THE SECRETARY OF EDUCATION
WASHINGTON, DC 20202

December 20, 2011

Honorable Charles E. Grassley
United States Senate
Washington, DC 20510

Dear Senator Grassley:

Thank you for your November 9, 2011, letter to President Obama in regard to the President's "Help Americans Manage Student Loan Debt" Initiative. The White House has asked me to respond.

The initiative consists of two components. The first component, the "Pay As You Earn" program, requires changes to the regulations governing the Income Contingent Repayment (ICR) plan available in the William D. Ford Federal Direct Loan (Direct Loan) program. The initiative proposes that Federal student loan payments for a borrower repaying a Direct Loan under the ICR plan would be capped at 10 percent of discretionary income. In addition, the maximum repayment period for loans repaid under the ICR plan would be reduced from 25 years to 20 years. After the 20-year period, all remaining amounts due on a loan would be discharged.

The authority for the ICR plan is in section 455(d)(1)(D) and (e) of the Higher Education Act of 1965, as amended (HEA). Section 455(d)(1)(D) of the HEA provides for an ICR plan with varying annual repayment amounts based on the borrower's income, with payments over a period of time not to exceed 25 years. Section 455(e) authorizes the Secretary to establish ICR repayment schedules by regulation. Under that authority, the current regulations have established a maximum repayment period of 25 years and a limit on the amount of a borrower's payments to 20 percent of the borrower's discretionary income. 34 CFR 685.209. The maximum repayment period and the percentage of income limit were established by the Department under its regulatory authority and may be changed through the negotiated rulemaking process.

On October 28, 2011, the Department announced its intention to establish a negotiated rulemaking committee to discuss changes to the regulations for the Federal student loan programs, including the changes to the ICR plan. The committee is to begin meeting on January 9, 2012. I have enclosed the relevant Federal Register notice for your review, which provides details on the process and timeline for the negotiated rulemaking. The negotiated rulemaking process ensures substantial public involvement in the development of the proposed regulations for the Federal student financial aid programs. The notice invites individuals and organizations to nominate negotiators to represent the stakeholders in the Federal student loan programs, including: students, legal assistance organizations that represent students, consumer advocacy organizations, financial aid administrators at postsecondary institutions, business officers and bursars at postsecondary institutions, admissions officers at postsecondary institutions, institutional third-party servicers who perform functions related to the title IV programs, state higher education executive officers, state attorneys general and other appropriate state officials, business and industry, institutions of higher education eligible to receive federal assistance under Title III of the HEA, two-year public institutions of higher education, four-year public institutions of higher education, private nonprofit institutions of higher education, private for-profit institutions of higher education, guaranty agencies and guaranty agency servicers, lenders, secondary markets, loan servicers, regional accrediting agencies, national accrediting agencies, specialized accrediting agencies, state approval agencies, state student grant agencies, and state agencies addressing secondary education. Representatives of all of these stakeholders have participated in previous negotiated rulemaking sessions and provided important input into the promulgation of the Department's regulations.

The second component of the initiative allows borrowers who have both loans held by the Department and loans made under the Federal Family Education Loan (FFEL) program and held by private or nonprofit FFEL lenders to apply for a Special Direct Consolidation Loan. This option will be available to borrowers beginning in January 2012 and will continue only until June 30, 2012. The Department does not assume that all eligible borrowers will choose to participate in the Special Direct Consolidation Loan program.

The Department's data demonstrate that borrowers with loans serviced by more than one servicer have approximately a 20 percent higher default rate than borrowers with one loan servicer. A borrower with one loan servicer is able to make a single payment to cover all of his or her outstanding loans rather than making multiple payments to different servicers, which allows for a greater chance of defaulting on a loan. The President's initiative recognizes that encouraging "split" borrowers with more than one loan servicer to consolidate into the Direct Loan program better protects the taxpayer from students' defaulting on their loans. Borrowers choosing to consolidate will be assigned to a single servicer and receive one bill per payment cycle, and the servicer will work with the borrower to better ensure on-time repayment of the loan. Under the Special Direct Consolidation Loan option, the benefits associated with streamlining borrower loan repayment serve as another default prevention tool for borrowers faced with an increased likelihood of defaulting on their Federal student loans. This helps students avoid delinquency and defaults.

