

**04/28/2009 NCHELP IBR Webinar
Final Questions & Answers**

Q1. If we consolidate a borrower's loans, how will we be notified of the amount of time the borrower has already used of the three-year IBR interest subsidy?

A1. A new Loan Verification Certificate (LVC) form is in the works. Once approved it will provide data fields for this information. In the meantime, loan holders will need to work together to provide the information.

Q2. Does consolidation restart the 3-yr subsidy period?

A2. No. Each underlying loan within the Consolidation loan will only have the number of months of IBR interest subsidy it had remaining when it was consolidated. For example, if 12 months of IBR interest subsidy were exhausted on underlying Loan A, and 6 months on underlying Loan B, the Loan A portion of the Consolidation loan would get 24 more months of IBR interest subsidy, and the Loan B portion would receive 30 months.

Q3. Does the HEAL portion of a Consolidation loan get Special Allowance Payments under IBR?

A3. No. The HEAL portion of the Consolidation loan would not be eligible for either the 3-year interest subsidy or the Special Allowance on the average daily accrued interest. This is because the HEAL portion of a Consolidation loan is not eligible for federal interest benefits or SAP.

Q4. On your calculation example you have \$5 a day but are you suppose to add \$5 to each day or do you have a running total?

A4. The average daily accrued interest would in essence be a running total, though it would go down whenever the borrower made a PFH payment greater than zero. In other words, it is tied to how much unpaid interest is outstanding at the end of each day for which the borrower is on PFH, minus any amount that was outstanding prior to the date the borrower initially entered PFH.

Q5. During forbearance or deferment, can the lender bill SAP on the unpaid accrued interest?

A5. No. By entering into any kind of deferment or forbearance, the borrower is leaving PFH. Lenders may only bill for SAP on the unpaid accrued interest during periods of PFH.

Q6. If the permanent-standard is lower than monthly accrued interest, can the lender bill IBR interest subsidy if during the 3-yr period?

A6. It would be unlikely that this would happen but if it does, billing of IBR interest subsidy during the 3-year period would be permitted as the subsidy is applicable to periods of IBR, not just periods of PFH under IBR.

Q7. Is SAP billing on the unpaid accrued interest dependant upon the loan being in the 3 year IBR subsidy period?

A7. No. The SAP billing applies to all of the loans in PFH, not just the subsidized ones, and it applies during all periods of PFH, no matter how long those periods last or how far into the borrower's overall repayment period they begin or resume. Also, the Department has clarified that we are to include the IBR subsidy interest that is the Department's obligation to pay in the average daily accrued interest calculation.

Q8. What is the effective date of the IBR impact to LaRS Interest and SAP Billing?

A8. Effective for the third quarter 2009.

Q9. On slide 37, please explain again why you are billing on \$65.00 instead of \$30.00.

A9. The Special Allowance is billed on the average daily balance of the unpaid accrued interest, much like the SAP is billed on the average daily principal balance. So, the total interest outstanding at the end of each day is the amount you factor into the calculation; you just don't take a one-day calculation of interest and multiply it by the number of PFH days (which is what the \$30 would represent). Slide 37 shows the progression of the total outstanding interest for each PFH day.

Q10. It was stated that a HEAL loan is not eligible for SAP billing due to the fact that loan type is not eligible for government interest subsidy. Can it be more generally said that Unsubsidized balances of any loan type is ineligible for SAP billing?

A10. No. Unsubsidized FFELP loans are eligible for Special Allowance on the unpaid accrued interest; they are just not eligible for the additional interest subsidy during the first three years of IBR.

Q11. Can a loan default after being in IBR?

A11. Yes, any payment amount due above \$0.00 that is missed will require standard due diligence and if the borrower fails to make those payments they can eventually default.

Q12. How delinquent may a borrower be and still be eligible for IBR?

A12. A borrower is eligible for IBR until the loan is in default status. This means that if the claim is not paid, a lender may recall the claim, use the new administrative forbearance to cover the delinquency prior to the repayment plan change, and place the borrower into IBR.

Q13. Can you tell us why unsubsidized loans are not eligible for the 3 year interest subsidy?

A13. The regulations only provide for the interest subsidy on subsidized loans and the subsidized portion of consolidation loans.

Q14. Should I expect the average balance reported for Subsidized loans be the same for interest billing as well as special allowance billing? Is there an example as to why they wouldn't?

A14. The average daily balance of unpaid accrued interest is an entirely different calculation than the three-year interest subsidy, much like the traditional average daily principal balance is completely separate from, and different than, the interest for which you would bill the Department on subsidized loans during deferment periods. One amount (the interest subsidy) is a straightforward difference between the monthly payment amount and the accrued monthly interest amount, and the other (the average daily accrued interest) is an average of the outstanding daily interest amounts.

Q15. What changes will occur to Part II, Interest Subsidy, of the LaRS report?

A15. Beginning with the September 30, 2009 quarter, the Department will require loan holders to use the following new billing codes in *Column C, Billing Code* and to report the amount of interest in *Column F, Interest Amount* on the 'Lender's Interest and Special Allowance Request and Report (LaRS/799)', even if the billing is for the current quarter. While the Department will pay the amount in *Column F*, the loan holder will be responsible for maintaining the supporting documentation showing how the amounts were determined. The Department has asked that the interest rate be reported and zero dollar amounts will be accepted in *Column D, Ending Principal Balance & Column E, Average Daily Principal Balance*.

IC - Billing Current

II - Previous quarter increase adjustment

ID - Previous quarter decrease adjustment

Q16. What changes will occur to Part III, Special Allowance, of the LaRS report?

A16. The same billing codes used in Part II will be used in Part III, *Column A, Billing Code*. The special allowance will be calculated on an average daily balance of the outstanding accrued interest that includes the accrued interest that is the borrower's responsibility and the accrued interest that is the Department's obligation to pay. If the borrower's PFH ends prior to the end of a quarter, the average daily balance calculation will stop as of that date. Report on LaRS/799 using the same special allowance code as used on the principal amount for loan type in *Column E, Special Allowance Category* with a 0% interest rate in *Column F, Interest Rate* and use the average daily balance of the unpaid accrued interest. As is reported today, current quarter billings are reported in *Column H, Average Daily Principal Balance* and prior quarter adjustments are reported in *Column I, Adjustment for Difference in Average Daily Principal Balance*. The loan holder will be responsible for maintaining the supporting documentation showing how the amounts were determined.

Q17. If the proposal to go to Direct Loans takes affect, will there be any changes in IBR?

A17. There is no way to tell at this point. In theory, loans already made under FFELP and held by a private entity or non-profit would continue to be eligible for IBR. However, loans either sold to the Department or made under the Direct Loan program would not involve government billing (since the Department is not going to bill itself).

Q18. Is a loan on IBR eligible for Special Allowance Payments if the loan is 280 days past due and the claim has not yet been paid?

A18. Yes. If the borrower is still in a PFH situation as of day 280, the lender may continue to include the unpaid accrued interest into the average daily unpaid accrued interest calculation. In this case, the loan has not yet reached the 60-day untimely filing restriction, at which point such billings would stop.