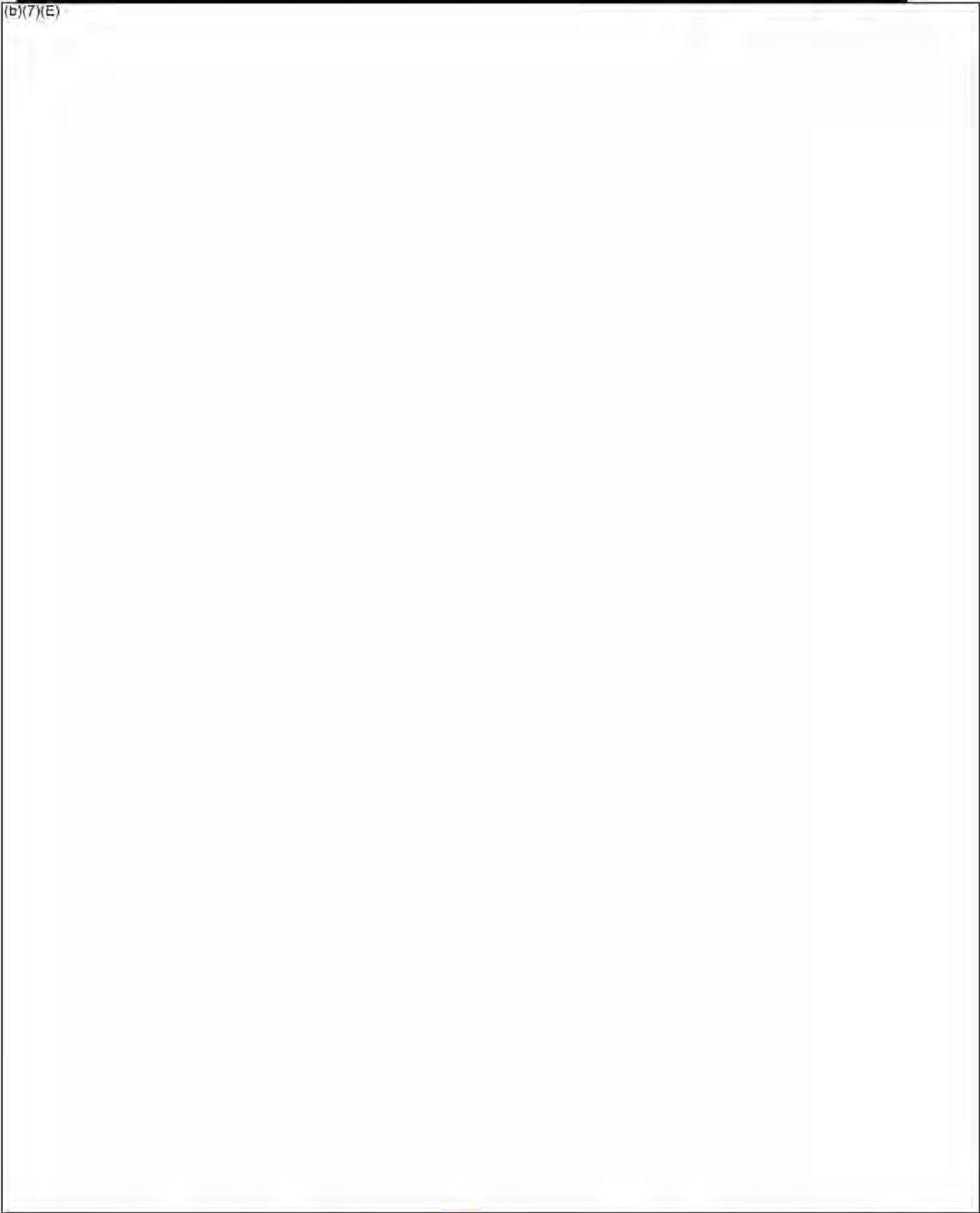


(b)(7)(E)



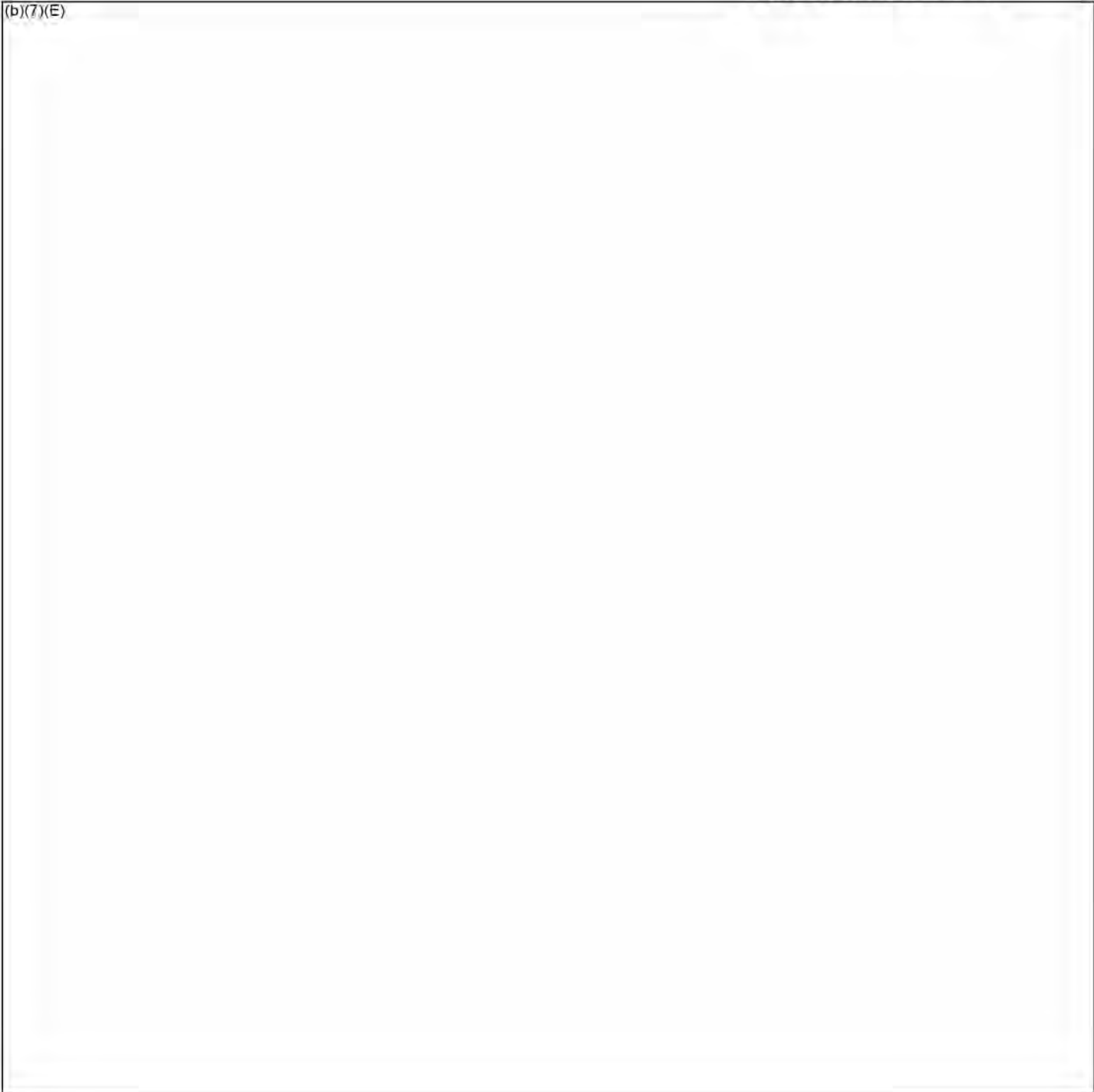
Distribution authorized to the Department of Education and its Private Collection Agency contractors only. Other requests shall be referred to the Federal Student Aid Acquisitions

(b)(7)(E)

Distribution authorized to the Department of Education and its Private Collection Agency contractors only. Other requests shall be referred to the Federal Student Aid Acquisitions Group.

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(b)(7)(E)



**CHAPTER 8:  
TREASURY OFFSET PROGRAM (TOP)**

1. **OVERVIEW**

Under the Treasury Offset Program (TOP), the Financial Management Service (FMS), Department of the Treasury (Treasury) offsets Federal and/or State payments owed to a borrower. While the most common type of Federal payment offset is Federal income tax refunds, several other types, including vendor and monthly social security benefit payments, are also eligible for full or partial offset.

In addition to defaulted debts held by ED, defaulted loans held by guaranty agencies (GAs) are also included in the process. ED acts as a “middle man” between the GAs and Treasury.

Other Federal and State agencies also certify debts for offset, but ED has historically been responsible for the largest volume of offsets. As a result, many tax professionals, and even the IRS, will automatically assume that an offset has been requested by ED when, in fact, it may have gone to some other Federal or State debt or to a student loan held by a GA.

TOP payments reduce the principal and interest owed on the account (and therefore the amount of collection costs the borrower owes), but PCAs do not receive a commission for TOP payments.

**A. State Payments**

State payments (e.g., State tax refunds and vendor payments), in addition to Federal payments, may be offset in the TOP. (b)(7)(E)

(b)(7)(E)

Normally, a TOP 65-day notice is sent to eligible borrowers who are not currently certified in TOP and to currently certified borrowers who have a newly eligible debt. (b)(7)(E)

(b)(7)(E)

In most respects, offsets of State payments will be just like offsets of Federal payments:

- State paying agencies will be just another paying agency into TOP (b)(7)(E)
- Borrowers will be notified of the offset (and the paying agency) via an FMS, Treasury Offset Notice;
- As always, we will not be able to identify the offset source on any of the DMCS screens (b)(7)(E)
- There will be a single Treasury offset fee for all offsets, whether from a State or Federal paying agency.