Section 455(b)(8) of the HEA allows the Secretary of Education to offer borrowers repayment incentives to encourage on-time repayment of the loan. In 1999, the Department amended the Direct Loan program regulations to reflect this authority. 34 CFR 685.211(b). When the Secretary proposed that regulation, he noted that it provided the Department with the necessary flexibility to provide incentives in response to changes in economic conditions and in the Direct Loan program. 64 Fed. Reg. 32358, 32360 (June 16, 1999). The repayment incentives being offered by the Secretary are consistent with that regulation and with the Department's practice of offering repayment incentives to borrowers in response to economic changes.

The Special Direct Consolidation Loan option will offer eligible borrowers a .25 percentage point reduction in the weighted average interest rate on the loan, plus an additional .25 percentage point reduction if the borrower pays by automatic debit. The borrower will also benefit from an additional interest rate reduction in that the weighted average interest rate on the Special Direct Consolidation Loans will not be rounded up to the nearest 1/8 of a percent as provided on current Consolidation Loans. In addition, the borrower's Income-Based Repayment (IBR) Plan repayments on the underlying loan will be counted toward the maximum number of years that the borrower has to be in repayment under the IBR and ICR programs for the Special Direct Consolidation Loans. With the inclusion of these prior IBR payments in the maximum repayment period calculations for the Special Direct Consolidation Loans, the total amount of interest paid by the borrower on a loan will not increase.

The Department's actions in offering these repayment incentives are also authorized by section 432(a)(4) of the HEA, which is applicable to the Direct Loan program under section 455(a)(1) of the HEA. The combination of sections 432(a)(4) and 455(a)(1) of the HEA authorize the Secretary to agree to modify the rate of interest, time of payment of principal and interest, and any other provision of a FFEL or Direct Loan student loan promissory note. In this case, the Secretary is offering modifications to the otherwise applicable terms of a Direct Consolidation Loan to encourage borrowers who have FFEL program loans to consolidate those loans into a Special Direct Consolidation Loan and reduce the potential for default.

As required by section 455(b)(8) of the HEA, the Department has determined that the repayment incentives that it is offering are cost-neutral. The Department estimates that the Special Direct Consolidation Loan program could save approximately $4 billion, while the President's "Pay As You Earn" initiative would cost approximately $2 billion. The Department is confident that the two components will impose no cost on the taxpayers, and savings could be as high as $2 billion. While we expect there may be some scoring differences between the Department and the Congressional Budget Office, we are confident that the incentives will be paid for regardless of any differences.

Thank you again for your interest in these initiatives. I have enclosed relevant materials that we have made available to the public in order to help students, families, and institutions of higher education further understand these initiatives.

Should you have further questions, please have your staff contact Gabriella Gomez, Assistant Secretary of the Office of Legislation and Congressional Affairs, at (202) 401-0020.

Sincerely,

Arne Duncan

Enclosures

v. Removing the word "shall" in the second sentence and adding in its place the word "will".

§ 145.31 [Amended]

22. Section 145.31 is amended by removing the word "shall" and adding in its place the word "will".

§ 145.35 [Amended]

23. Section 145.35 is amended by removing the sum "$2,000" and adding in its place the sum "$2,500".

§ 145.41 [Amended]

24. Section 145.41 is amended by removing the sum "$2,000" and adding in its place the sum "$2,500".

PART 148—PERSONAL DECLARATIONS AND EXEMPTIONS

25. The general authority citation for part 148 is revised and the specific authority citations for § 148.51 and 148.64 continue to read as follows:

Authority: 19 U.S.C. 66, 1496, 1498, 1624. The provisions of this part, except for subpart C, are also issued under 19 U.S.C. 1202 (General Note 3(i), Harmonized Tariff Schedule of the United States).

* * * * *

Sections 148.43, 148.51, 148.63, 148.64, 148.74 also issued under 19 U.S.C. 1321;

* * * * *

§ 148.23 [Amended]

26. In § 148.23:

a. Paragraph (c)(1) is amended by removing, in its heading and in its text, the sum "$2,000" and adding in its place the sum "$2,500";

b. Paragraph (c)(1) is further amended by removing, in the text, the words "Sections VII, VIII, XI, and XII; Chapter 94; and";

c. Paragraph (c)(2) is amended by removing, in its heading and in its text, the sum "$2,000" and adding in its place the sum "$2,500"; and

d. Paragraph (c)(2) is further amended by removing the words "Sections VII, VIII, XI, and XII; Chapter 94; and".

