

Shoptalk Online Special Edition

ED issues guidance on processing consolidation loan applications

Over the last few weeks, lenders have been processing Consolidation loan applications fast and furious as borrowers seek to lock in a Consolidation loan weighted average interest rate that takes advantage of the current (pre-July 1, 2005) variable interest rates.

FFELP community representatives met with members of the ED policy department last evening via conference call to discuss Consolidation loan processing related to the June 30, 2005, interest rate deadline. The discussion included when an application is considered "received" and how complete an application must be in order for the lender to use the current variable interest rates to calculate the borrower's weighted interest rate for the new Consolidation loan. ED provided guidance on these issues in the text below, which is a summary of the conference call, disseminated by the National Council of Higher Education Loan Programs (NCHELP) and Education Finance Council (EFC).

More information

For more information on Consolidation loan application processing, TG customer assistance will be available on Thursday, June 30, until 2 p.m. CT, and then from 4:00 to 4:50 p.m. CT. To contact TG customer assistance, call (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

"This is a summary of a conference call was held this evening with Jeff Baker, Dan Madzelan, and Pam Moran of the Department of Education relating to the June 30 deadline for consolidation loans in determining a consolidation loan interest rate.

The Department of Education has stated that a borrower may receive the lower June 30th interest rate if the consolidating lender receives a substantially complete OMB approved consolidation loan application prior to July 1, 2005.

- For a mailed application – the lender may use the postmark date to determine the receipt date.

- For an e-mailed / online application – the lender must use some electronic indicator or marker that proves the application was received prior to July 1, 2005. There has to be some indication that the application was substantially completed electronically prior to July 1.
- For a phone request – the lender must indicate the date the call was received and the application must be substantially completed while the lender is on the phone. A phone message or a simple request for an application is not sufficient.
- Substantially Complete – ED is looking for much more than just a name and address – the OMB approved application must be substantially complete.
- If a lender receives an LVC after July 1 and the holder has certified the post-July 1 rate, but the substantially complete application was received prior to July 1 – the borrower may receive the pre-July 1 rate.
- If a lender receives an LVC for a borrower who is an early conversion (entering repayment while in-school and then requesting and in-school deferment to receive the in-school deferment rate) but the holder has certified the repayment rate on the LVC – the lender may give the borrower the in-school deferment consolidation rate if the consolidating lender verifies that the borrower is an early converter and is still enrolled in school.

The Department of Education has stated that it does not have time to send something out officially in writing. They also do not believe that this guidance is anything different than what has been provided in the past, but is simply a clarification. The key to this is that the application must be OMB approved and substantially completed and ED requires that the lending community does not cut corners in this area.

We did our best to capture the elements discussed on the call, however if you have any questions or concerns call Jeff Baker, Pam Moran, Dan Madzellan, or David Bergeron at the U.S. Department of Education.”



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To ask questions about *Shoptalk Online*, please contact Communications at (800) 252-9743, ext. 4732 or communications@tgslc.org.

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