

**Appendix VI – Joint Consolidation
Total and Permanent Disability (TPD) Discharge Referral
Attachment to September 2010 Electronic Announcement**

**U.S. Department of Education
Federal Family Education Loan Program
October 1, 2010**

	Category	Joint Consolidation	PLUS Co-Borrower	Endorser Disabled**
	Introduction	<p>Joint consolidation loans (spousal consolidations) are consolidation loans created by two married borrowers who combine their eligible Title IV debt into one Consolidation loan. When two married borrowers obtain a Consolidation loan, they become obligated to repay the entire Consolidation loan.</p> <p>If one of the two borrowers becomes totally and permanently disabled, that borrower may qualify to have the portion of the Consolidation loan that represents the underlying loans obtained by that borrower discharged. In this case, the amount of the Consolidation loan will be reduced by the amount representing the disabled borrower’s portion of the Consolidation loan. However, both borrowers remain responsible for repayment of the remaining balance on the Consolidation after discharge.</p>	<p>For PLUS loans certified by the school prior to 4/16/1999, two parents were allowed to obtain co-made PLUS loans for their dependent student(s). In this case, each borrower is equally responsible for the loan obligation.</p> <p>If one of the two borrowers of a co-made PLUS loan becomes totally and permanently disabled, that borrower may be released from the obligation to repay the debt.* However, the amount of the debt does not change. The non-disabled borrower remains responsible for the entire loan.</p>	<p>Lenders may require PLUS loan*** applicants to obtain a creditworthy endorser. This endorser is secondarily responsible for repayment of the PLUS loan, i.e., if the borrower does not repay the PLUS loan, the endorser becomes responsible for repayment of the outstanding amount.</p> <p>If the endorser becomes totally and permanently disabled, the endorser may be released from the obligation to repay the debt. However, the amount of the debt does not change. The borrower remains responsible for the entire loan.</p>

*PLUS Co-Borrowers are eligible for discharge due to total and permanent disability based on regulatory language found in 34 CFR 682.402(a)(3) as well as language provided on the PLUS promissory note.

**If the PLUS loan is endorsed and the *borrower* becomes disabled, you should assign the loan to the Department, just as you would a normal loan. If the loan is discharged, any obligation the endorser had on the loan is discharged as well. If a refund is due, the endorser may receive a refund of any payments he/she made on the loan, provided he/she can show documentation of having made those payments. Although the test refers to endorsed PLUS loans, these instructions apply to endorsed *Stafford* loans as well.

*** We realize that there are some older Stafford loans with endorsers. Even though the instructions refer to PLUS loans with endorsers, the instructions pertain to Stafford loans with endorsers as well. If you have a Stafford loan with an endorser that needs to apply for discharge due to total and permanent disability, you should follow those instructions.

Total and Permanent Disability Discharge: Joint Consolidations, PLUS Co-Borrowers, and Disabled Endorsers

Guidance developed in coordination with NCHELP – November 2006

#	Category	Joint Consolidation, PLUS Co-Borrowers and Endorsers
2	Forms	<p>The loan holder must obtain a completed Discharge Application: Total and Permanent Disability form. If the loan holder is not the guarantor, the loan holder must submit the appropriate forms to the guarantor.</p> <p>In the case of a Joint Consolidation loan, the loan holder must complete the Request for Reimbursement form.</p>
3	Referral of Loan Application to the Department	<p>In all cases, the loan holder retains ownership of the loan ---the loan is not assigned to the Department of Education (the Department) because there is a remaining non-dischargeable debt. Instead, the guarantor refers the discharge application to the Department for the Department to evaluate the borrower’s request for discharge.</p>
4	Due Diligence	<p>In all cases, loans holders are prohibited from sending any notices that include collection language to the disabled borrower or endorser during the Department’s period of review, which ends when the GA receives notification of the Department’s discharge decision.</p> <p>However, the loan holder must continue to collect from the non-disabled borrower or the endorser (if the loan holder is pursuing the endorser for payment) during the Department’s period of review.</p>

