

#	Category	Joint Consolidation	PLUS Co-Borrower	Endorser Disabled
1	<b>Introduction</b>	<p>Prior to 7/1/2006, two married borrowers were permitted to combine their eligible Title IV debt into one Joint 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 discharged the portion of the Consolidation loan that is attributable to the underlying loans obtained by that borrower. In this circumstance, 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 Loan 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 PLUS Loan.</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>Those seeking PLUS Loans<sup>1</sup> who had “adverse credit” were permitted to receive PLUS Loans notwithstanding their adverse credit if they obtained a creditworthy endorser. The endorser only becomes liable for repayment if the borrower becomes delinquent or defaults on the PLUS Loan.</p> <p>If the endorser becomes totally and permanently disabled and he or she becomes liable for repayment on the PLUS Loan, the endorser may be released from the obligation to repay the debt.<sup>2</sup> However, the amount of the debt does not change. The borrower remains responsible for the entire PLUS Loan.</p>
2	<b>Forms/Notification</b>	<p>The disabled co-borrower or endorser must complete a TPD discharge application, and, if applicable, an Applicant Representative Designation form. Each form is available only from the Department at <a href="http://www.disabilitydischarge.com">www.disabilitydischarge.com</a>.</p> <p>In the case of a Joint Consolidation Loan, the loan holder must complete the Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form and submit it and the Loan Holder Notification of discharge approval to the guarantor to request claim payment within 60 days of receiving the loan holder notification file from the Department indicating that the borrower or endorser is eligible for the TPD discharge.</p> <p>For co-made PLUS or endorsed loans, the Loan Holder Notification of discharge approval must be submitted to the guarantor, but no other form is required, since no claim payment is either requested or issued.</p>		
3	<b>Referral of TPD-eligible borrower or endorser to the Department</b>	<p>In all cases of referral, the loan holder retains ownership of the loan—the loan is not assigned to the Department because there is a remaining non-dischargeable debt. Instead, the guarantor provides the necessary information to the Department for the Department to finalize the discharge.</p>		

<sup>1</sup> The instructions for PLUS loans with endorsers also apply to older Stafford loans with endorsers.

<sup>2</sup> If the PLUS loan is endorsed and the *borrower* becomes disabled, the loan should be assigned to the Department. If the loan is discharged, the endorser’s obligation on the loan is also discharged. If a refund is due, the endorser may receive a refund of any payments he/she made on the loan if the endorser can show documentation of having made those payments. These instructions also apply to endorsed *Stafford* loans.

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4	Due Diligence	<p>The Department will directly assist the disabled co-borrower or endorser with the TPD application process and notify each loan holder when that person notifies the Department that he or she intends to apply for a TPD discharge (which triggers a 120-day suspension period), submits a materially complete TPD discharge application (which triggers an indefinite suspension period), and is determined to be eligible or ineligible for the discharge.</p> <p>Loan holders are prohibited from sending any notices that include collection language to the disabled borrower on a Joint Consolidation or co-made PLUS Loan, or endorser during the 120-day suspension period or indefinite suspension period. The loan holder must continue to bill the non-disabled borrower or endorser (if the loan holder is pursuing the endorser) for payment during the suspension periods. However, co-borrowers or the borrower and the endorser on a loan cannot be in a different repayment status on the same loan should the disabled borrower or endorser not qualify for the discharge. As a result, if the loan holder determines through billing that the non-disabled co-borrower or endorser is unable, due to financial or other circumstances, to continue to make payments on the loan, the loan holder should apply deferment, forbearance, or administrative forbearance for some or all of either or both of the TPD-related suspension periods, as appropriate.</p>		
5	How do loan holders refer a TPD-eligible borrower or endorser's loans for TPD discharge?	<p>In the case of a referral, the GA provides information only on the co-borrowers' and the borrower and endorser's loans to enable the Department to grant the discharge to the disabled individual with the loan holder retaining ownership of the loan. The SAIG submission must contain only referrals of Joint Consolidation Loans, co-made PLUS Loans or loans of disabled endorsers. The SAIG submission must not include standard TPD discharge assignments. Likewise, manual (paper) referrals must be packaged separately from standard TPD discharge assignments.</p> <p>If the GA receives a copy of the approval notification with the claim submitted by the lender/servicer, the GA will pay the lender/servicer the amount determined to be eligible for refund.</p> <p>To submit referrals via SAIG, complete Field 1475 with a "B", if the loan is a co-made PLUS Loan or the borrower is a disabled endorser or a "D" if the loan is a Joint Consolidation Loan. Submit each file record with a "1.00" balance. The instructions and reports for SAIG submission are otherwise the same as for the standard TPD Discharge process.</p> <p>To submit referrals manually, complete the Assignment &amp; Referral Form and insert a value of \$1.00 into item 77:</p> <ol style="list-style-type: none"> <li>Send the <i>completed form</i> to the TPD Servicer: <ul style="list-style-type: none"> <li>U.S. Department of Education</li> <li>121 South 13<sup>th</sup> Street, Suite 201</li> <li>Lincoln, NE 68508</li> </ul> <p>In the file record or on the form, list the disabled individual as the borrower and the non-disabled individual as the co-signers so the discharge will be tracked correctly under the primary borrower and not the cosigner. Even if the disabled individual is an endorser, the endorser's information should appear in Section A.</p> </li> <li>Label the package JOINT CONSOLIDATION, CO-MADE PLUS, or DISABLED ENDORSER, as appropriate. This means GAs</li> </ol>		