(b)(7)(E)

**B. Pre-Offset Process**

At least 65 days prior to certifying an account for offset, ED must send the borrower a TOP 65-day notice, which consists of a debt statement (b)(7)(E) and two inserts (Notice of Proposed Treasury Offset and a Request for Review form). This notice informs the borrower of his rights to:

- Inspect copies of the records that ED holds (including promissory notes)
- Enter into a voluntary repayment plan in order to avoid offset
- Request an ED hearing/review to dispute the debt
  - If the borrower requests a review/hearing within 65 days of the notice, ED must conduct the review before certifying the account

While PCAs should respond to any request for copies of records that ED holds, TOP regulations technically require that borrowers make this request in writing to a designated ED address in order to be protected from offset. (b)(7)(E)

(b)(7)(E) For borrowers who opt to avoid offset by establishing an approved payment plan, ED must receive their first voluntary payment within 65 days of ED’s notice of intent to offset and must continue to make timely, consecutive monthly payments.

TOP 65-day notices are currently mailed (b)(7)(E)

(b)(7)(E)

**C. PCA Responsibilities during the Pre-Offset Process**

- Written requests for review must be sent promptly by overnight service to the U.S. Department of Education imaging center:

(b)(7)(E)

*Submissions should be sent "separately" with a cover letter/sheet indicating TOP RFR.*

- Upon borrower request, promptly provide copies of promissory notes

(b)(7)(E)

**D. Certification**

(b)(7)(E)

**Important:** Once ED certifies an account for offset, that account will remain certified until the account is resolved, or inactivated as legally required by law

(b)(7)(E)

(b)(7)(E)

**E. Notification of Offset**

Treasury will notify the borrower in writing each time an offset is processed. The borrower may receive this notice (see end of chapter) one to two weeks before the offset posts onto the ED payment history (b)(7)(E) [redacted]. The date on the notice is typically the effective date of the offset.

**F. Inactivation**

Once an account is satisfied (b)(7)(E) [redacted] ED will notify Treasury to inactivate the account. However, if a GA also certified an account in TOP, the borrower should be referred to the GA to resolve the GA account.

**Important:** There is about a three-week delay between when an account is inactivated on ED's database and when Treasury's system is updated. (b)(7)(E) [redacted]

(b)(7)(E) [redacted]

(b)(7)(E) [redacted] By calling FMS, borrowers can also find out whether a State agency or a Federal agency, other than ED, certified their account in TOP.

(b)(7)(E) [redacted]



(b)(7)(E)

PCAs may refer borrowers to ED's Customer Call Center (800-621-3115)

(b)(7)(E)

**D. PCA Contacts**

The Chicago Regional Office handles all TOP Hearings. Any questions or concerns about the TOP Hearing process should be directed to the Chicago Office (312-730-1477). When calling the main number, please ask to speak to a TOP Hearing Official.

(b)(7)(E)

(b)(7)(E)



**B. Sample Treasury Notice of Offset**

DEPARTMENT OF THE TREASURY  
FINANCIAL MANAGEMENT SERVICE  
PO BOX 1686  
BIRMINGHAM, ALABAMA 35201-1686

THIS IS NOT A BILL – PLEASE RETAIN FOR YOUR RECORDS

07/03/08

JOE BORROWER  
123 STREET  
CITYTOWN, ST 11111-2222

Dear JOE BORROWER:

As authorized by Federal law, we applied all or part of your Federal payment to a debt you owe. The government agency (or agencies) collecting your debt is listed below.

U.S. DEPARTMENT OF EDUCATION  
C/O GREAT LAKES HIGHER ED GUAR CORP  
COLLECTION SUPPORT  
P.O. BOX 7859  
MADISON, WI 53707-7859  
(608) 246-1535 (800) 354-6980  
PURPOSE: Non-Tax Federal Debt

TIN Num: 999-99-9999  
TOP Trace Num: P49899999  
Acct Num: WI999999999  
Amount This Creditor: \$146.40  
Creditor: 05 Site: WI

The Agency has previously sent notice to you at the last address know to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. **If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above.** The U.S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

We will forward the money taken from your Federal payment to the Agency to be applied to your debt balance; however, the Agency may not receive the funds for several weeks after the payment date. If you intend to contact the Agency, please have this notice available. Please do not contact the Social Security Administration regarding this reduction made in your Federal payment.

U.S. Department of the Treasury  
Financial Management Service



## CHAPTER 9: REHABILITATION

Rehabilitation is an ED “payment” program whereby an eligible borrower can, through appropriate and timely monthly payments, “rehabilitate” their defaulted loan(s) into good standing. Through the borrower’s efforts of making consistent payments on-time, the borrower is able to receive certain benefits based upon a showing of good faith and a commitment to pay off their debt. (b)(7)(E)

(b)(7)(E)

This Chapter will discuss rehabilitations within Direct Loans, Federal Family Education Loans (FFEL) and the Federal Perkins Loan Program (formerly NDSL).

### 1. DIRECT LOAN REHABILITATION

Reference: 34 CFR 685.211(f)

#### A. Loan Eligibility

- Only Direct Loans are eligible for Direct Loan Rehabilitation
  - (b)(7)(E)
- Consolidation loans are eligible
- Loans rehabilitated prior to August 14, 2008 are eligible
  - (b)(7)(E)
- While there is no fixed minimum balance eligible for rehabilitation, balances that are less than twice the borrower’s monthly payment will not be rehabilitated.
- Direct Loans with judgments are not eligible for rehabilitation

#### B. Qualifying Payments

Borrowers must make (9) nine full, timely, voluntary monthly payments of an approved amount in a (10) ten month period in order to qualify for Direct rehabilitation. Borrowers may miss one payment in a ten-month period and still qualify for Direct rehabilitation.

- “Full” payments
  - Defined as those meeting the (b)(7)(E) billing amount.

- The full amount of the (b)(7)(E) billing amount must be received in the form of a voluntary payment within twenty days of the (b)(7)(E) billing due date—no more than twenty days early nor twenty days late
  - Involuntary payments (wage garnishments, offsets, DOJ payments, etc.) do not count toward this requirement.

➤ **Billing amount**

- (b)(7)(E)

➤ **“Split” Payments**

- (b)(7)(E)

➤ **“Timely” payments**

- Defined as those received at the payment center (i.e., have an effective date on the R103 screen) within twenty days of the L103 billing due date—no more than twenty days early nor twenty days late.
  - Nine full payments must be received within twenty days of a single due date in order for the borrower to qualify.

- (b)(7)(E)

➤ **Bounced Payments**

- Payments reversed or stopped do not count toward the series of qualifying payments

➤ **Current Payments**

- Borrower must be current with his payments as of the last day of the calendar month.
  - Borrower must have made a timely full payment for the most recently expired monthly due date (i.e., the last monthly due date that is at least 20 days earlier than the last day of the calendar month) or for a subsequent due date that has not yet expired.

- (b)(7)(E)

➤ **ED’s Direct Debit Program (DDP) Payments**

- Count toward rehabilitation

- (b)(7)(E)

**C. Acceptable Payment Amounts**

➤ **“Reasonable and Affordable Minimum Payment Percentage” Qualifying Payments**

- Must be based on the amount owed and on the borrower’s “total financial circumstances.”

- (b)(7)(E)
- 

➤ **“Reasonable and Affordable Income Based Repayment” Qualifying Payments**

- (b)(7)(E)

- IBR Calculator

<http://studentaid.ed.gov/PORTALSWebApp/students/english/IBRCalc.jsp>

- (b)(7)(E)

- The PCA must collect either a copy of the previous year's tax return or a signed ADOI, (b)(7)(E), that documents the borrower's income for the previous (b)(7)(E) years. Either document must be submitted to the DMCS Servicer so it can be scanned in with the borrower's account information.
- The PCA must collect and keep copies of the financial information that is taken over the phone for all R&A repayment amounts that are done using the IBR calculator. The information taken from the phone can be used to populate an ADOI form that the borrower can then sign. The PCA shall submit the documentation to the DMCS Servicer so it can be scanned in with the borrower's account information.

➤ **Obtaining a completed statement of financial status**

- The PCA must obtain a statement if

- (b)(7)(E)
- 

- The R&A IBR plan is used

➤ **Wage garnishment (or other monthly involuntary payment situation)**

- Borrower may qualify for rehabilitation by making voluntary payments in addition to his/her garnishment payments.
- The voluntary payments must meet all requirements as stated in this document; the fact and amount of the garnishment (or other involuntary) payments do not affect the requirements for rehabilitation.

➤ **Accounts with loans from multiple programs**

- Since every loan program (Direct, FFEL & FISL, NDSL-Perkins) has its own rehabilitation program, a borrower's total monthly payment should be calculated as the aggregate of the minimum payments for each program's cohort of loans in the account.

- (b)(7)(E)



(b)(7)(E)

- This is because the loans will be split up at the time of rehab, and the new loan holder will be calculating a new payment amount based only on the amount assigned to that loan holder

➤ **Additional considerations**

- (b)(7)(E)
- (b)(7)(E)

**D. Monthly Transfer Process**

Unlike FFELs, Direct Loans are automatically considered rehabilitated once the borrower makes his/her final qualifying payment. Shortly after the end of each calendar month ED will identify rehabilitated Direct Loans and transfer them back to the Direct Loan Servicer.

Only accounts that were set up on billing on the (b)(7)(E) as of close of business on (b)(7)(E) (b)(7)(E) will be reviewed for transfer. The borrower's final qualifying payment must have posted (b)(7)(E) as (b)(7)(E) in order for the account to guarantee it will be reviewed for transfer. (b)(7)(E)

(b)(7)(E)

(b)(7)(E)

F

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(b)(7)(E)

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(b)(7)(E)

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Distribution authorized to the Department of Education and its Private Collection Agency contractors only. Other requests shall be referred to the Federal Student Aid Acquisitions Group.

**2. NDSL-PERKINS LOAN REHABILITATION**

Reference: 34 CFR 674.39

**A. Loan Eligibility**

- Only NDSL (National Direct and National Defense) and Perkins loans are eligible for this type of rehabilitation.
  - These are identifiable by the first letter in the debt identification number: (b)(7)(E)
- Loans with judgments may be rehabilitated if the borrower signs a new promissory note. See subsection H (Judgment Loans) of this section for more information.
- Previously rehabilitated loans are not eligible for rehabilitation
- There is no minimum payoff balance eligible for rehabilitation, but accounts where the balance is less than twice the borrower's *monthly payment amount* will not be rehabilitated.
- Borrowers must sign and return to the PCA a rehab agreement letter (see Chapter 4 for more letter information)

**B. Qualifying Payments**

Borrowers must make a full, timely, voluntary payment of an approved amount each month for 9 consecutive months in order to qualify for NDSL-Perkins rehabilitation.

