

Loan Forgiveness and Discharge

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Great Lakes Higher Education Guaranty Corporation

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Agenda



- Forgiveness Programs
 - Teacher Loan Forgiveness
 - Public Service Employee
 - New Programs from HEOA
- Discharge Programs
 - Total and Permanent Disability (TPD)
 - TPD for Veterans
 - Death
 - False Certification due to Identity Theft
 - 9/11 Survivor's

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Teacher Loan Forgiveness



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Teacher Loan Forgiveness

- Reauthorization 1998
- Available for FFELP and Direct Loan borrowers
 - Stafford loans and Consolidation loans that repaid Stafford loans
- Encourages individuals to enter and continue in teaching profession
- Available to elementary and secondary teachers in Title I low-income schools
- Also available for teachers in Title I eligible educational service agencies – *New from HEOA*

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TLF – Forgiveness Amounts

- Forgiveness amounts
 - Up to \$5,000
 - Up to \$17,500
- Amount depends on:
 - When borrower begins qualifying teaching service
 - Borrower's qualifications
 - Subject being taught

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TLF – Eligibility Criteria

- No outstanding balance on FFELP or Direct Loan on October 1, 1998 or no outstanding balance on date borrower obtains loan after October 1, 1998
- Full-time teacher for five consecutive, complete academic years at qualifying school (or combination of schools)
 - For teaching in elementary or secondary school, at least one must be after 1997-98 academic year
 - For teaching in educational service agency, at least one must be after 2007-2008 academic year

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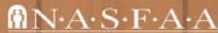
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TLF – Eligibility Criteria

- Loan(s) for which forgiveness being sought must be made *before* the end of the fifth year of qualifying teaching service
- Teaching service must be performed at:
 - Title I eligible elementary or secondary schools
 - Title I eligible educational service agencies
- Defaulted borrowers may regain eligibility
 - Satisfactory repayment arrangements must be made

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TLF – Service Began Prior to October 1, 2004

- Maximum of \$5,000
- Full-time elementary school teacher who demonstrates knowledge and teaching skills in reading, writing, mathematics, and other areas of the elementary school curriculum
- Full-time secondary school teacher teaching in a subject area that is relevant to his or her academic major

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TLF – Program Expanded

- Taxpayer-Teacher Protection Act of 2004 (TTPA) increased loan forgiveness to up to \$17,500 until September 30, 2005
- Highly qualified teachers
- Higher Education Budget Reconciliation Act (HERA):
 - Made TTPA changes permanent
 - Extended loan forgiveness to certain private school teachers effective July 1, 2006

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TLF – Program Expanded

- Maximum of \$17,500
- Full-time, highly qualified teacher
- Mathematics or science teacher in qualifying secondary school
- Highly qualified special education teacher

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TLF – Program Expanded

- Maximum of \$5,000
- Teaching as a highly qualified, full-time teacher in an eligible elementary or secondary school or educational service agency
- Maximum of \$17,500
- Teaching as a highly qualified full-time mathematics or science teacher in an eligible secondary school or educational service agency as a highly qualified special education teacher

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TLF – Definitions

- Qualifying facility:
 - Elementary or secondary school in school district that qualifies for Title I funding
 - Educational service agency defined as:
 - Regional public multiservice agency authorized by State statute to develop, manage, and provide services or programs to local educational agencies, as defined in section 9101 of the Elementary and Secondary Education Act of 1965, as amended

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TLF – Definitions

- **Qualifying facility:**
 - More than 30% of enrollment qualify for Title I services
 - Listed in *Annual Directory of Designated Low-Income Schools for Teacher Cancellation Benefits*
 - Elementary or secondary school operated by the Bureau of Indian Affairs (BIA) or operated on an Indian reservation by an Indian tribal group under contract with the BIA

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TLF – Definitions

- **Academic year:**
 - One complete school year at the same school
 - Two complete and consecutive half-years at different schools
 - Two complete and consecutive half-years from different school years, at either the same or different schools

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TLF – Definitions

- **Highly qualified teacher:**
 - Defined in No Child Left Behind (section 9101)
 - Fully certified or has passed a state licensing exam; licensed by the State in which he or she teaches

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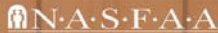


TLF – Definitions

- Highly qualified teacher, cont'd:
 - New teacher who holds a B.A. and passes a rigorous State test demonstrating knowledge and teaching skills; secondary teachers also must complete major, graduate degree, or coursework equivalent to a major in teacher areas
 - Teacher who demonstrates competence in subject areas in which he or she teaches based on uniform State standards

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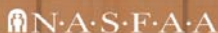


TLF Changes from HEOA

- Allows teaching service at educational service agencies that are Title I eligible
- Clarifies borrowers may not receive TLF and other loan forgiveness for the same service (double benefits) if borrower receives benefit under:
 - National and Community Service Act of 1990
 - Public Service Loan Forgiveness program
 - Service in Areas of National Need

