

This information collection for the Direct Loan (DL) Program is related to regulations for dealing with defaulted loans and forbearance in §685.205 and reasonable and affordable loan rehabilitation in §685.211. These regulations provide additional flexibilities for Direct Loan borrowers and permit oral requests for forbearance, as well as allow a borrower to object to the initially established reasonable and affordable loan repayment amount. In addition, if a borrower incurs changes to his or her financial circumstances, the borrower can provide supporting documentation to change the amount of the reasonable and affordable loan monthly repayment amount.

Section 685.205 – Forbearance:

The regulations amend the current Direct Loan regulations to authorize the Secretary to grant forbearance to a borrower or endorser who is in default on a loan, but prior to the loan being transferred to collections, based on the borrower's or endorser's oral request. The regulations provide that a forbearance agreement in this situation must include a new agreement to repay the debt signed by the borrower or endorser (as required under the current regulations), or a written or oral affirmation of the borrower's or endorser's obligation to repay the debt.

The regulations define "affirmation" for this purpose to be an acknowledgment of the loan by the borrower or endorser in a legally binding manner that can take the form of: 1) a new signed repayment agreement or schedule, or another form of signed agreement to repay the debt (as under current regulations), or 2) an oral acknowledgment and agreement to repay the debt that is documented by the Secretary in the borrower's or endorser's file and confirmed by the Secretary in a notice to the borrower; or 3) a payment made on the loan by the borrower or endorser.

The regulations also specify that if a forbearance in this situation is based on the borrower's or endorser's oral request and affirmation, the Secretary must orally review with the borrower the terms and conditions of the forbearance, and that the Secretary must send the borrower or endorser a notice that confirms the terms of the forbearance and the borrower's or endorser's affirmation of the obligation to repay the debt within 30 days of that agreement. The regulations require the Secretary to retain a record of the terms and conditions of the forbearance and affirmation in the borrower's or endorser's file.

Section 685.211(f)(1) – Rehabilitation of defaulted loans.

The regulations add language requiring the Secretary to first offer a reasonable and affordable loan rehabilitation payment amount on a defaulted loan as determined using the income-based repayment (IBR) formula.

Section 685.211(f)(3) – Rehabilitation of defaulted loans.

The regulations would add language specifying that if the borrower objects to the amount calculated under the IBR formula, a second loan rehabilitation payment amount is determined solely on the information provided on the Financial Disclosure for Reasonable and Affordable Payments form.

Section 685.211(f)(6) - Rehabilitation of defaulted loans.

§685.211(f)(6) would require the Secretary to, upon request of a borrower, adjust the borrower's monthly rehabilitation payment due to a change in the borrower's financial circumstances. The borrower would be required to provide documentation supporting the request.

TOTALS

129,027 Responses
108,596 Respondents
35,094 Burden Hours