02/20/2009 NCHELP IBR Webinar
Final Questions and Answers

Q1. If a married couple without other dependents files separately would the family size be one or two?

A1. The family size would be two.

Q2. If a borrower is in IBR for five (5) years and then leaves IBR can they enter Extended Repayment if their loan balance would qualify? Would it be their original loan balance or their current loan balance that would be used to see if they have the $30,000 in federal debt to qualify for extended repayment?

A2. Yes. The borrower would have to first "pass-through" Expedited-Standard then could be placed on an extended repayment plan. The ability to obtain the extended plan would be based on their CURRENT loan balance.

Q3. If a borrower has a consolidation loan, would they still repay under a ten (10) years term? Or do consolidation terms apply?

A3. Normal consolidation terms would apply, but only when assigning a payment amount outside of the IBR umbrella. When it comes to calculating the Standard-Standard and Permanent-Standard payment amounts, however, the ten-year term applies.

Q4. Does the borrower need to pay / be billed for at least one installment of the Expedited-Standard before switching to another payment plan?

A4. Yes.

Q5 Medical students with well over $100,000 in eligible loans do a four-year residency during which time they use IBR. When they finish their residency, they no longer have a PFH, but can stay in IBR. Are payments calculated on Expedited 10-year OR can they take 25 years (Extended) less 4 years, for a total of 21?

A5. If they remain under the IBR umbrella, they are limited to the 10-year Permanent Standard payment. To get the 21 remaining years, they would have to leave the IBR umbrella altogether and initially go into expedited-standard repayment (for time remaining of the 10 years, unless they have a Consol loan), and then request extended.

Q6. Please define Standard-Standard and Permanent-Standard.

A6. The Standard-Standard payment amount is calculated when the borrower initially enters repayment based on a 10-year term, regardless of loan type. The Permanent-Standard payment amount is calculated immediately preceding the borrower entering IBR on the loan balance outstanding based on a new 10-year term. This payment amount becomes effective when the borrower no longer has a partial financial hardship and remains under the IBR umbrella.

Q7. Once the loan is in default and placed with an outside collection agency, is the IBR a repayment option for the borrower?

A7. No.

Q8. If a borrower under an IBR plan files bankruptcy, are they still entitled to the interest subsidy?

A8. No. By filing bankruptcy, the borrower is in essence taking themselves out of PFH, since the lender is required to suspend all billing activity at that point. However, the three-year clock will continue to run.

Q9. How can interest subsidy stop on the 61st day after borrower is eligible for forgiveness if it is only a 36-month period? Please clarify.

A9. The 61st day is just another point at which interest subsidies stop in general. So, if the borrower was in a Hardship Deferment, for example, when the 300th qualifying month hit, and the lender did not file for forgiveness by the 60th day following the lender's determination date, the interest subsidies associated with that deferment period would stop.

Q10. If multiple partial payments are received and the total of these payments fulfill the IBR payment, does this count towards IBR forgiveness?

A10. Yes.

Q11. Slide 38 - 3rd bullet - Isn't any PFH payment less than Standard-Standard or Permanent-Standard? Is this bullet saying that PFH payments don't count?

A11. It's not meant to. All PFH payments count toward the 300 required months.

Q12. Do zero payment loans have to receive monthly billing statements?

A12. We do not think so, however, more discussion is necessary due to the recent changes in the HEOA.

Q13. When the customer is at a $0 payment amount must we bill the customer?

A13. We do not think so, however, more discussion is necessary due to the recent changes in the HEOA.

Q14. How do you count zero payment loans against the number of payments made if nothing is being sent by the borrower?

A14. The lender/servicer would automatically bank each month that has a zero payment as that month passes.

Q15. If the customer comes out of IBR and we recalculate their payment, can it be higher than the payment amount before IBR?

A15. Yes, especially since the IBR months used will have counted against the maximum repayment months available.

Q16. Is a PLUS loan made to Graduate/Professional student borrowers eligible for IBR? If so, how to you determine if a PLUS loan being consolidated was made to a Graduate/Professional student or parent borrower since there is no differentiation between PLUS Parent and Graduated/Professional loans at present?

A16. Yes, Graduate/Professional loans are eligible for IBR. GradPLUS loans carry their own loan type of GB within a lender/servicer system as well as on NSLDS. This loan type is also used when a lender completes the Lender Verification Certificate (LVC).

Q17. What if the borrower is in PFH for more than 10-years and then voluntarily chooses to leave IBR, how would you handle Expedited Standard calculation since no time would be left under the original standard 10-year term?

A17. Assuming the questioner was referring specifically to loans that inherently have a maximum term of ten years, Expedited-Standard would be unavailable in this case. The borrower would have no choice but to remain under the IBR umbrella. This is tricky though, if the borrower would potentially qualify for Extended Repayment, for example. It isn't clear if we could deny them that option just because they didn't have enough repayment months available to be initially put into Expedited-Standard (as the necessary stepping-stone to an alternative plan like Extended).