- **“Full” payments**
  - Defined as those meeting the (b)(7)(E) billing amount.
  - (b)(7)(E)
  
- **Billing amount**
  - (b)(7)(E)

(b)(7)(E)

- (b)(7)(E)
- 

(b)(7)(E)

➤ **“Timely” payments**

- Defined as those received at the payment center (i.e., have an effective date on the (b)(7)(E) within fifteen days of the (b)(7)(E) billing due date—no more than (b)(7)(E) thirteen days early nor fifteen days late.
- Nine full consecutive payments must be received within fifteen days of a single due date in order for the borrower to qualify.
- (b)(7)(E)

(b)(7)(E)

➤ **Bounced payments**

- Payments that bounce, are reversed or are stopped do not count toward the series of qualifying payments.

➤ **ED’s Direct Debit Program (DDP) Payments**

- Count toward rehabilitation
- (b)(7)(E)

(b)(7)(E)

**C. Acceptable Payment Amounts**

➤ **“Reasonable and Affordable” qualifying payments**

- Qualifying payments must be “reasonable and affordable” based on the amount owed and on the borrower’s “total financial circumstances”.

(b)(7)(E)

➤ **Obtaining a completed statement of financial status**

- The PCA must obtain from the borrower a completed statement of financial status if

(b)(7)(E)

➤ **Wage garnishment (or other monthly involuntary payment situation)**

- Borrower may qualify for rehabilitation by making voluntary payments in addition to his/her garnishment payments.
- The voluntary payments must meet all requirements as stated in this document; the fact and amount of the garnishment (or other involuntary) payments do not affect the requirements for rehabilitation.

➤ **Accounts with loans from multiple programs**

- Since every loan program (Direct, FFEL & FISL, NDSL-Perkins) has its own rehabilitation program, a borrower's total monthly payment should be calculated as the aggregate of the minimum payments for each program's cohort of loans in the account.

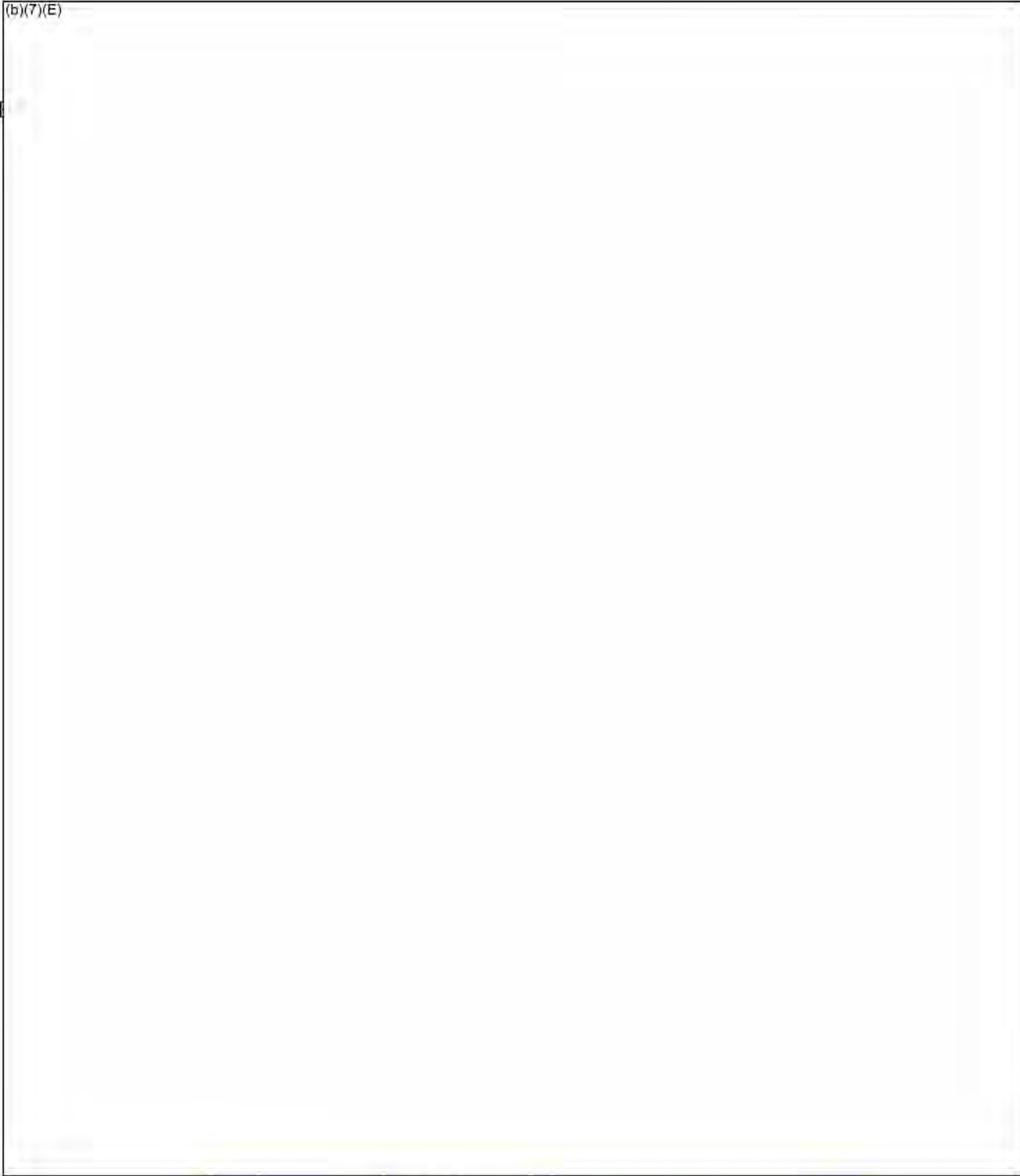
- (b)(7)(E)
- 
- 

(b)(7)(E)

**E. Submission Procedures**



(b)(7)(E)



(b)(7)(E)



Borrowers must make 9 full, timely, voluntary monthly payments of an approved amount in a ten month period in order to qualify for FFEL rehabilitation.

➤ **“Full” payments**

- Defined as those meeting the Payment Schedule billing amount.
- The full amount of the billing amount must be received in the form of a voluntary payment within twenty days of the Payment Schedule billing due date—no more than twenty days early nor twenty days late.
  - Involuntary payments (wage garnishments, offsets, DOJ payments, etc.) do not count toward this requirement.

➤ **Billing amount**

- (b)(7)(E)

- (b)(7)(E)

➤ **“Timely” payments**

- Defined as those received at the payment center (i.e., have an entered date on the Financial Transaction screen) within twenty days of the (b)(7)(E) billing due date—no more than twenty days early nor twenty days late.
- Nine full payments must be received within twenty days of a single due date in order for the borrower to qualify.

- (b)(7)(E)

➤ **Bounced payments**

- Payments that bounce, are reversed or are stopped do not count toward the series of qualifying payments.

➤ **Current Payments**

- Borrowers may miss one payment in a ten month period and still qualify for FFEL rehabilitation.
- The borrower must be current with his payments as of the sale cutoff date.
  - This means that the borrower must have made a timely full payment for the most recently expired monthly due date (i.e., the last monthly due date that is at least 20 days earlier than the sale cutoff date) or for a subsequent due date that has not yet expired.

➤ **ED’s Direct Debit Program (DDP) Payments**

- Count toward rehabilitation.

○ (b)(7)(E)

**C. Acceptable Payment Amounts**

➤ **“Reasonable and Affordable” qualifying payments**

- Qualifying payments must be “reasonable and affordable” based on the amount owed and on the borrower’s “total financial circumstances.”

○ (b)(7)(E)

➤ **“Reasonable and Affordable Income Based Repayment” Qualifying Payments**

○ (b)(7)(E)

- IBR Calculator  
<http://studentaid.ed.gov/PORTALSWebApp/students/english/IBRCalc.jsp>

○ (b)(7)(E)

- The PCA must collect either a copy of the previous year's tax return or a signed ADOI, form OMB No. 1845-0102, that documents the borrower's income for the previous (b)(7)(E) years. Either document must be submitted to the DMCS Servicer so it can be scanned in with the borrower's account information.
- The PCA must collect and keep copies of the financial information that is taken over the phone for all R&A repayment amounts that are done using the IBR calculator. The information taken from the phone can be used to populate an ADOI form that the borrower can then sign. The PCA shall submit the documentation to the DMCS Servicer so it can be scanned in with the borrower's account information.

➤ **Obtaining a completed statement of financial status**

- The PCA must obtain a statement if

- (b)(7)(E)

- (b)(7)(E)

- The R&A IBR Plan is used.

➤ **Wage garnishment (or other monthly involuntary payment situation)**

- Borrower may qualify for rehabilitation by making voluntary payments in addition to his/her garnishment payments.
- The voluntary payments must meet all requirements as stated in this document; the fact and amount of the garnishment (or other involuntary) payments do not affect the requirements for rehabilitation.

➤ **Accounts with loans from multiple programs**

- Since every loan program (Direct, FFEL & FISL, NDSL-Perkins) has its own rehabilitation program, a borrower's total monthly payment should be calculated as the aggregate of the minimum payments for each program's cohort of loans in the account.

- (b)(7)(E)

(b)(7)(E)

➤ **Additional considerations**

- (b)(7)(E)
- (b)(7)(E)

**D. Balance Sensitive Rehabilitations (BSR)**

- (b)(7)(E)
- In general, borrowers in the BSR program consolidate their loans immediately after rehabilitation in order to take advantage of the longer-term repayment plans that are available on FFEL consolidation loans.
  - (b)(7)(E)
- (b)(7)(E)
- The PCA must complete a Fast-Track consolidation package for every BSR borrower, regardless of the types of loans being rehabbed.