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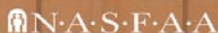


TLF – Application Process

- *Teacher Loan Forgiveness Application*
- Borrower submits completed application to lender
- Lender forwards to guarantor
- Guarantor reviews
 - Application completeness
 - Verifies loan eligibility
 - Checks school eligibility

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Great Lakes TLF Awareness Campaign

- Began in February 2007
- Encourage teachers at low-income schools to take advantage of TLF
- Provided information on program to:
 - Principals at low-income schools
 - Postsecondary institutions – Schools of Education

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Great Lakes TLF Awareness Campaign Results

- Overall 2006 vs. 2007
 - Applications received = 60% increase
 - Benefits granted = 54% increase
- Overall 2007 vs. 2008
 - Applications received = 62% increase
 - Benefits granted = 120% increase
- Jan to May 2008 vs. Jan to May 2009
 - Applications received = 35% increase
 - Benefits granted = 29% increase

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Reasons for Rejection

- Borrower has loans prior to October 1, 1998
- Borrower has not fulfilled teaching requirement
 - Five consecutive, complete academic years
 - Non-eligible schools
- Application not completed correctly

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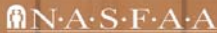
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Public Service Employees

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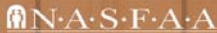


Public Service Employees

- Part of CCRAA
- Intended to encourage individuals to enter and continue in full-time employment in public service
- Allows borrowers who are employed by a public service employer to have balance of loan forgiven after making 120 payments
 - Payments made on or after October 1, 2007
- No forgiveness granted until October 2017

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Public Service Employees

- Regulations negotiated in 2008
- NPRM issued June 23, 2008
- Final Rule issued October 23, 2008
- New section in regulations -- §685.219
- Effective date – July 1, 2009

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Public Service Employees

- Limited to Direct Loan borrowers
- FFELP borrowers have to consolidate or re-consolidate into Direct Consolidation Loan to take advantage of program

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Public Service Employees

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Public Service Loan Forgiveness

The Public Service Loan Forgiveness Program was created to encourage individuals to enter and continue to work full-time in public service jobs. Under this program, you may qualify for forgiveness of the remaining balance due on your eligible federal student loans after you have made 120 payments on loans under certain repayment plans while employed full-time by certain public service employers.

Only non-defaulted loans made under the William D. Ford [Direct Loan Program](#) are eligible for loan forgiveness. The Direct Loan Program includes the following types of loans:

- Federal Direct (Stafford) Loans (Direct Subsidized Loans)
- Federal Direct Unsubsidized Loans (Direct PLUS Loans) for parents and graduate or professional students
- Federal Direct Consolidation Loans (Direct Consolidation Loans)

Although loan forgiveness under this program is available only for loans made and repaid under the Direct Loan Program, loans made under other federal student loan programs may qualify for forgiveness if they are consolidated into a Direct Consolidation Loan. Therefore, only payments made on the [Direct Consolidation Loan](#) will count toward the required 120 monthly payments.

26

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Public Service Employees

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What is the Public Service Loan Forgiveness Program?
Through the College Cost Reduction and Access Act of 2007, Congress created the Public Service Loan Forgiveness program to encourage individuals to enter and continue to work full-time in public service jobs. Under this program, borrowers may qualify for forgiveness of the remaining balance due on their eligible federal student loans after they have made 120 payments on those loans under certain repayment plans while employed full-time by certain public service employers. Since borrowers must make 120 monthly payments on their eligible federal student loans beginning after October 1, 2007 before they can qualify for the loan forgiveness, the first cancellations of loan balances will not be granted until October 2017.

This fact sheet summarizes the terms and conditions of the Public Service Loan Forgiveness Program.

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Public Service Employees Definitions

- Public service organization –
 - A Federal, State, local or Tribal government organization, agency or entity
 - A public child or family service agency
 - A non-profit organization under section 501(c)(3) of the Internal Revenue Code that is exempt from taxation under section 501(a) of the IRC
 - A tribal college or university

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Public Service Employees Definitions

- Public service organization –
 - A private organization that provides public services (e.g., emergency management, military service, public safety, law enforcement, public interest law services, public child care, public service for individuals with disabilities and the elderly, public health, public education, public library services, school library or other school-based services)
 - Is *not* a business organized for profit, a labor union, partisan political organization, or religious organization

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Public Service Employees

- Cannot be in default
- Must be employed full-time
 - 30 hours per week or the equivalent (see proposed rules)
 - During the time borrower makes the qualifying payments
 - At the time of application for loan forgiveness
- Peace Corps and Americorps also qualify