Q18. If the IRS information indicates the borrower is no longer eligible for a partial financial hardship, what action does the servicer need to take?

A18. The loan(s) would be converted to the Permanent-Standard payment amount and any unpaid accrued interest should be capitalized.

Q19. If a borrower defaults and is then repurchased, does the borrower have to re-qualify for a partial financial hardship?

A19. Yes.

Q20. Would you elaborate with some examples on how the three-year interest subsidy "clock" is calculated? For example, if borrower enters repayment and IBR (w/ PFH determination) on two subsidized Stafford loans for one year, goes back to school and takes out one new subsidized Stafford, re-enters repayment on all loans and re-enters IBR w/ PFH determination, how much time is left on the interest subsidy clock for each of the loans? If same borrower later consolidates all three loans in DL, how is the subsidy clock on the consolidation loan calculated?

A20. On the first two loans, the three-year clock will continue to run while the borrower is back in school, so how much subsidy time remains is based on how long the borrower remains in an in-school deferment on those loans. (Basically, take the 36 months minus the 12 months of subsidy already used minus the months of in-school deferment used.) The new loan would get a full 36 months from the time it entered IBR after the in-school period. If the borrower then consolidates all three, each underlying loan included in the Consolidation loan will retain the subsidy months used prior to the consolidation.

Q21. What are the excluded loans from IBR?

A21. Parent PLUS and Consolidation loans containing Parent PLUS made under both the FFEL and Direct Loan programs.

Q22. So, to be clear, If the borrower defaulted on a loan a few years ago, entered a rehabilitation program and the lender bought back the loan from the guarantor, the borrower would or would not have the IBR option?

A22. The borrower WOULD have the option, but they would have to have a Partial Financial Hardship.

Q23. On slide 49, does the subsidy end when the borrower leaves PFH?

Q23. Not necessarily. If the borrower went from PFH to Perm-Standard within three years of first entering IBR, and the Perm-Standard payment amount was somehow less than the accrued interest (very unlikely), you can continue to bill the government for the difference on the subsidized loans.

Q24. Slide 47, first bullet, shouldn't that read PFH rather than IBR?

A24. No. If the borrower goes from PFH to Perm-Standard within three years of first entering IBR (thereby staying under the IBR umbrella), and the Perm-Standard payment amount is also less than the accrued interest (very unlikely), the subsidy still applies.

Q25. Does the regulation state the customers in the IBR plan with a zero payment amount can not have their due date moved forward? Wouldn't that cause problems for consumer reporting agency reporting?

A25. The due date can advance as normal; it just cannot be advanced beyond the current month at any point (no prepayments). So, each month should continue to report to the agencies as a current repayment month or deferred.

Q26. Can partial payments be accumulated to equal one payment for purposes of calculating eligible payments? If the borrower no longer has PFH, standard-standard / expedited-standard is $100, and borrower makes multiple $50 payments. Would each set of two $50 payments count as one payment toward the required 300 payments for forgiveness?

A26. Yes.

Q27. How is family size certified?

A27. Family size is self-certified by the applicant.

Q28. For periods of Economic Hardship Deferment to count toward 300 payments, must the deferment cover an entire month? For example, the deferment is 6 1/2 months long. Does it count for 6 months or 7 months?

A28. It depends on how many billing periods the deferment covered.

Q29. What if there is no tax information for the previous tax year at the time the borrower applies for IBR, how will you get income information?

A29. You would then request alternative documentation or make a judgment that the prior year's tax return (if requested and provided) was sufficiently reflective of the borrower's current income and use that.

Q30. If a borrower is in Default and is starting the rehabilitation process with a collection agency after 07/01/2009, can the payments made to the collection agency be counted towards the IBR?

A30. No; only the payments subsequently made to the rehabilitation lender will count.

Q31. If the borrower must be placed on the standard repayment plan if they do not submit IBR documentation, does this mean that they're already placed on the repayment plan before they're eligibility is verified? If so, what is their payment amount in the interim?

A31. The borrower would simply remain on the standard plan until the required income verification documentation is received and processed.

Q32. What do we do with the account while we wait for the IRS to respond?

A32. The borrower would remain in their current repayment plan.

Q33. If borrower qualifies for PFH in July but paperwork is not completed until Aug, does the lender have to enter the effective date of July or Aug?

A33. We won't know if the borrower does qualify for a PFH until the paperwork is completed, so you would use an effective date of August.

Q34. The slides stated that "The interest subsidy is not contingent upon the borrower actually making a payment..." does this mean that they will receive the interest benefit even when they're delinquent?

A34. Yes.

Q35. The family size is self certified each year, is the AGI certified each year as well?

A35. Yes.

Q36. Can the borrower be on IBR and a deferment at the same time, such as a school deferment?