**E. Bi-Weekly Transfer Process**

Rehabilitation sales will be processed bi-weekly.

(b)(7)(E)

**F. Submission Procedures**

(b)(7)(E)

➤ **BSR accounts**

- PCAs should ship, via overnight delivery, the consolidation application package to the rehabilitation lender on the date ED creates the files described above.
- The lender will reject from sale any accounts for which the required documents are not received.

➤ **Submit rehab agreement letter**

- Complete an IMF form with the comments "Scan to file only, no response"

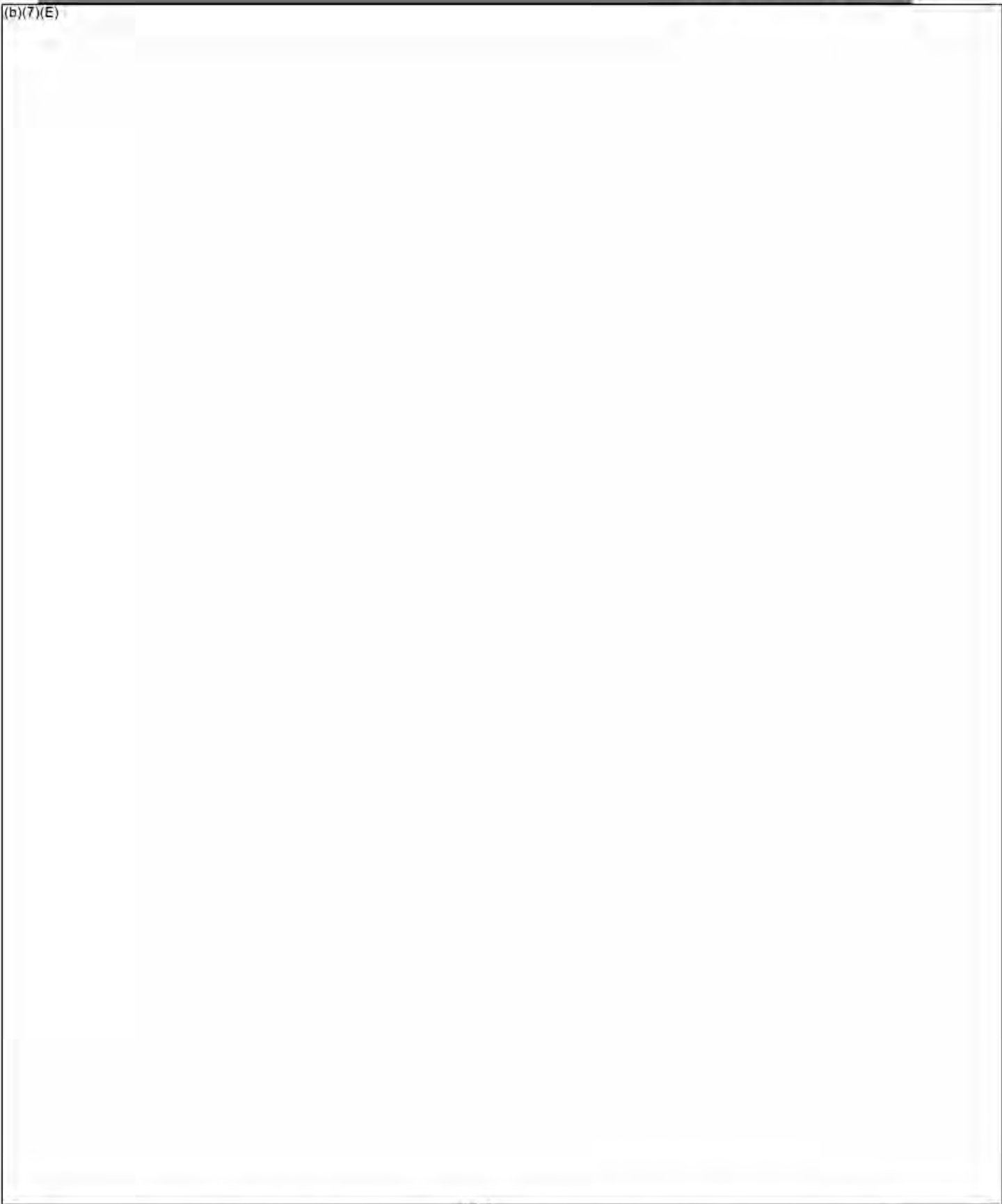
(b)(7)(E)





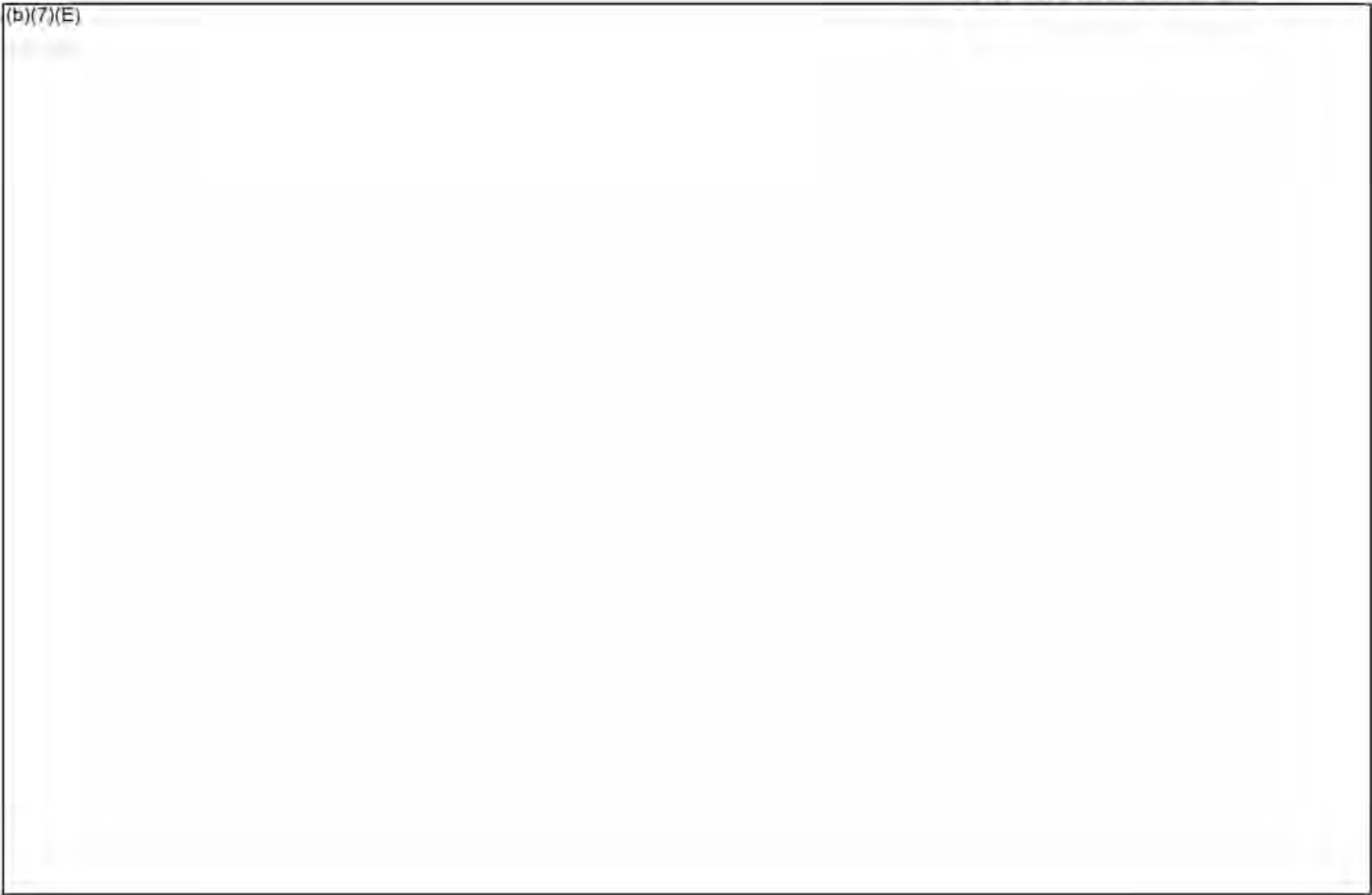
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(b)(7)(E)



**CHAPTER 10:  
CONSOLIDATION**

(b)(7)(E)

I. **GENERAL REQUIREMENTS**

Reference:  
Direct Loans - 34 CFR 685.220  
FFEL - 34 CFR 682.201(c) et seq.

A. **Eligible Loans**

➤ The following loans/debts are NOT eligible for consolidation:

- Program overpayment (POVR) debts

- (b)(7)(E)

- Consolidation loans

- (b)(7)(E)

- Loans with judgments

- “Stand alone” Perkins/NDSL loans are not eligible for consolidation.

- (b)(7)(E)

- Borrowers for whom a wage garnishment payment has been received within the preceding 90 days are not eligible for consolidation

B. **Qualifying Payments**

Except for Forced-ICRP consolidations (see section 2 of this Chapter), borrowers must make a full, timely, voluntary payment of an approved amount each month for (b)(7)(E) consecutive months in order to qualify for consolidation.

These payments must have posted to the account (b)(7)(E) by the time the PCA certifies the account for consolidation. It is not required that borrowers be set up on billing (b)(7)(E)

➤ **“Full” payments**

- Defined as those meeting the amount (b)(7)(E)
- The full amount must be received in the form of a voluntary payment within fifteen days of a single monthly due—no more than fifteen days early nor fifteen days late.
  - Involuntary payments (wage garnishments, offsets, DOJ payments, etc.) do not count toward this requirement.

▪ (b)(7)(E)

➤ **“Timely” payments**

- Defined as those received at the payment center (b)(7)(E)

(b)(7)(E)

➤ **Bounced payments**

- Payments that bounce, are reversed or are stopped do not count toward the series of qualifying payments.