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		<p>must submit Joint Consolidation Loans, co-made PLUS loans, or disabled endorser information individually; they cannot combine these types of loans in one package.</p> <p>3. Do not send payment listings or loan collateral documentation.</p>		
		<p>Upon receipt, the Department will upload the loan information into its system for monitoring purposes and will notify the GA if the borrower or endorser's discharge status changes during the three-year post-discharge monitoring period using the Pseudo Eligibility Report(s). The report will include the names of all borrowers and endorsers to assist loan holders in identifying the account(s) on their 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>		
6	<b>How do loan holders discharge Joint Consolidation Loans, Co-Borrowed PLUS Loans, and endorser obligations?</b>	<p>The loan holder will discharge the disabled borrower or endorser's obligation or portion of the obligation after receiving notice from the Department that the borrower or endorser's TPD application is approved. The loan will not be assigned to the Department.</p>		
7	<b>Basics</b>	<p>If the Department finds the disabled borrower eligible for discharge, the portion of the Consolidation Loan that is attributable to the underlying loans originally obtained by the borrower is discharged, but the disabled borrower <i>and</i> the non-disabled borrower remain jointly and severally liable for the remaining non-dischargeable portion of the loan.</p> <p>If the Department finds the disabled borrower ineligible for discharge, both borrowers remain jointly and severally liable 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 jointly and severally liable for the entire loan.</p> <p>Answers below assume only one borrower is disabled.</p>	<p>Endorser cannot apply for discharge unless the loan holder is pursuing the endorser for payment.</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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8	<b>What should loan holders do when notified by the Department that they must apply the 120-day suspension or indefinite suspension period on a co-made or endorsed loan?</b>	The loan holder immediately suspends efforts to collect on the disabled borrower but continues to bill the non-disabled borrower during suspension periods unless the loan holder determines that deferment or forbearance should be granted to the non-disabled borrower.	The loan holder immediately suspends efforts to collect on the disabled borrower but continues to bill the non-disabled borrower during suspension periods unless the loan holder determines that deferment or forbearance should be granted to the non-disabled borrower.	The loan holder bills only the borrower during the suspension periods.  The loan holder does not need to protect the status of the loan. The borrower may default during either period.
9	<b>What start and end dates apply to the suspension period applied to the disabled borrower and any deferment, forbearance, or administrative forbearance granted to the non-disabled borrower?</b>	<p>The loan holder may grant deferment or forbearance for some or all of the suspension periods if the non-disabled borrower is unable to make payments on the loan to ensure that the repayment status on the loan does not deteriorate (becomes delinquent or increases in delinquency) for the disabled borrower or endorser. If efforts to place the non-disabled borrower on a deferment or forbearance are unsuccessful, administrative forbearance may be granted for the non-disabled borrower.</p> <p>The 120-day suspension period begins and ends on the dates specified in the Department's loan holder notification file.</p> <p>The indefinite suspension period begins on the dates specified in the Department's loan holder notification file and ends on the date that the loan holder receives the Department's decision on the disabled borrower's application via the loan holder notification file.</p> <p>Any deferment, forbearance, or administrative forbearance granted to the non-disabled borrower during the suspension periods must be aligned with the suspension periods granted to the disabled borrower.</p>	<p>The loan holder may grant deferment or forbearance for some or all of the suspension periods if the non-disabled borrower is unable to make payments on the loan to ensure that the repayment status on the loan does not deteriorate (becomes delinquent or increases in delinquency) for the disabled borrower or endorser. If efforts to place the non-disabled borrower on a deferment or forbearance are unsuccessful, administrative forbearance may be granted for the non-disabled borrower.</p> <p>The 120-day suspension period begins and ends on the dates specified in the Department's loan holder notification file.</p> <p>The indefinite suspension period begins on the dates specified in the Department's loan holder notification file and ends on the date that the loan holder receives the Department's decision on the disabled borrower's application via the loan holder notification file.</p> <p>Any deferment, forbearance, or administrative forbearance granted to the non-disabled borrower during the suspension periods must be aligned with</p>	N/A – the PLUS loan borrower is not eligible for an administrative forbearance during any period of suspended collection activity due to an endorser's efforts to seek TPD discharge.

