

EDITED VERSION FROM GA's (Sent on 1/28)

Issue Paper 10

Session 1: January 12 -14, 2015

Issue: Revise 34 CFR 682.410(b), regarding the charging of collection costs by a guaranty agency to a defaulted borrower who responds within 60 days to the initial notice sent by the guaranty agency after it pays a default claim and acquires the loan from the lender.

Statutory cites: §§428F(a) and 484A(a) of the Higher Education Act of 1965, as amended

Regulatory cites: 34 CFR 682.410(b)

Summary of issue:

The Department of Education proposes to revise 34 CFR 682.410(b) for the first time to specifically address the charging of collection costs by a guaranty agency to a defaulted FFELP borrower who responds within 60 days to the initial notice sent by the guaranty agency after it pays a default claim and acquires the loan from the lender. With minor exceptions, the Department itself currently charges collection costs only to those defaulted borrowers whose loans the Department places with collection contractors and where the defaulter has failed to enter into a repayment agreement within the initial notice and 60 day period.

This new FFELP regulation will codify, and apply on a prospective basis only, the new policy set forth in DCL GEN-15-14.