**C. Acceptable Payment Amounts**

➤ **“Reasonable and Affordable”**

- Qualifying payments must be “reasonable and affordable” based on the amount owed and on the borrower’s “total financial circumstances.”

○ (b)(7)(E)

➤ **Obtaining a completed statement of financial status**

○ (b)(7)(E)

- The PCA must document acceptance of the statement of financial status form (b)(7)(E) (b)(7)(E)
- The PCA must retain the completed statement of financial status form, and all accompanying documentation, through the end of the contract, and must be able to produce it for ED inspection within a reasonable timeframe upon request.

○ (b)(7)(E)

## 2. FORCED-ICRP CONSOLIDATIONS

(b)(7)(E)

### A. Processing Steps

- The PCA must obtain from the borrower either a **copy of his most recent Federal tax return** or, if the borrower did not file in the most recent tax year or his financial circumstances have substantially changed, **documentation of the borrower’s taxable income**.
- The PCA must complete the **ICR payment calculator** (b)(3):44 USC § 3541,(b)(7)(E) and retain copies of the borrower’s income documentation and printouts of the data entry and results page of the calculator through the end of the contract, and must be able to produce them for ED inspection within a reasonable timeframe upon request.
- The PCA must obtain a completed “**Alternative Documentation of Income [ADOI] form**” from the borrower
  - The income stated on this form should only be taxable income.
    - FSA will not make determinations about whether a borrower’s income is taxable prior to submission. Borrowers should seek advice from the IRS

○ (b)(7)(E)

(b)(7)(E)

### 3. **BORROWER COUNSELING**

Before promoting consolidation as a resolution option, PCAs must truthfully and fully counsel borrowers about its advantages, disadvantages and ramifications. PCAs must ensure that borrowers understand that a consolidation loan is a loan that they must repay, and must convey to borrowers the importance of continuing to make monthly payments, as required, on the new consolidation loan.

Prior to certifying an account for consolidation, the PCA must have sent the borrower a letter, approved by ED, which explains the ramifications and responsibilities of consolidation (See Chapter 4).

**A. Capitalization of Interest and Collection Costs**

- The principal balance on the new consolidation loan will be the sum of all outstanding principal, interest and collection costs owed on the underlying loans at the time the consolidation payoff is received.
- Interest will accrue on a higher balance after consolidation than before.

**B. Fixed Interest Rates**

- Consolidation loans have a fixed interest rate, which is the weighted average of the interest rates of the underlying loans, rounded up to the nearest eighth of a percent, subject to an interest rate cap.
- In most instances, unless the weighted average exceeds the cap (which is rare), the borrower’s new interest rate will be slightly higher than before consolidation.
- The interest rate on underlying loans with a variable interest rate becomes fixed in the consolidation loan
- Over the life of the loan, the borrower’s interest rate may be lower or higher than if s/he did not consolidate

➤ (b)(7)(E)

**C. Defenses against Underlying Loans**

- PCAs must NOT promote consolidation to borrowers who dispute the amount of or their obligation to pay the underlying loans, unless/until that dispute has been resolved.
- This includes, but is not limited to:
  - Borrowers claiming total and permanent disability
  - Borrowers raising objections based on bankruptcy, closed school, ability to benefit, unpaid tuition refund, and unauthorized signature issues.
- ED reserves the right to reverse any commission paid if the borrower’s consolidation loan is discharged based on conditions that existed before consolidation.

**D. Right to Consolidate**

(b)(7)(E)

PCAs may NOT tell a borrower that s/he is ineligible for consolidation unless s/he does not meet the regulatory requirements for eligibility.



(b)(7)(E)

**E. Credit Bureau Reporting**

- The underlying loans (the defaulted loans being paid in full by the proceeds of the consolidation loan) will be reported to credit bureaus as “paid in full” (b)(7)(E)

(b)(7)(E)

**F. Title IV Eligibility**

- The underlying defaulted loans, once paid by the proceeds of the consolidation loan, will no longer affect the borrower’s eligibility to receive additional Title IV student financial aid (including Federal loans and Pell Grants)
  - Except to the extent that they count against the borrower’s loan limit.

**4. CERTIFICATION**

Certification is the process through which a borrower’s payoff information is provided to the prospective consolidation lender.

For administrative convenience, ED may delegate to its collection agencies the authority to complete Lender Verification Certificates (LVCs) from FFEL consolidation lenders and from Direct Loans.

**A. LVC Signing Authority**

(b)(7)(E)

**B. LVC Reviews**

- ED will routinely review these LVCs to ensure that they are being completed accurately.

- ED reserves the right to revoke, either temporarily or permanently, any agency’s authority to complete or sign LVCs, if ED detects a significant lack of quality control or any evidence of fraud or abuse.

**C. DMCS Updates**

(b)(7)(E)



**5. APPENDICES**

**APPENDIX A - ACKNOWLEDGMENT OF CERTIFICATION RESPONSIBILITIES**

Acknowledgment of Certification Responsibilities

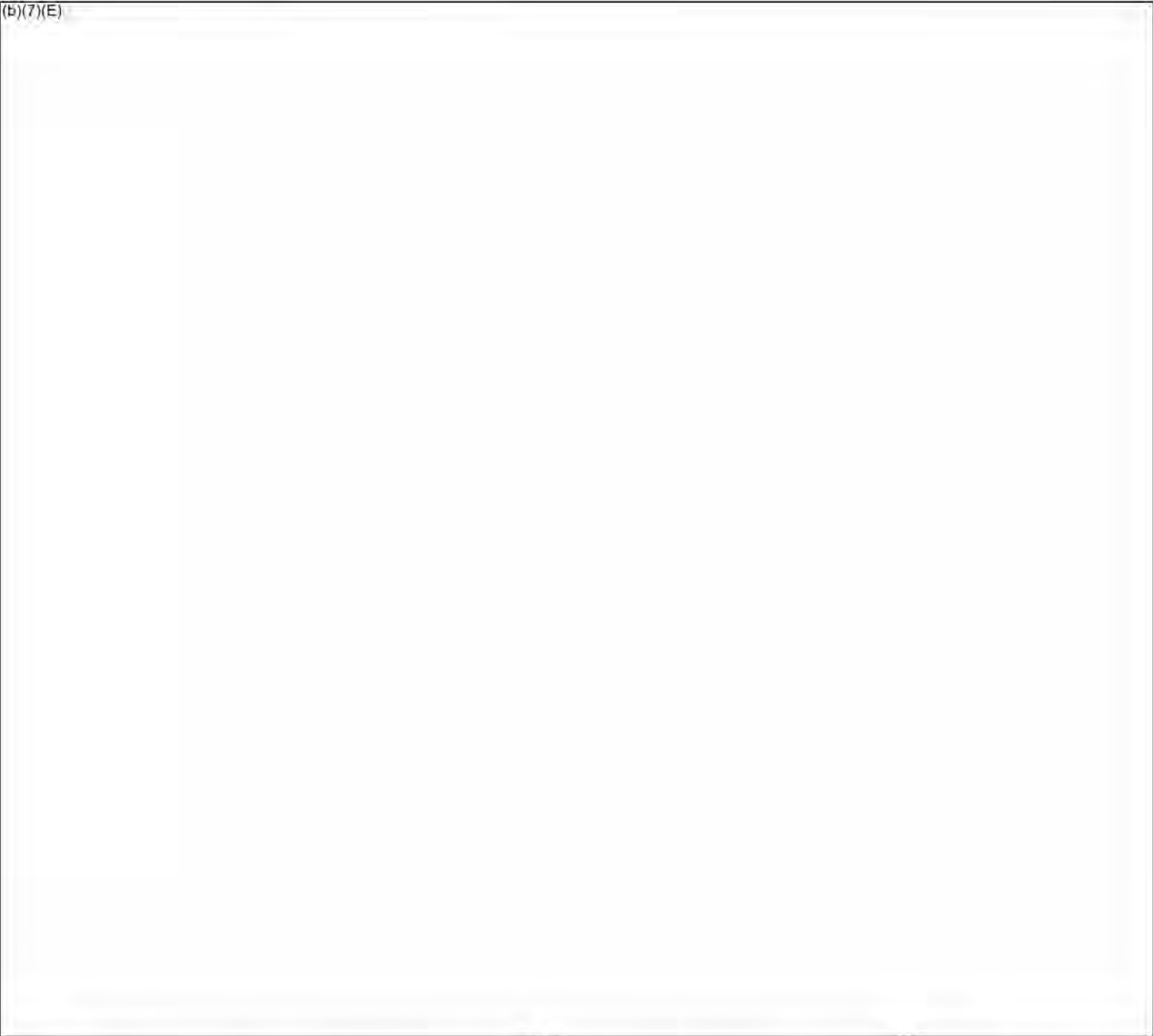
I certify that I understand all of the statutory and regulatory requirements governing the eligibility of borrowers for consolidation in both the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program. I further certify that I understand all of the contractual requirements governing the eligibility of borrowers in the portfolio of the Department of Education’s Student Financial Assistance Programs Students Channel Collections. I confirm that I have a thorough knowledge of the Debt Management and Collection System and can discern whether or not borrowers have met the eligibility requirements for consolidation. Prior to certifying any borrower as eligible for consolidation, I will review all pertinent screens in the Debt Management and Collection System and, as necessary, in my company’s collection system. I understand that, by signing any Loan Verification Certificate, or otherwise certifying that a borrower is eligible for consolidation, I am affirming that, to the best of my knowledge, that borrower meets all regulatory, statutory and contractual requirements. I also understand that any false statement on my part may result in criminal or civil sanctions against my company both or me.