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5	<p>How do loan holders refer loan applications for TPD?</p>	<p>As stated previously, the loan will not be formally assigned to the Department of Education. Instead, the GA will refer the borrowers' and endorsers' discharge applications to the Department. The SAIG submission must contain only referrals of joint-consolidation loans, co-made PLUS loans or disabled endorsers. The SAIG submission must not include standard TPD Discharge assignments or referrals for Veterans Disability Discharge. Likewise, manual (paper) referrals must be packaged separately from standard TPD Discharge assignments or referrals for Veterans Disability Discharge.</p> <p>To submit referrals via SAIG, complete File Position 1475, Total and Permanent Disability Assignment Type, with a "D" for joint consolidation loans or "B" for disabled endorsers or PLUS Co-Borrowers. If referring a joint consolidation, complete File Positions 298-308, Current Principal Balance, with the amount to be discharged or \$1.00. If referring a disabled endorser or Co-Borrower, complete file position 298 – 308, Current Principal Balance, with \$1.00. The GA must then send an image of each borrower's discharge application and supporting documentation in a password-protected .zip file (and provide the password in a separate e-mail) to disabilityinformation@nelnet.net with the subject line "RE: Joint Consolidation," "RE: PLUS Co-Borrower," or "RE: Disabled Endorser."</p> <p>To submit referrals manually, check the appropriate box on the first page of the TPD Discharge Referral Form. See Appendix III.B – Referral Form</p> <p>If the GA determines the borrower meets the eligibility criteria and the loan is held by a lender or servicer, the GA will pay the lender/servicer the amount determined to be potentially eligible for refund.</p> <ol style="list-style-type: none"> 1. Send the borrower's or endorser's <i>discharge application, all supporting medical documentation, and a completed referral form</i> to the TPD Servicer: U.S. Department of Education 3015 South Parker Road, Suite 400 Aurora, CO 80014 In the file record or on the Referral Form, list the disabled individual as the borrower and the non-disabled individual as the co-signer. This is important, because the discharge will be tracked under the primary borrower, not the cosigner. So, even if the disabled individual is an endorser, you should still put the endorser's information in Section A. 2. Label the package JOINT CONSOLIDATION, PLUS CO-BORROWER, or DISABLED ENDORSER, as appropriate. <i>This means GAs must submit joint consolidation, co-made PLUS loans or disabled endorser information individually; they cannot combine these types of loans in one package.</i> 3. Do not send payment listings or loan collateral documentation. <p>Upon receipt, the Department will process the discharge application and subsequently inform the GA of the borrower's or endorser's discharge eligibility via the Pseudo Eligibility Report(s). The report will include the names of <i>all</i> cosigners, borrowers and endorsers to assist you in identifying the account(s) on your system. (This list will include only those borrowers of joint-consolidation loans, co-made PLUS loans and endorsed loans).</p> <p>If the Department receives any payments for these borrowers or endorsers, the payments will be returned to the sender.</p>

Total and Permanent Disability Discharge: Joint Consolidations, PLUS Co-Borrowers, and Disabled Endorsers

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6	Basics	<p>If the Department finds the disabled borrower eligible for discharge, the disabled borrower's underlying loans are discharged, but the disabled borrower <i>and</i> the non-disabled borrower are still responsible for the remaining non-dischargeable portion of the loan.</p> <p>If the Department finds the disabled borrower ineligible for discharge, both borrowers remain responsible for the entire loan.</p> <p>Answers below assume only one borrower is disabled.</p>	<p>If the Department finds the disabled borrower eligible for discharge, the disabled borrower has no remaining obligation, but the non-disabled borrower is still responsible for the entire loan.</p> <p>If the Department finds the disabled borrower ineligible for discharge, both borrowers remain responsible for the entire loan.</p> <p>Answers below assume only one borrower is disabled.</p>	<p>Endorser cannot apply for discharge until the loan holder begins pursuing the endorser for payment, i.e., the borrower becomes delinquent or defaults.</p> <p><i>This precludes processing of discharge documentation if received prior to the loan holder pursuing the endorser.</i></p> <p>If the Department finds the endorser eligible for discharge, the disabled endorser has no remaining obligation to repay the loan. However, the borrower continues to be responsible for the loan.</p> <p>If the Department finds the disabled endorser ineligible for discharge, both the borrower and endorser remain responsible for the loan.</p>

