

Consolidation Loan Application Addendum



Background:

On January 8, 2008, the U.S. Department of Education (ED) issued Dear Colleague Letter FP-08-02 to announce revisions to the terms and conditions of the Promissory Notes signed by all borrowers of Federal Stafford, Federal PLUS, and/or Federal Consolidation loans. The terms and conditions were updated as a result of the College Cost Reduction and Access Act of 2007, which was signed into law by the President effective October 1, 2007.

New Document:

Consolidation Loan Application & Promissory Note Addendum

- ED issued an Addendum that highlights the changes made to the terms of the Promissory Note you originally signed
- The Addendum is located on page 2 of this document

Summary of Changes to Your Promissory Note:

1. Military Deferment Eligibility Expanded *(Effective October 1, 2007)*

- The 3-year cumulative limit for the deferment is eliminated.
- All Federal loans are eligible for the deferment, regardless of disbursement date.
- Requires *an additional 180-day deferment period* following the conclusion of active duty service for borrowers serving on active duty or performing qualifying National Guard duty during a war or other military operation or national emergency.
- Requires *an additional 13-month deferment period* following the conclusion of active duty service (or until the date of return to enrolled status at the school, whichever is earlier) for borrowers serving as members of the National Guard or other reserve component of the Armed Forces (current or retired) who are called or ordered to active duty while enrolled at an eligible school, or within 6 months of having been enrolled.

2. Public Service Loan Forgiveness Program *(Effective July 1, 2008)*

- Provides for the cancellation of the remaining balance due on a Federal Direct Loan Program loan once 120 payments have been made on or after October 1, 2007.
- Borrowers must be employed in an eligible public service job while they make the 120 payments.
- Federal Family Education Loan Program (FFELP) borrowers may apply for consolidation of any of their FFELP loans with the Federal Direct Loan Program on or after July 1, 2008 to take advantage of this program.

3. Income-Based Payment Plan *(Effective July 1, 2009)*

- Borrowers will be eligible to have their monthly payment based on their income during any period when they have a partial financial hardship.
- This payment plan will permit loans with a 10-year repayment plan to exceed that timeframe.
- Eligible borrowers may qualify for cancellation of any outstanding balances on their loans.

Contact Information:

If you have any questions, please contact ISM Customer Support:

Phone:

1-888-ISM-2002 (1-888-476-2002)

Email:

customersupport@ismloans.org

Addendum to the Federal Consolidation Loan Application and Promissory Note Federal Family Education Loan Program

The College Cost Reduction and Access Act of 2007 (CCRAA) changed some of the terms of Federal Consolidation Loans made under the Federal Family Education Loan Program (FFELP). As a result, certain terms of the loan you receive under the accompanying Federal Consolidation Loan Application and Promissory Note (Application and Promissory Note) differ from the terms in that document. The changes set forth in this Addendum are incorporated into and made a part of the accompanying Application and Promissory Note that you sign and the Borrower's Rights and Responsibilities Statement.

- **Instructions for Completing the Federal Consolidation Loan Application and Promissory Note, Section E. Repayment Plan Selection.** *Effective July 1, 2009*, a new paragraph E is added, to read as follows:

“**E. Income-Based Payments**, in which your required monthly payment will be based on your income during any period when you have a partial financial hardship. The maximum repayment period under this plan may exceed 10 years. Eligible borrowers who meet certain requirements over a specified period of time may qualify for cancellation of any outstanding balance on their loans.”

- **Instructions for Completing the Federal Consolidation Loan Application and Promissory Note, Section E. Repayment Plan Selection, Note.** *Effective July 1, 2008*, the Note in the instructions is revised to read as follows:

“**Note:** You may apply for a Federal Consolidation Loan from any FFELP lender. Alternatively, if you are eligible for a Federal Consolidation Loan but: (1) you are unable to obtain a Federal Consolidation Loan or one with income-sensitive repayment terms that are acceptable to you; or (2) you wish to take advantage of the public service loan forgiveness program, you may apply for a Federal Direct Consolidation Loan from the U.S. Department of Education. If you already have a Federal Consolidation Loan, you may be eligible to consolidate that loan into a Federal Direct Consolidation Loan to take advantage of the public service loan forgiveness program. If your Federal Consolidation Loan has become delinquent and the lender has submitted the loan to the guaranty agency for default aversion assistance, you may be able to consolidate your loan into a Federal Direct Consolidation Loan to obtain an income-contingent repayment plan. The public service loan forgiveness program provides for the cancellation of the remaining balance due on eligible William D. Ford Federal Direct Loan Program loans, including Federal Direct Consolidation Loans, after you have made 120 payments (after October 1, 2007) on those Direct Loans under certain repayment plans while you are employed in certain public service jobs.”

- **Borrower's Rights and Responsibilities Statement: Item 9. Deferment.** *Effective October 1, 2007*, paragraph 3 is revised to read as follows:

“A deferment is available for the period when I am serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency and, if I am serving on or after October 1, 2007, for the 180-day period following the demobilization date for my qualifying service. Also, if I am a member of the National Guard or other reserve component of the Armed Forces (current or retired) who is called or ordered to active duty while I am enrolled at an eligible school, or within 6 months of having been enrolled, I am eligible for a deferment during the 13 months following the conclusion of my active duty service or until the date I return to enrolled student status, whichever is earlier.”