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		Therefore, any deferment, forbearance, or administrative forbearance for a non-disabled borrower can cover a period less than, but never more than, the time the disabled application is under review by the Department.	the suspension periods granted to the disabled borrower. Therefore, any deferment, forbearance, or administrative forbearance for a non-disabled borrower can cover a period less than, but never more than, the time the disabled application is under review by the Department.	
10	<b>How should a deferment be granted to the non-disabled borrower during the suspension periods?</b>	Because the disabled borrower is not considered to be a borrower with a repayment obligation during the suspension periods, the normal deferment eligibility requirements that apply to joint borrowers do not apply. Therefore, deferment eligibility is based only on the non-disabled borrower's status.  The non-disabled borrower's deferment eligibility should be reviewed before forbearance is granted in circumstances in which the non-disabled borrower is unable to continue to make payments on the loan. Administrative forbearance can only be granted to the non-disabled borrower as a last resort, in cases where efforts to place the borrower on a deferment or forbearance are unsuccessful.	Because the disabled borrower is not considered to be a borrower with a repayment obligation during the suspension periods, the normal deferment eligibility requirements that apply to joint borrowers do not apply. Therefore, deferment eligibility is based only on the non-disabled borrower's status.  The non-disabled borrower's deferment eligibility should be reviewed before forbearance is granted in circumstances in which the non-disabled borrower is unable to continue to make payments on the loan. Administrative forbearance can only be granted to the non-disabled borrower as a last resort, in cases where efforts to place the borrower on a deferment or forbearance are unsuccessful.	N/A
11	<b>Must the loan holder refund payments to the disabled borrower or endorser upon discharge?</b>	No refund is made.	No refund is made.	No refund is made.
12	<b>How should loan holders service the non-dischargeable portion of the loan if the Department grants discharge to the disabled borrower?</b>	Resume billing both the non-disabled and the disabled borrower for the outstanding portion (excludes the amount discharged) of the Joint Consolidation Loan because both borrowers remain jointly and severally liable for the remaining amount of the loan.	Bill only the non-disabled borrower. The non-disabled borrower is responsible for the entire outstanding balance of the PLUS loan.	Bill only the borrower. The borrower remains responsible for the entire outstanding balance of the PLUS loan.