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7	What should loan holders do with the non-dischargeable portion?	<p>You must reduce the loan balance by the potentially dischargeable portion, which includes any payments eligible for refund. If a credit balance results, you may issue the credit to the borrower.</p> <p>Bill only the non-disabled borrower and only for the non-dischargeable portion during the Department’s period of review.</p> <p>If the non-disabled borrower is deferment eligible, the loan holder may grant deferment without the disabled borrower meeting deferment eligibility requirements.</p> <p>You must protect the status of the loan during the Department’s period of review so that the status does not deteriorate when you renew billing of the disabled borrower. You may effect this protection of status by applying a forbearance or deferment to the loan, if the non-disabled borrower is eligible.</p> <p>In addition, a loan holder may apply an administrative forbearance to ensure the loan does not become delinquent or that an existing delinquency does not increase during the Department’s period of review. Loan holders must first explore available options (e.g., alternative repayment agreements, deferments or discretionary forbearance) with the non-disabled borrower prior to granting an administrative forbearance.</p>	<p>Bill only the non-disabled borrower for the entire loan during the Department’s period of review.</p> <p>If the non-disabled borrower is deferment eligible, the loan holder may grant deferment without the disabled borrower meeting deferment eligibility requirements.</p> <p>You must protect the status of the entire loan during the Department’s period of review so that the status does not deteriorate when you renew billing of the disabled borrower. You may effect this protection of status by applying a forbearance or deferment to the loan, if the non-disabled borrower is eligible.</p> <p>In addition, a loan holder may apply an administrative forbearance to ensure the PLUS loan does not become delinquent or that an existing delinquency does not increase during the Department’s period of review. Loan holders must first explore available options (e.g., alternative repayment agreements, deferments or discretionary forbearance) with the non-disabled borrower prior to granting an administrative forbearance.</p>	<p>Bill only the borrower during the Department’s period of review.</p> <p>You do not need to protect the status of the loan. The borrower may default during the Department’s period of review.</p>

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8	What start and end dates apply to an administrative forbearance under the conditions in the previous question?	The loan holder may apply an administrative forbearance to ensure the Consolidation loan does not become delinquent or that an existing delinquency does not increase during the Department’s period of review. The administrative forbearance may begin no earlier than the date the loan holder receives the discharge application or the notification from the guarantor that one borrower is permanently and totally disabled. The administrative forbearance may not end later than the date the loan holder receives notification of the Department’s discharge decision.	The loan holder may apply an administrative forbearance to ensure the PLUS loan does not become delinquent or that an existing delinquency does not increase during the Department’s period of review. The administrative forbearance may begin no earlier than the date the loan holder receives the discharge application or the notification from the guarantor that one borrower is permanently and totally disabled. The administrative forbearance may not end later than the date the loan holder receives notification of the Department’s discharge decision.	N/A – the PLUS loan borrower is not eligible for an administrative forbearance during the endorser’s Department’s period of review.
9	Is the non-disabled borrower eligible to be granted any type of deferment during the Department’s period of review?	Yes. The disabled borrower is not considered to be a borrower with a repayment obligation during the Department’s period of review. As such, the deferment eligibility requirement would apply only to the non-disabled borrower. The application of deferment in this instance is a positive method of servicing the Consolidation loan and preventing the increase of delinquency or default on the Consolidation loan during the Department’s period of review.	Yes. The disabled borrower is not considered to be a borrower with a repayment obligation during the Department’s period of review. As such, the deferment eligibility requirement would apply only to the non-disabled borrower. The application of deferment in this instance is a positive method of servicing the PLUS loan and preventing the increase of delinquency or default on the PLUS loan during the Department’s period of review.	N/A