Q36. If you mean "IBR" as "under the IBR umbrella", then yes. Once the borrower enters a deferment, they are deemed to have left PFH. However, when the deferment ends, they will still be under the IBR umbrella, most likely in Permanent-Standard unless new paperwork has been submitted and deemed to have a PFH.

Q37. Should the amount of interest billed to the department reflect the unpaid accrued amount accrued during the quarter or the difference between the billed amount and the accrued amount, regardless if it is paid?

A37. The amount of interest billed to ED would be the difference between the scheduled payment amount and the accrued interest amount, regardless. A question has been submitted to ED for cases where the borrower pays more than what was due; this is still being reviewed.

Q38. Do we understand that once the 25 years/300 payments have been satisfied, that a claim would be filed with the guarantor; then the guarantor reviews. The guarantor will then request reimbursement from ED if the guarantor approves.

A38. Yes

Q39. Can a borrower withdraw their authorization to IRS information? Is this an annual authorization or permanent?

A39. The borrower could withdraw their authorization however this information is needed to make a PFH determination. The authorization is obtained annually and if obtained through the IRS Form 4506-T, is only good for 60 days from the date on the form.

Q40. Can a borrower that left IBR come back at a later time and request it again?

A40. Yes, but they must have a partial financial hardship. They cannot leave the umbrella altogether and later opt back into Permanent-Standard directly.

Q41. Can a borrower enter into deferment/forbearance after leaving IBR?

A41. Yes.

Q42. Can a borrower receive and forbearance while on the IBR?

A42. Yes. In this instance the borrower would still be under the IBR umbrella, however, they would not be in a PFH status.

Q43. What documentation would a borrower need to provide to show they are earning no income?

A43. The borrower would provide a self-certifying statement as they might do for Economic Hardship Deferment.

Q44. What do you do if the borrower did not file taxes for the year preceding the year for which they are applying for IBR?

A44. Obtain that verification from the IRS and then request alternative documentation.

Q45. Regarding forgiveness payments, would we use the 1099 form to report to the IRS and would the current $600 or > be applicable?

A45. Theoretically yes, though this is still being discussed in Congress.

Q46. When "counting" payments, are the payments counted when made or when satisfied? For example; a borrower delinquent May & June makes his full payment to become current in July 2009, does this count as one payment or two?

A46. You would essentially count the number of full installments that were satisfied by the payment, even if some of those installments were paid late. In this example, you would credit the borrower for two payments and two months satisfied.

Q47. Can a graduate student request to end his/her in-school deferment on a Grad PLUS loan and get under the IBR umbrella before graduation on those particular loans?

A47. Yes.

Q48. Is the IBR going to be for all FFELP loans after July 2009?

A48. Yes, except for Parent PLUS loans and Consolidation loans that paid off one or more Parent PLUS loans. Re-consolidations are also not eligible, if the underlying Consolidation loan paid off one or more Parent PLUS loans.

Q49. Can you further describe the efforts the industry workgroup is undertaking in order to obtain clarifying guidance from the Department. Specifically, have we addressed with the Department the extreme time-sensitive nature of the issue?

A49. A Q&A has been submitted to ED with some of the questions deemed to be time-sensitive. There has been at least one face-to-face meeting to discuss with tentative answers on some items. Workgroup members are in constant contact with ED representatives.

Q50. Has the workgroup made a request to the department for an extension of the 7/1 date due to all the outstanding issues?

A50. No since the 7/1/09 effective date is statutory.

Q51. Do we understand correctly that when a Default, Bankruptcy or TPD claim is paid by the guarantor we are to capture the IBR fields at claim time and store them so that we can forward to the new lender/owner either at the point of rehabilitation, repurchase and/or assignment to the Department (Subrogation).

A51. Yes.

Q52. Is the lender required to request annual recertification or is it the responsibility of the borrower? If they don't recertify when does the lender return them to the standard payment? 30 days, 45 days, etc.

A52. It is the lender's responsibility to request / notify the borrower of the annual recertification for PFH determination as long as the borrower is under the IBR umbrella. If the borrower does not provide updated income information then the borrower reverts to or continues to make the Permanent-Standard payment amount.

Q53. Please address what obligation the borrower has, when FIRST applying for IBR, to disclose and supply alternative documentation if his/her prior year tax information is not representative of current circumstances, e.g., last year's tax return had no income while in-school, but now the borrower has a full-time job with steady income.

A53. Technically for the initial year there's no obligation. However, the lender can make a determination, based on the dynamic described here (for example), that the prior year's AGI is not reflective of the borrower's current income, and they can require the borrower to provide more current, alternative documentation.

Q54. What status should be reported to the credit reporting agency when the loan is in an approved period of PFH with a $0 payment amount?

A54. The credit reporting agencies have indicated that the most precise way to report these loans is as in deferment as this would show that a payment is not due. By reporting the accounts as deferred, anyone looking at the credit report is aware that the consumer is not obligated to make payments at this time. However, a lender may also report the loan as in current repayment but should make sure to report a scheduled monthly payment amount of $0.