§ 148.54 [Amended]

27. Section 148.54(b) is amended by removing the sum "$250" and replacing it with the sum"$2,500".

Alan D. Bersin,

Commissioner, U.S. Customs and Border Protection.

Approved: October 24, 2011.

Timothy E. Skud,

Deputy Assistant Secretary of the Treasury.

[FR Doc. 2011–27879 Filed 10–27–11; 8:45 am]

BILLING CODE 4810–14–P

DEPARTMENT OF EDUCATION

34 CFR Chapter VI

Negotiated Rulemaking Committee, Negotiator Nominations and Schedule of Committee Meetings—Student Loan Programs

AGENCY: Office of Postsecondary Education, Department of Education.

ACTION: Notice of establishment of negotiated rulemaking committee.

SUMMARY: We announce our intention to establish a negotiated rulemaking committee to prepare proposed regulations governing the student loan programs authorized under title IV of the Higher Education Act of 1965, as amended (HEA). The committee will include representatives of organizations or groups with interests that are significantly affected by the topics proposed for negotiation. We request nominations for individual negotiators who represent key stakeholder constituencies for the issues to be negotiated to serve on the committee and we set a schedule for committee meetings.

DATES: We must receive your nominations for negotiators to serve on the committee on or before November 28, 2011. The dates, times, and locations of the committee meetings are set out in the *Schedule for Negotiations* section under SUPPLEMENTARY INFORMATION, below.

ADDRESSES: Please send your nominations for negotiators to Wendy Macias, U.S. Department of Education, 1990 K Street, NW., room 8017, Washington, DC 20006, or by fax at (202) 502–7874. You may also email your nominations to *Wendy.Macias@ed.gov.*

FOR FURTHER INFORMATION CONTACT: For information about the content of this notice, including information about the negotiated rulemaking process or the nomination submission process, contact: Wendy Macias, U.S. Department of Education, 1990 K Street, NW., room 8017, Washington, DC 20006. *Telephone:* (202) 502–7526. You may also email your questions about the nomination submission process to: *Wendy.Macias@ed.gov.*

Note: For general information about the negotiated rulemaking process, see *The Negotiated Rulemaking Process for Title IV Regulations, Frequently Asked Questions* at *http://www.ed.gov/policy/highered/reg/hearulemaking/hea08/neg-reg-faq.html.*

If you use a telecommunications device for the deaf (TDD), call the Federal Relay Service (FRS), toll free at 1–800–877–8339.

SUPPLEMENTARY INFORMATION: On May 5, 2011, we published a notice in the Federal Register (76 FR 25650) announcing our intent to establish one or more negotiated rulemaking committees to develop proposed regulations under the HEA. In addition, we announced our intent to develop these proposed regulations by following the negotiated rulemaking procedures in Section 492 of the HEA. The notice also announced a series of three regional hearings at which interested parties could comment on the topics suggested by the Department and suggest additional topics for consideration for action by the negotiating committees. We also held four public roundtable discussions to complement the regional hearings. The hearings and roundtables were held in: Nashville, Tennessee (roundtable only); Tacoma, Washington; Chicago, Illinois; and Charleston, South Carolina. We invited parties to comment and submit topics for consideration in writing as well. Transcripts from the regional hearings can be found at *http://www2.ed.gov/policy/highered/reg/hearulemaking/2011/hearings.html.* Written comments may be viewed through the Federal eRulemaking Portal at *http://www.regulations.gov.* Instructions for finding comments are available on the site under "How to Use Regulations.gov" in the Help section. Individuals can enter docket ID ED–2011–OPE–0003 in the "Enter Keyword or ID" search box to locate the appropriate docket.

Regulatory Issues: After consideration of the information received at the regional hearings, the roundtable discussions, and in writing, we have decided at this time to establish a negotiating committee to address student loan program issues. The three programs to be addressed are: The William D. Ford Federal Direct Loan (Direct Loan) Program, the Federal Family Education Loan (FFEL) Program, and the Federal Perkins (Perkins) Loan Program.

We list the topics the committee is likely to address under *Committee Topics.*

We intend to select negotiators for the committee who represent the interests significantly affected by the topics proposed for negotiations. In so doing, we will follow the requirement in Section 492(b)(1) of the HEA that the individuals selected must have demonstrated expertise or experience in the relevant subjects under negotiation. We will also select individual negotiators who reflect the diversity among program participants, in accordance with Section 492(b)(1) of the HEA. Our goal is to establish a committee that will allow significantly affected parties to be represented while keeping the committee size manageable.