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10	<p>If a deferment is granted to the non-disabled borrower, what are the start and end dates?</p>	<p>A deferment based solely on the non-disabled borrower’s eligibility must be aligned with the Department’s period of review. The deferment may not begin prior to the date the loan holder receives the discharge application or the notification from the guarantor (in the case where the discharge application is submitted directly to the guarantor), even if the date the non-disabled borrower became eligible for the deferment is earlier. The deferment ends on the earlier of the date the loan holder receives notification of the Department’s discharge decision or the date the non-disabled borrower’s deferment eligibility expires, whichever is first.</p> <p>And as allowed by 34 CFR 682.211(f)(2), for any delinquency prior to the start date of the deferment the loan holder may apply an administrative forbearance. The administrative forbearance may not begin earlier than the date the loan holder receives the discharge application or the notification from the guarantor (in the case where the discharge application is submitted directly to the guarantor).</p> <p>In summary, the deferment and any associated administrative forbearance can cover a period less than, but never more than, the time the disabled application is under review by the Department.</p>	<p>A deferment based solely on the non-disabled borrower’s eligibility must be aligned with the Department’s period of review. The deferment may not begin prior to the date the loan holder receives the discharge application or the notification from the guarantor (in the case where the discharge application is submitted directly to the guarantor), even if the date the non-disabled borrower became eligible for the deferment is earlier. The deferment ends on the earlier of the date the loan holder receives notification of the Department’s discharge decision or the date the non-disabled borrower’s deferment eligibility expires, whichever is first.</p> <p>And as allowed by 34 CFR 682.211(f)(2), for any delinquency prior to the start date of the deferment the loan holder may apply an administrative forbearance. The administrative forbearance may not begin earlier than the date the loan holder receives the discharge application or the notification from the guarantor (in the case where the discharge application is submitted directly to the guarantor).</p> <p>In summary, the deferment and any associated administrative forbearance can cover a period less than, but never more than, the time the application is under review by the Department.</p>	<p>N/A The start and end dates are based solely on the borrower’s deferment eligibility.</p>

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11	Refund of payments upon discharge	No refund is made as such payments are applied to the non-dischargeable portion as a result of the reimbursement.	No refund is made.	No refund is made.
12	How should loan holders service the non-dischargeable portion if the Department grants discharge to the disabled borrower?	Resume billing both the non-disabled and the disabled borrower for the outstanding portion (excludes the amount discharged) of the joint Consolidation loan.	Only the non-disabled borrower will be billed. The non-disabled borrower is responsible for the entire outstanding balance of the PLUS loan. The disabled borrower is discharged from any future responsibility to repay the debt.	Only the borrower will be billed. The borrower remains responsible for the entire outstanding balance of the PLUS loan. The disabled endorser is discharged from any future responsibility to repay the debt.
13	How should loan holders service the non-dischargeable portion if the Department denies discharge to (reinstates) the disabled borrower?	Restore the disabled borrower’s portion of the Consolidation loan; however, no interest accrues on this portion during the Department’s period of review. If the joint Consolidation loan is held by a lender or servicer, the loan holder must refund to the guarantor the amount previously received from the guarantor.	Resume billing both borrowers for the entire balance of the PLUS loan. Since there were no financial adjustments made to the balance of the loan, none need to be reversed.	Resume billing both the borrower and the endorser for the entire balance of the PLUS loan. Since there were no financial adjustments made to the balance of the loan, none need to be reversed.

