DEPARTMENT OF EDUCATION

34 CFR Part 682

RIN 1840-AC21

Federal Family Education Loan Program

AGENCY: Department of Education. **ACTION:** Final regulations.

SUMMARY: The Secretary amends the regulations governing the Federal Family Education Loan (FFEL) Program. The FFEL regulations govern the Federal Stafford Loan Program, the Federal Supplemental Loans for Students (Federal SLS) Program, the Federal PLUS Program, and the Federal Consolidation Loan Program, collectively referred to as the Federal Family Education Loan Program. The Federal Stafford Loan, the Federal SLS, the Federal PLUS and the Federal Consolidation Loan programs are hereinafter referred to as the Stafford, SLS, PLUS and Consolidation Loan programs. The Secretary is making changes to the FFEL Program regulations to conform the FFEL program regulations with regulations and policies in effect in the William D. Ford Federal Direct Student Loan Program, hereinafter referred to as the Direct Loan Program.

EFFECTIVE DATE: These regulations take effect on July 1, 1996. However, affected parties do not have to comply with the information collection requirements in sections 682.207, 682.209, 682.210, 682.211, 682.401, 682.412, 682.603, 682.604, and 682.605 until after the information collection requirements contained in these sections have been approved by the Office of Management and Budget under the Paperwork Reduction Act of 1995.

FOR FURTHER INFORMATION CONTACT: Patricia Newcombe, FFELP Policy Section Chief, or Barbara Bauman, FFELP Program Specialist, Loans Branch, Policy Development Division, Policy, Training, and Analysis Service, U.S. Department of Education, 600 Independence Avenue, S.W. (room 3053, ROB-3), Washington, DC 20202-5449. Telephone: (202) 708-8242. Individuals who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1-800-877-8339 between 8 a.m. and 8 p.m., Eastern time, Monday through Friday.

SUPPLEMENTARY INFORMATION:

Background

The Secretary is amending 34 CFR Part 682 of the Department's regulations

to adopt certain policies and procedures that have been used in the Direct Loan Program.

On September 21, 1995, the Secretary published a Notice of Proposed Rulemaking (NPRM) in the Federal Register (60 FR 49130) proposing changes to the FFEL regulations to conform with certain regulations and policies in the Direct Loan program, wherever possible, to provide a consistent approach in both programs. Many of the proposed changes included in the NPRM were identified by commenters in response to an earlier NPRM, published on October 7, 1994, also intended to conform the two loan programs, but were outside the scope of the proposals in that NPRM. In the final regulations published on November 29, 1994, the Secretary promised to evaluate the merits and implications of these additional proposals and include some of them in future regulations. These final regulations reflect many of those proposals. These regulations contain clarifying changes to certain existing provisions of the FFEL program

regulations.

The NPRM published for Part 682 in the Federal Register on September 21, 1995 (59 FR 49130–49131) included a discussion of the major issues surrounding the proposed changes, and the discussion will not be repeated here. The following list summarizes those issues and identifies the pages of the preamble to the NPRM on which a discussion of those issues may be found:

- Clarification of the definition of satisfactory repayment arrangements for a borrower to renew eligibility for Title IV student financial assistance (page 49130):
- Borrower eligibility for a FFEL Consolidation loan for a borrower in default status (page 49130);
- Codification of the existing FFEL policy to allow a loan to be disbursed in a single installment under certain circumstances (page 49130);
- Clarification of late disbursement provisions under documented exceptional circumstances in sections 682.207(d)(2)(iii) and 682.604(e)(3) through amendments to those provisions (page 49130);
- Lender application of borrower loan payments and treatment of prepayments (page 49130);
- Clarification of deferment eligibility for a borrower in default status (page 49131);
- Extension of administrative forbearance to a borrower who ends an authorized deferment period in delinquent status (page 49131);
- Treatment of loan insurance premiums when a school refunds a loan

- or a portion thereof to a lender on behalf of a borrower (page 49131);
- Treatment of payments received after loan discharge (page 49131);
- Minor changes to provisions governing school loan certification (page 49131); and
- Technical changes to conform provisions governing a school's determination of a borrower's withdrawal with the refund provisions of section 668.22(j) (page 49131).

Substantive Revisions to the Notice of Proposed Rulemaking

Section 682.207 Due Diligence in Disbursing a Loan

The final regulations reflect an additional provision that allows a single installment containing more than one loan disbursement to be made prior to the midpoint of the loan period if the date of the scheduled disbursement coincides with the beginning of the next scheduled term for which the school has requested a disbursement as provided for under law.

Section 682.209 Payment Application and Prepayment

The final regulations allow a lender to use a statement included in the borrower's monthly billing statement or coupon book, in lieu of a separate notice, to inform a borrower who submits full payments in excess of the scheduled payment amount (without instructions to the lender) regarding how those payments will be credited to the borrower's account and how that crediting affects the borrower's next scheduled due date for payment.

Section 682.211 Forbearance

The Secretary has changed the regulations to authorize lenders to grant administrative forbearance to borrowers to cover any period of delinquency that may exist after the close of a period of mandatory forbearance, in addition to the close of an authorized deferment period.

Section 682.607 Payment of a Refund to a Lender

The final regulations include a change to section 682.607(c)(1) to clarify the interaction between sections 682.605 and 682.607 and 668.22(j) of the General Provisions regulations.

Analysis of Comments and Changes

In response to the Secretary's invitation in the NPRM, 40 parties submitted comments on the proposed regulations. An analysis of the comments and of the changes in the regulations since publication of the NPRM follows.