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13	<b>How should loan holders service the non-dischargeable portion if the Department denies the discharge or reinstates the disabled borrower's portion of the loan or obligation to repay the loan?</b>	<p>If the Department denies the borrower's application for discharge, resume billing both borrowers for the entire balance of the Consolidation loan. The lender is deemed to have exercised forbearance of principal and interest from the date it suspended collection activity.</p> <p>If the Department approves the discharge, but then later reinstates the disabled borrower's portion of the consolidation loan, bill both borrowers for the increased amount of the Consolidation Loan, i.e. increase the outstanding principal balance by the amount of discharge previously paid to the loan holder. However, the borrowers are not responsible for any interest that accrued on the previously discharged portion of the loan during the period when that portion of the loan was considered discharged. The loan holder must refund the guarantor the insurance amount paid by the guarantor on the previously discharged portion of the loan.</p> <p>If the loan has been sold, the current holder of the loan will be required to adjust the Consolidation Loan balance by the amount of the disabled borrower's portion of the Consolidation Loan. However, the borrowers are not responsible for any interest that accrued on the previously discharged portion of the loan when that portion of the loan was considered discharged. The current loan holder must refund the guarantor the insurance amount paid by the guarantor to the prior loan holder on the previously discharged portion of the loan.</p>	<p>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, no reversal is required. If the Department denies the borrower's application for discharge, the lender is deemed to have exercised forbearance of principal and interest from the date it suspended collection activity.</p>	<p>Resume billing both the borrower and the endorser for the entire balance of the loan. Since there were no financial adjustments made to the balance of the loan, no reversal is required.</p>
14	<b>NSLDS Reporting</b>	<p>The loan holder must report the correct status of the non-dischargeable portion to NSLDS within a timely manner.</p>	<p>The loan holder must report the correct status of the PLUS Loan to NSLDS within a timely manner.</p>	<p>The loan holder must report the correct status of the PLUS Loan to NSLDS in a timely manner. Endorsers are not reported</p>

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		<p>NSLDS currently reports Joint Consolidation Loans under one primary borrower only. However, to ensure proper reporting after the disabled borrower is discharged, the loan holder should report the non-dischargeable portion under the non-disabled borrower's name and social security number. If the borrower of record with NSLDS is the disabled borrower, NSLDS must be updated to reflect the non-disabled borrower as the borrower of record. Additionally, the loan holder should report the dischargeable portion of the loan with a "Co-Borrower" Discharge Type with the appropriate Discharge Amount and Action Date.</p> <p>If the discharged amount is reinstated, the loan holder resumes reporting the full balance under the primary borrower currently being reported.</p>	<p>NSLDS currently reports PLUS co- made loans under one primary borrower only. However, to ensure proper reporting after the disabled borrower is discharged the loan holder should report the PLUS Loan under the non-disabled borrower's name and social security number. If the borrower of 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 discharged amount is reinstated, the loan holder continues to report the PLUS loan under the primary borrower currently being reported.</p>	<p>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>
15	<b>Credit Bureau Reporting</b>	<p>The loan holder will perform all credit bureau reporting in a timely manner.</p> <p>If discharge is denied, the loan holder continues reporting the full balance for both borrowers.</p> <p>If discharge is granted, the loan holder reports the non-discharged portion of the Joint 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>If discharge is reinstated, the loan holder resumes regular reporting of the full balance.</p>	<p>The loan holder will perform all credit bureau reporting in a timely manner.</p> <p>If the discharge is denied, the loan holder continues reporting the full balance of the PLUS Loan for both borrowers</p> <p>If discharge is granted, the loan holder reports the full balance of the PLUS Loan under the non-disabled borrower's name and social security number. The loan holder reports the discharge applicable to the disabled borrower under existing procedures.</p> <p>If discharge is reinstated, the loan holder resumes regular reporting of the full balance of the PLUS Loan for both borrowers.</p>	<p>The loan holder will perform all credit bureau reporting in a timely manner.</p> <p>If the discharge is denied, the loan holder continues reporting the PLUS Loan under the borrower's and the endorser's name and social security number.</p> <p>If the discharge is granted, the loan holder continues reporting, but only under the borrower's name and social security number.</p>

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16	Correspondence	The Department will send a letter to the disabled borrower or disabled endorser explaining the special circumstances that apply, and will send regular TPD correspondence, such as income documentation requests and notifications of eligibility changes.		

From Article at [GetOutOfDebt.org](http://GetOutOfDebt.org)