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14	NSLDS Reporting	<p>All NSLDS reporting will be performed by the loan holder.</p> <p>The loan holder must report the correct status of the non-dischargeable portion to NSLDS within a timely manner.</p> <p>NSLDS currently reports Joint Consolidations under one primary borrower only. However, to ensure proper reporting during the Department’s period of review, the loan holder should report the non-dischargeable portion under the non-disabled borrower’s name and social security number. If the borrower on record with NSLDS is the disabled borrower, NSLDS must be updated to reflect the non-disabled borrower as the borrower of record.</p> <p>If discharge is denied the loan holder resumes reporting the full balance under the primary borrower currently being reported.</p> <p>If discharge is granted, the loan holder continues to report the non-discharged portion of the Consolidation loan under the non-disabled borrower’s name and social security number (primary borrower on record).</p>	<p>All NSLDS reporting will be performed by the loan holder.</p> <p>The loan holder must report the correct status of the PLUS loan to NSLDS within a timely manner.</p> <p>NSLDS currently reports PLUS co- made loans under one primary borrower only. However, to ensure proper reporting during the Department’s period of review, the loan holder should report the PLUS loan under the non-disabled borrower’s name and social security number. If the borrower on record with NSLDS is the disabled borrower, NSLDS must be updated to reflect the non-disabled borrower as the borrower as record.</p> <p>If discharge is denied, the loan holder can continue to report the PLUS loan under the primary borrower currently being reported.</p> <p>If discharge is granted, the loan holder continues to report the PLUS loan under the non-disabled borrower’s name and social security number (primary borrower on record).</p>	<p>All NSLDS reporting will be performed by the loan holder.</p> <p>The loan holder must report the correct status of the PLUS loan to NSLDS in a timely manner. Endorsers are not reported in NSLDS. Thus, the loan holder would continue reporting the PLUS loan under the borrower’s name and social security number.</p> <p>No change is necessary if the discharge is granted or denied. The loan holder continues reporting the PLUS loan under the borrower’s name and social security number.</p>

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15	Credit Bureau Reporting	<p>All required credit bureau reporting will be performed by the loan holder.</p> <p>The loan holder must report the correct status of the Consolidation loan to the credit bureau(s) within a timely manner.</p> <p>Loan holders must report the balance (non-dischargeable portion) of the Consolidation loan with the appropriate status, under the non-disabled borrower’s name and social security number.</p> <p>If discharge is denied, the loan holder resumes regular reporting the full balance.</p> <p>If discharge is granted, the loan holder reports the non-discharged portion of the Consolidation loan under both the non-disabled borrower’s name and social security number and the disabled borrower’s name and social security number.</p>	<p>All credit bureau reporting will be performed by the loan holder.</p> <p>The loan holder must report the correct status of the PLUS loan to the credit bureau(s) within a timely manner.</p> <p>Loan holders must report the full outstanding balance of the PLUS loan with the appropriate status under the non-disabled borrower’s name and social security number.</p> <p>If the discharge is denied, the loan holder resumes regular reporting of the PLUS loan.</p> <p>If discharge is granted, the loan holder continues to report the PLUS loan under the non-disabled borrower’s name and social security number.</p>	<p>All credit bureau reporting will be performed by the loan holder.</p> <p>The loan holder continues to report the correct status of the PLUS loan to the credit bureau(s) within a timely manner.</p> <p>Loan holders must report the full outstanding balance of the PLUS loan with the appropriate status under the borrower’s name and social security number.</p> <p>No change is necessary if the discharge is granted or denied. The loan holder continues reporting the PLUS loan under the borrower’s name and social security number.</p>

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16	Correspondence	<p>Loan holders should send a letter to the disabled borrower or disabled endorser providing a clear explanation of the process that will be followed in order to process the total and permanent disability discharge application.</p> <p>The Department will send a letter to the disabled borrower or disabled endorser explaining the special circumstances that apply, and will also send regular TPD correspondence, such as income documentation requests and notifications of eligibility changes.</p>