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Public Service Employees

- Must make 120 monthly payments after October 1, 2007
- Payments prior to October 1, 2007 do not qualify
- FFELP borrowers who consolidate into Direct Loan to qualify
 - Only payments made on DL consolidation loan count toward qualifying payments

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New Forgiveness Programs from HEOA

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New Forgiveness Programs

- Child Care Forgiveness program replaced
- Forgiveness available for borrowers who are employed in areas of national need
- Borrowers cannot be in default
- Effective on date of enactment, but regulations have to be promulgated
- Department has *not* initiated regulation negotiations

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Areas of National Need

- Areas listed in statute:
 - Early childhood educators
 - Nurses
 - Foreign language specialists
 - Librarians
 - Teachers in low-income areas educating students with limited English proficiency
 - Child welfare workers
 - Speech pathologists and audiologists
 - School superintendents, principals, counselors, other administrators in low-income schools

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Areas of National Need

- Areas listed in statute, cont'd:
 - Public sector employees
 - Nutrition professionals
 - Medical specialists
 - Mental health professionals
 - Dentists
 - Applied sciences, technology, engineering or mathematics
 - Physical therapists
 - Occupational therapists

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Areas of National Need

- Forgiveness amount up to \$2,000 a year, not to exceed five years or \$10,000
- Funds must be appropriated by Congress
- Authorized from 2009 to 2014
- First-come, first-served basis
- No refunds of payments made

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Civil Legal Assistance Attorneys

- Loan repayment program
- Encourages qualified individuals to enter and continue employment as civil legal assistance attorneys
- Available for Title IV loans, except parent PLUS
- Must be licensed to practice law

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Civil Legal Assistance Attorneys

- Must be employed full-time—
 - Nonprofit organization that provided legal assistance to low-income individuals without a fee; or
 - Protection or advocacy system or client assistance program that provides legal assistance and receives funding under federal program

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Civil Legal Assistance Attorneys

- Requires commitment with Department
- Remain employed for not less than 3 years
- If ceases employment voluntarily (or involuntarily due to misconduct) borrower must repay benefits
- Forgiveness amount = \$6,000/year, not to exceed \$40,000

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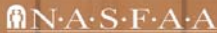
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Civil Legal Assistance Attorneys

- Funds must be appropriated by Congress
- Authorized between 2009 to 2014
- First-come, first-served basis
- Priority given to those who have—
 - Practiced law for 5 years or less and have served as civil assistance attorney 90% of the time
 - Received program benefits during preceding year
 - Completed less than 3 years of the first required agreement

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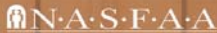


Civil Legal Assistance Attorneys

- No refunds of payments made
- May not receive benefit through this program and Public Service Loan forgiveness for same service

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Veterans



Disability Discharge



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Total and Permanent Disability Discharge – Definition

- Current definition – condition of an individual who is unable to work and earn money due to an injury or illness that is expected to continue indefinitely or result in death
- Effective until July 1, 2010

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Total and Permanent Disability Discharge – Definition

- Change coming in July 2010
- New definition – condition of an individual who is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that—
 - Can be expected to result in death;
 - Has lasted for a continuous period of not less than 60 months; or
 - Can be expected to last for a continuous period of not less than 60 months.

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Total and Permanent Disability Discharge

- Eligible borrowers can receive discharge if determined to meet definition by physician and meet other requirements established by Department of Education

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TPD – Discharge Process

- Borrower submits completed *Total and Permanent Disability* application to lender within **90 days** of date doctor certifies application
- Lender makes preliminary determination of eligibility
- If lender determines borrower meets criteria, application submitted to guarantor

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TPD – Discharge Process

- If guarantor determines borrower meets criteria, loan is assigned to the Department's Conditional Disability Discharge Unit (CDDU)
- If any entity determines borrower does not meet criteria for TPD, loan is returned to prior status

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TPD – Conditional Period

- Borrower determined eligible by CDDU
- Three-year conditional discharge period begins
- Effective July 1, 2008, conditional period can only be prospective
- *Effective July 1, 2010, conditional period eliminated*

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TPD – Conditional Period

- No payments required during conditional period
- Borrower cannot earn more than poverty line in their state for family of two
- Borrower cannot receive a Title IV loan
 - Borrower has 120 days to return/cancel loan funds obtained in error

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Common Reasons for Rejected TPD Requests

- Medical review failure
 - Requests for additional medical information from physician
- New TPD application addresses medical information issue
- Failure to respond to income verification requests from Department

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TPD – Returning to School

- Borrower returns to school after Final or Conditional Discharge
- Eligible for new loan?
- After *final* discharge from Department, borrower must:
 - Obtain a statement from Dr. that borrower may engage in "substantial gainful activity" (work or earn money) AND
 - Sign a statement acknowledging that any new loan received may not be discharged due to same or any disability existing at the time the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met