Full Name of Authorized Official \_\_\_\_\_

Signature of Authorized Official \_\_\_\_\_

Today's Date \_\_\_\_\_

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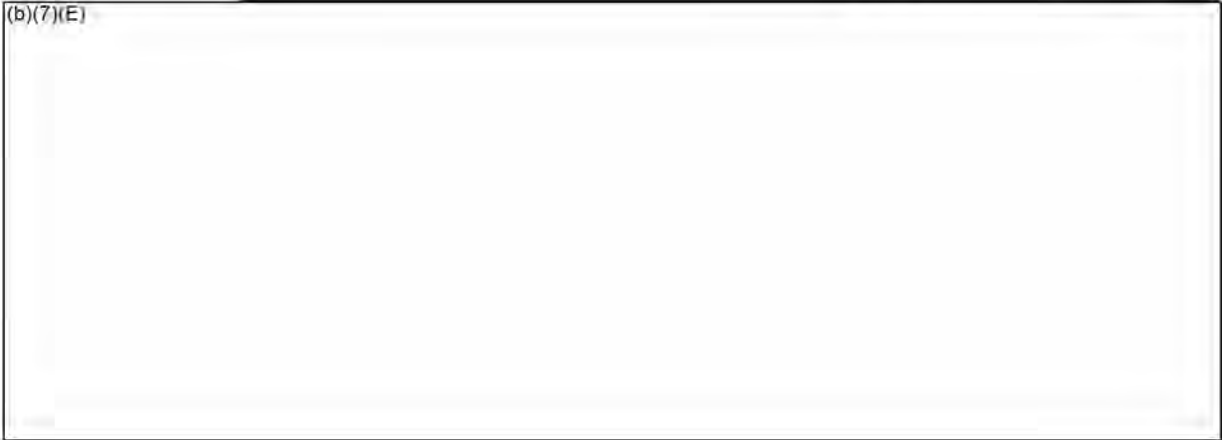
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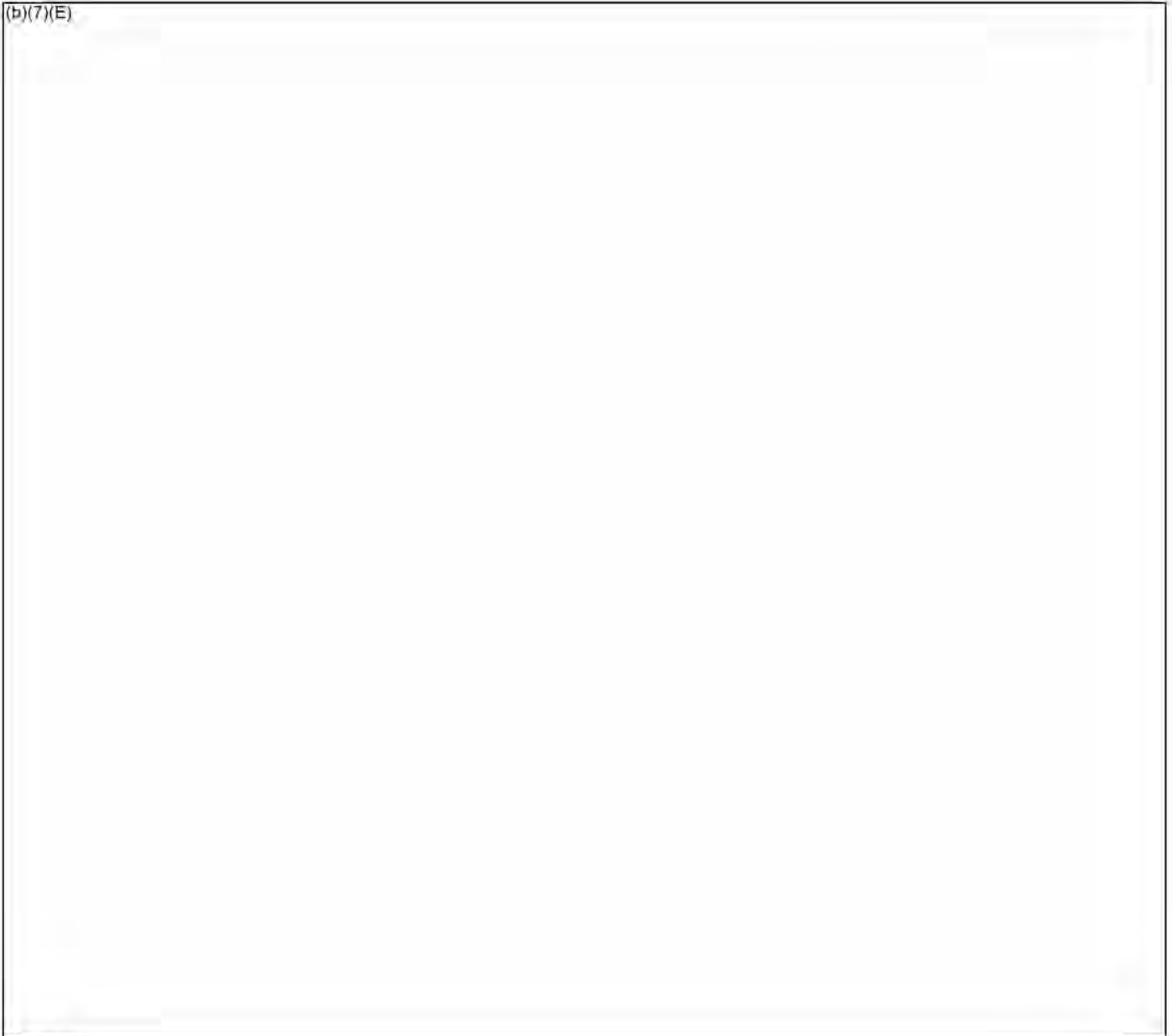
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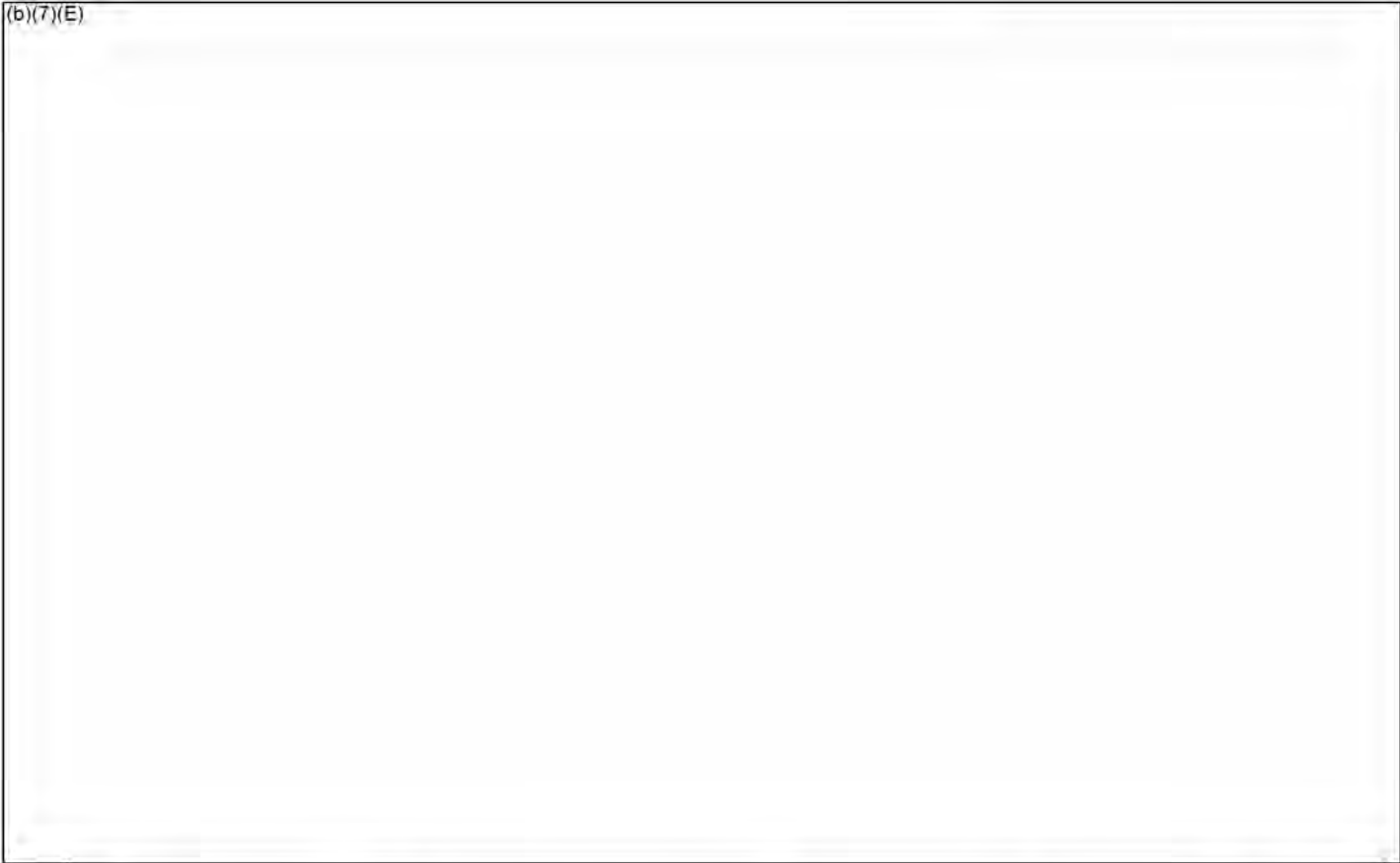
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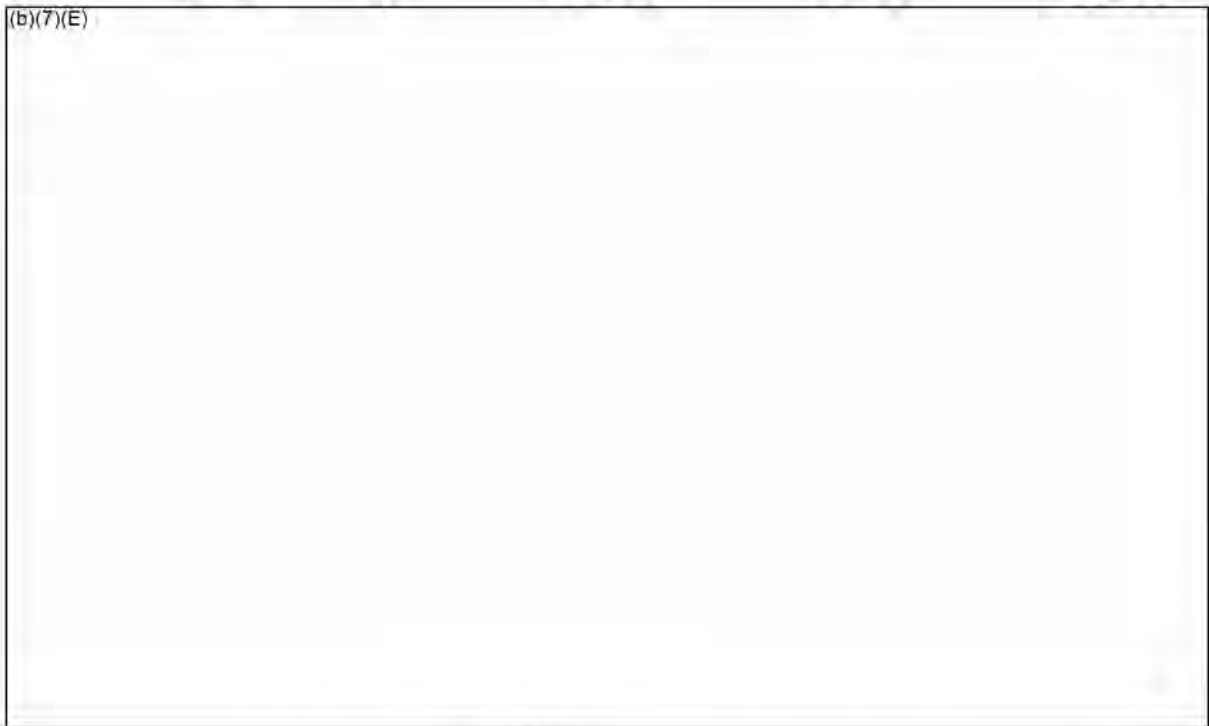
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**Counseling Borrowers on the Advantages, Responsibilities and Ramifications of Consolidation**