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TPD – Returning to School

- For loans in **conditional** discharge with Department, borrower must:
 - Obtain a statement from Dr. that borrower may engage in "substantial gainful activity" (work or earn money); and
 - Sign a statement acknowledging that any loan that has been conditionally discharged may not be discharged due to the same or any disability existing at the time the borrower applied for a total and permanent disability discharge or when the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met
 - Sign a statement acknowledging that repayment and/or collection activity will resume on any loans in a conditional discharge period

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Total and Permanent Disability – July 2010 Changes

- No more 3-year conditional period
- If eligible, final discharge granted
- Borrower notified by Department of reinstatement conditions
- Department allowed to reinstate and resume collection on loans that have been discharged if borrower—
 - Receives a Title IV loan or TEACH grant
 - Earns income in excess of poverty line

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Total and Permanent Disability – July 2010 Changes

- If loan reinstated, borrower not responsible for past interest
- Department will notify borrower of reasons for reinstatement
- Department will provide contact information for questions about reinstatement or if borrower believes the decision is made on incorrect information

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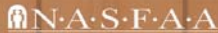
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Total and Permanent Disability – Veterans

- The condition of an individual who has been determined by the Secretary of Veterans Affairs to be unemployable due to a service-connected disability
- HEOA change – effective on date of enactment

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Total and Permanent Disability – Veterans

- Borrowers who have been certified as totally and permanently disabled by Veterans Affairs automatically eligible for discharge
- Must be certified as unemployable due to service-connected condition
- Must sign and date a TPD application
- Must provide documentation from VA
- No documentation from physician required

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Death Discharge

Slide 57

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Death Discharges

- Discharge of remaining balance available when borrower or student (for parent PLUS loans) dies
- Regulation change back in 2007 allows lenders to grant death discharge based on accurate and complete photocopy of the death certificate

Slide 58

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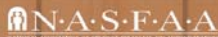


False Certification Due to Identity Theft



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Identity Theft

- Part of Higher Education Reconciliation Act (HERA) of 2006
- Discharge based on crime of identity theft
- Borrower must certify he or she did not sign the promissory note, or that any other means of identification used to obtain the loan were used without individual's authorization
- Borrower must certify he did not knowingly receive or benefit from the proceeds of the loan made without the individual's authorization

Slide 60

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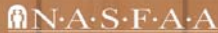


Identity Theft

- Borrower must provide lender copy of a local, state, or federal criminal court verdict or judgment that conclusively determines individual named as borrower or endorser was the victim of a crime of identity theft and identifies the perpetrator of the crime
- Regulations effective July 1, 2008, clarify that a perpetrator must be named in the verdict

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Identity Theft

- Regulations effective July 1, 2008:
 - Lender must grant administrative forbearance for 120 days while lender investigating case
 - Cease credit bureau reporting for 120 days while lender investigating claim
- Common form drafted; still being reviewed by the Department and not final

Slide 62

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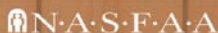


9/11 Survivor's Discharge



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9/11 Survivor's Discharge

- Part of Third Higher Education Extension Act of 2006
- Authorizes discharge of outstanding balance of Title IV loans of survivors of eligible public servants or other eligible victims of the September 11, 2001 terrorists attacks

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9/11 Survivor's Discharge

- Eligible public servant – individual who served as police officer, firefighter, other safety personnel, or member of the Armed Forces
 - Became permanently and totally disabled or died as result of injuries
- Eligible victim – individual who died or became permanently and totally disabled due to injuries

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9/11 Survivor's Discharge

- Eligible parent – parent of eligible victim if parent owes PLUS loan taken out on behalf of eligible victim or parent owes Consolidation loan used to repay such PLUS loan
- Spouse of public servant – must have been the spouse of the eligible public servant at time of attacks

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9/11 Survivor's Discharge

- Eligible loan – any outstanding Title IV program loan on which amounts were owed by borrower on September 11, 2001; or the outstanding portion of a Consolidation loan made up of such Title IV loans
- Discharge limited to outstanding balances of eligible loans; discharge does not refund payments already made

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9/11 Survivor's Discharge

- Eligible public servant or victim has to be present at one of the attack sites at the time or in the immediate aftermath of the terrorists attacks
 - World Trade Center in New York City
 - Pentagon in Virginia
 - Shanksville, PA site

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9/11 Survivor's Discharge

- Application completed by borrower
- Submitted to lender
 - Collection suspended
- Lender files claim with guarantor
- Guarantor makes determination
- Department of Education reimburses guarantor if approved

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Resources

- www.mygreatlakes.org
- www.mapping-your-future.org
- www.studentaid.ed.gov
- **Common Manual...Unified Student Loan Policy**
 - Chapter 13 – Discharge and Forgiveness
- **FSA Handbook**
 - Chapter 1 – Student Eligibility

Slide 70

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Questions??

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