The collection agency should fully counsel borrowers on consolidation. The Direct Loans publication “Borrower’s Rights and Responsibilities”, which must be sent to every Fast-Track borrower, is an excellent summary of topics to discuss with borrowers. Borrowers must understand that:

- A consolidation loan is a new loan
- The defaulted loans paid off by the consolidation will be reported to credit bureaus as paid in full and will typically display as “paid collection accounts”
- Upon consolidation, the loans consolidated will no longer prevent the borrower from receiving additional Title IV financial aid
- Direct Loans offers several different repayment plans to accommodate differing financial circumstances
- Borrowers who experience a change in financial circumstances can change plans or can secure a variety of deferments and forbearances to avoid delinquency
- By consolidating, all interest, as well as collection costs equal to 11.1% (eventually 8.1%) of combined principal and interest, will become the principal balance of their new loan--thus, interest accruals on their consolidation loan may be higher than on their defaulted loans
- If the consolidation loan defaults, it will not be eligible for consolidation

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Required Forms

Each agency will be provided .pdf versions of all Direct Loan application documents. The agency will be required to print copies of these documents at their own expense. Before printing such documents, the agency should:

- Ensure that their Fast-Track identification number is also printed in the upper right corner of each document. Unless otherwise stated, this will be each agency’s “AG” number, and will allow Direct Loans to identify stray documents as Fast-Track and to return incomplete documents to the correct collection agency.

What follows is a table listing the forms that must be sent to borrowers. Note that borrowers who choose the ICR plan require additional forms.

Forms That Must be Sent to Borrowers

Form	No. Pages	(b)(7)(E)
Approved “Consolidation Responsibilities” letter (before package sent to borrower)	1	
Borrower's Rights and Responsibilities	2	
Application Form/Promissory Note	4	
Repayment Plan Selection Form	1	
Consent to Disclosure of Tax Information	1	
Alternative Documentation of Income (ADOI)	1	

Edit Requirements

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Inaccurate applications require more handling at Direct Loans and thus reduce the overall efficiency of Fast-Track. Therefore, agencies with persistently high rejection rates are subject to exclusion from Fast-Track. Many agencies consistently achieve a 100% accuracy rate--because they have invested in the technology needed to generate accurate and complete application materials, and because they have established effective quality control processes. The document



“Fast-Track Edit Requirements” (Appendix F) details the exact edit requirements for every field on every form. Inevitably, questions will arise; when this happens, the agency may call the Fast-Track unit at

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The Application Form /Promissory Note

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Program	Loan Type	DMCS Abbreviation	Direct Loan Code
FISL	Federally Insured Student Loan <sup>8</sup>	FISL	C
NDSL	National Direct Student Loan	I	M
	National Defense Student Loan	E	N
	Perkins Loan	P	F
GSL	Stafford	STAF	A
	Consolidation	CONS	O
	Supplemental Loan for Students	SLS	H
	Auxiliary Loan to Assist Students	ALAS	P
	Parental Loans for Undergraduate Students	PLUS	T
Direct	Subsidized Stafford <sup>9</sup>	STAF	D

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Loans		(b)(7)(E)
	Unsubsidized Stafford	
	PLUS	

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**Reviewing Signed Applications**

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**Submitting Application Materials to Direct Loans**

Prepare an LVC

Once the PCA has reviewed the application materials for accuracy and completeness, the PCA should complete a Direct Consolidation LVC. (b)(7)(E)

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Timing Fast-Track Submissions

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weekly limit. Any applications received beyond the cap amount will be returned to the

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Forms to be Submitted

What follows is a summary of the forms that constitute a complete Fast-Track application package.

Forms Which Must be Submitted to LCC

Form	No. Pages	All Borrowers	ICR Borrowers
Application Form	4	X	X
Repayment Plan Selection Form	1		X
Loan Verification Certificate	1	X	X
Consent to Disclosure of Tax Information	1		X
Alternative Documentation of Income (ADOI)	1		X

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**Errors on Application Materials**

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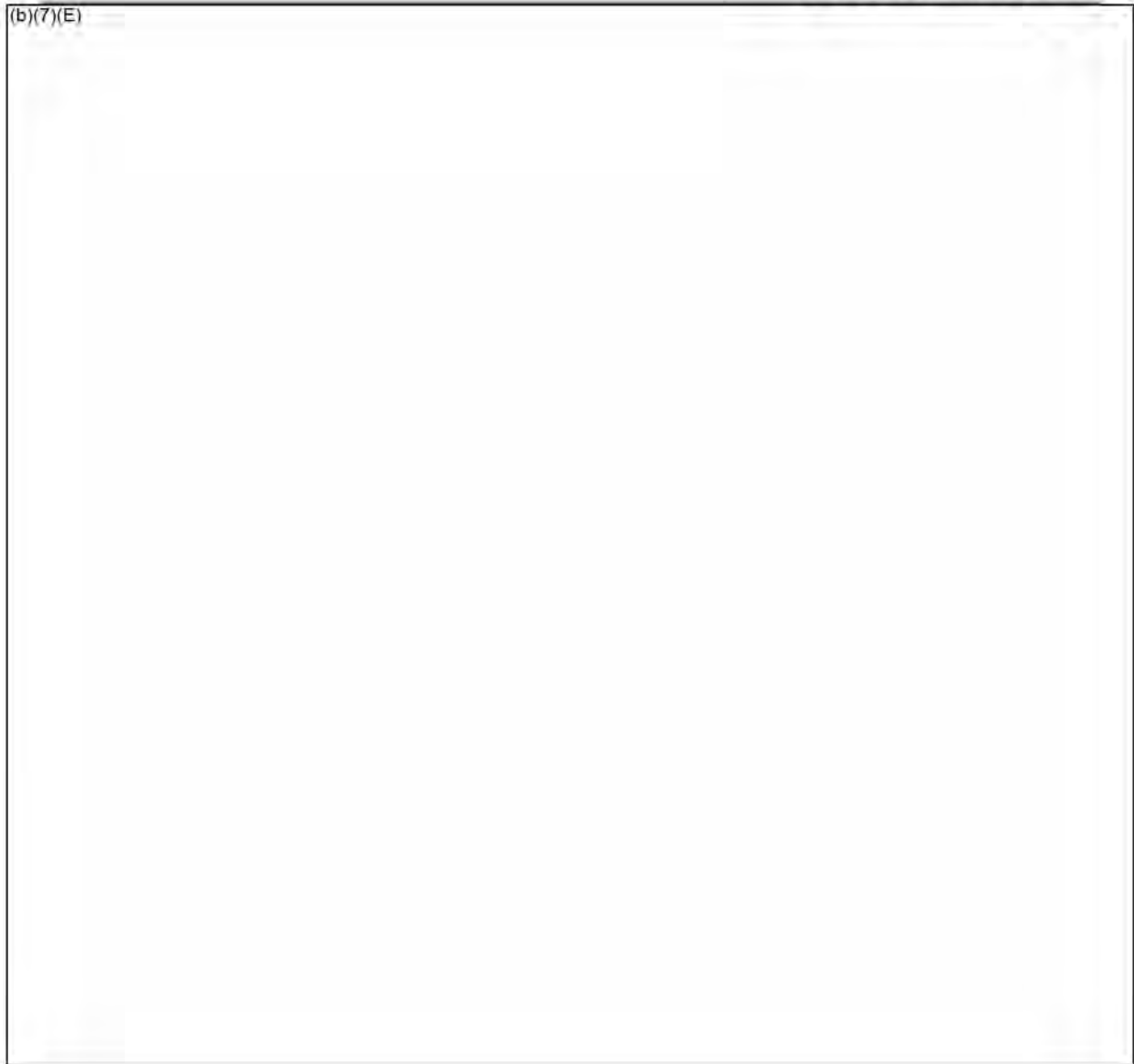
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First Letter of Debt ID	Program	Loan Type	DMCS Abbreviation	Direct Loan Type Code	Direct Loan Packet
(b)(7)(E)	Federally Insured Student Loans	Federally Insured Student Loan <sup>10</sup>	FISL	C	Subsidized
	Campus-Based Student Loans	National Direct Student Loan	I	M	Subsidized
		National Defense Student Loan	E	N	Subsidized
		Perkins Loan	P	F	Subsidized
		Guaranteed Student Loans	Stafford	STAF	A
	Direct Loans	Supplemental Loan for Students	SLS	H	Unsubsidized
		Auxiliary Loan to Assist Students	ALAS	P	Unsubsidized
		Consolidation	CONS	O	Subsidized
		Parental Loan for Undergraduate Students	PLUS	T	PLUS
		Subsidized Stafford	STAF	D	Subsidized
		Unsubsidized Stafford	STAF	L	Unsubsidized
		PLUS	PLUS	U	PLUS
	(b)(7)(E)	Subsidized Consolidation <sup>12</sup>	STAF	D	*
		Unsubsidized Consolidation	STAF	E	*
		PLUS Consolidation	PLUS	V	*

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**APPENDIX G - DIRECT CONSOLIDATION LOAN VERIFICATION  
CERTIFICATE (EXCEL VERSION)**

**1. Software Requirements:**

This application was created in Microsoft Excel 2000. Because it relies heavily on formats, it should be run only on Excel 2000 or higher. The formats may not transfer correctly to other spreadsheet applications such as Lotus; the user should test carefully the outputs of any attempt to run this application to ensure compatibility with individual printers, networks and computers.

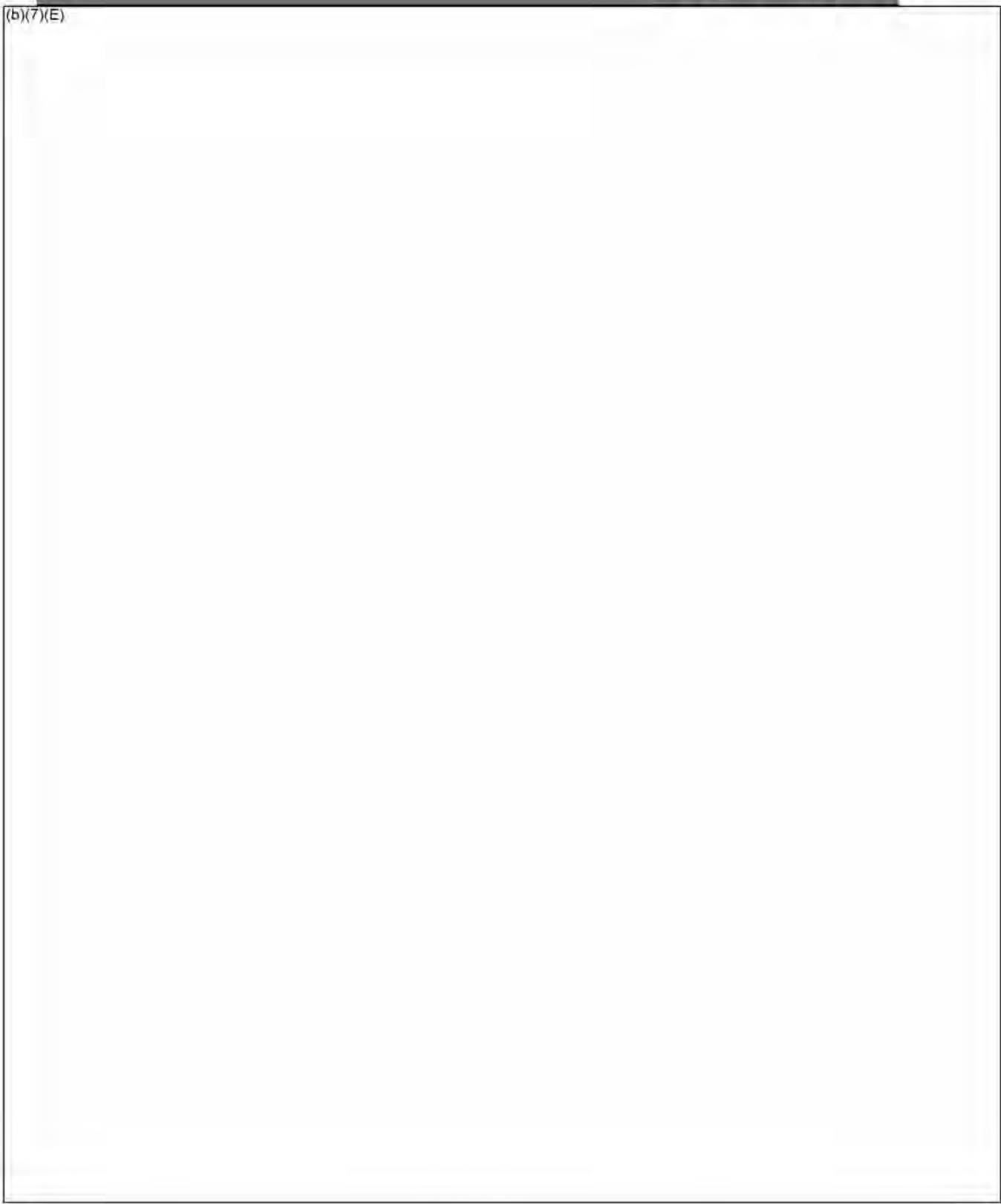
**2. Using the Program:**

- The program is a workbook comprised of two worksheets. The user enters data only into the worksheet called "DataInput". Once all data has been entered, the user should print the worksheet called "Certificate". The program will not allow the user to directly enter data into the second worksheet, and the first worksheet cannot be printed and submitted in place of a regular certificate.
- Loan holder and payoff address information need only be entered once by the user. It is suggested that you enter this data immediately and save the file with your information to avoid the need for duplicative effort. The fields for entering this information are Located at the bottom of the "DataInput" worksheet.
- The program is hard-coded to fill the VC's Field 4 ("Today's Date") and the signature date with the date on which you print the form. The LCC will assume that interest reported on the VC reflects accruals through this date. Thus, you should print the form on the same day that you pull data from the DMCS. Do not project interest into the future; the LCC will compute the interest that accrues after certification using the per diem value on the VC.
- Most of the actual data input fields are self-explanatory and correlate to actual fields on the VC. It is strongly recommended that you test the program before implementing it on a wide scale. The worksheet "Certificate", when printed, should look almost exactly like a regular verification certificate; if it appears to be different, contact the LCC. It is recommended that you submit a test version to LCC to ensure that your input conventions are correct and that the integrity of the program has not been affected by software or hardware differences.

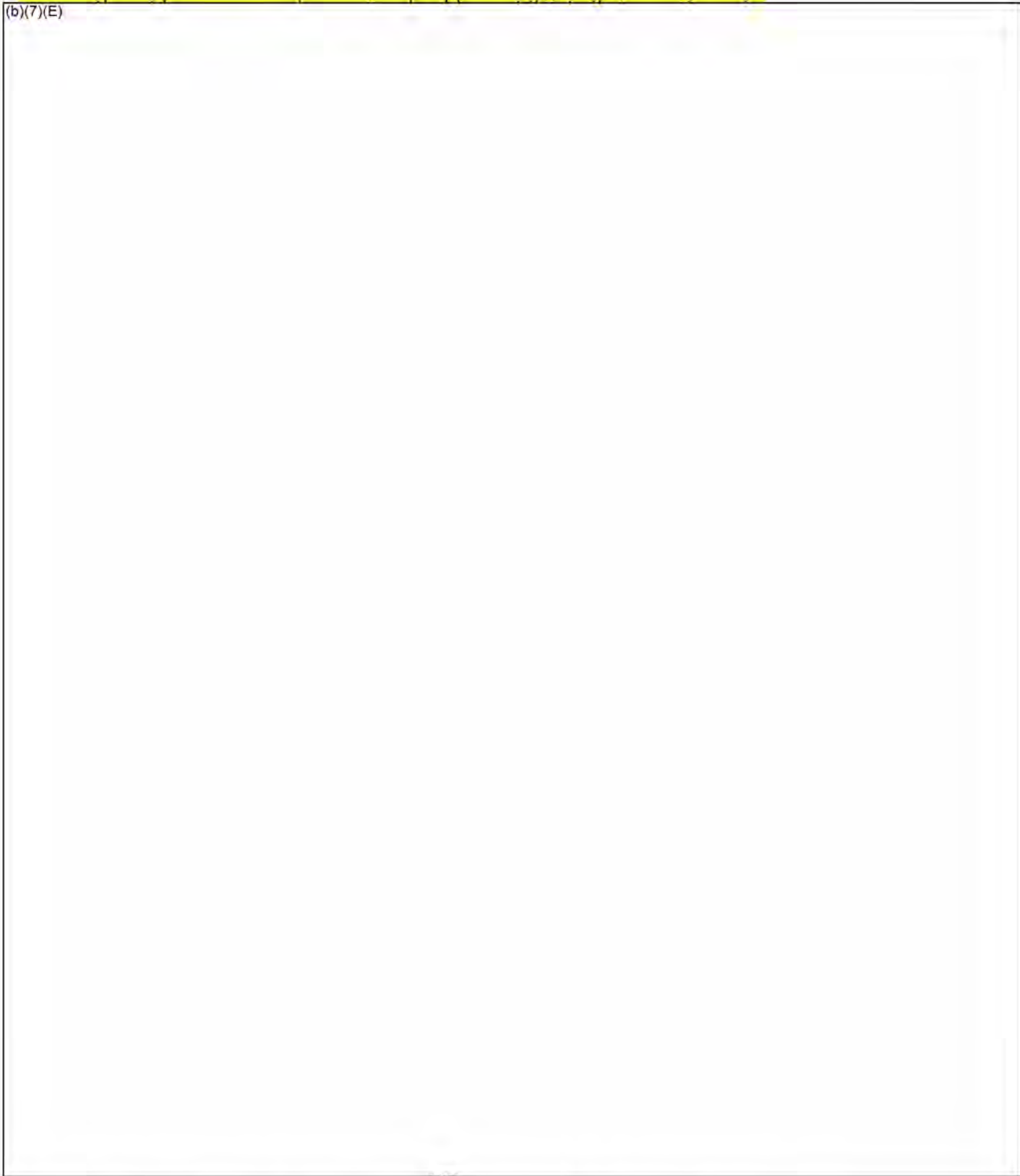
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