The committee may create subgroups on particular topics that may involve additional individuals who are not members of the committee. Individuals who are not selected as members of the committee will be able to attend the meetings, have access to the individuals representing their constituencies, and participate in informal working groups on various issues between the meetings. The committee meetings will be open to the public.

The Department has identified the following constituencies as having interests that are significantly affected by the topics proposed for negotiations. The Department plans to seat as negotiators individuals from organizations or groups representing these constituencies:

• Students.
• Legal assistance organizations that represent students.
• Consumer advocacy organizations.
• Financial aid administrators at postsecondary institutions.
• Business officers and bursars at postsecondary institutions.
• Admissions officers at postsecondary institutions.
• Institutional third-party servicers who perform functions related to the title IV programs (including collection agencies).
• State higher education executive officers.
• State attorneys general and other appropriate State officials.
• Business and industry.
• Institutions of higher education eligible to receive Federal assistance under title III, Parts A, B, and F and title V of the HEA, which include Historically Black Colleges and Universities, Hispanic-Serving Institutions, American Indian Tribally Controlled Colleges and Universities, Alaska Native and Native Hawaiian-Serving Institutions, and other institutions with a substantial enrollment of needy students as defined in title III of the HEA.
• Two-year public institutions of higher education.
• Four-year public institutions of higher education.
• Private, non-profit institutions of higher education.
• Private, for-profit institutions of higher education.
• Guaranty agencies and guaranty agency servicers (including collection agencies).
• Lenders, secondary markets, and loan servicers.
• Regional accrediting agencies.
• National accrediting agencies.
• Specialized accrediting agencies.
• State approval agencies.
• State student grant agencies.
• State agencies addressing secondary education.

The goal of the committee is to develop proposed regulations that reflect a final consensus of the committee. Consensus means that there is no dissent by any member of the negotiating committee, including the committee member representing the Department. An individual selected as a negotiator will be expected to represent the interests of their organization or group. If consensus is reached, all members of the organization or group represented by a negotiator are bound by the consensus and are prohibited from commenting negatively on the resulting proposed regulations. The Department will not consider any such negative comments that are submitted by members of such an organization or group.

Nominations:

Nominations should include:

• The name of the nominee, the organization or group the nominee represents, and a description of the interests that the nominee represents.
• Evidence of the nominee's expertise or experience in the subject, or subjects, to be negotiated.
• Evidence of support from individuals or groups of the constituency that the nominee will represent.
• The nominee's commitment that he or she will actively participate in good faith in the development of the proposed regulations.
• The nominee's contact information, including address, phone number, fax number, and email address.

For a better understanding of the negotiated rulemaking process, nominees should review *The Negotiated Rulemaking Process for Title IV Regulations, Frequently Asked Questions* at *http://www.ed.gov/policy/highered/reg/hearulemaking/hea08/neg-reg-faq.html* prior to committing to serve as a negotiator.

Nominees will be notified whether or not they have been selected as negotiators as soon as the Department's review process is completed.

Committee Topics

The topics the committee is likely to address, for each of the three loan programs unless otherwise indicated, are as follows:

• Loan discharges based on total and permanent disability.
• Single application process.
• Borrower notification of denial.
• Post-discharge monitoring of employment earnings.
• Repeal of unnecessary regulations in the FFEL Program due to statutory changes and incorporation and modification of corresponding requirements in the Direct Loan Program regulations.
• Modifications to the Income-Based Repayment (IBR) Plan and the Income Contingent Repayment (ICR) Plan in the Direct Loan and FFEL Programs.
• New borrower notification for annual IBR evaluation.
• Annual income verification.
• Borrower repayment after leaving IBR.
• Closed school loan discharge 90-day eligibility period for borrowers.
• Loan rehabilitation in the Direct Loan and FFEL Programs.
• Reasonable and affordable payment standard.
• Treatment of borrowers subject to administrative wage garnishment.
• Deadline for FFEL lender 60-day delinquent borrower repayment disclosure.
• Satisfactory repayment arrangements for defaulted borrowers.
• Forbearance.
• Borrowers under Department of Defense repayment plans.
• Process for defaulted borrowers.
• Participation rate index appeal for one-year cohort default rates.
• Perkins Loan only issues, including
• Economic hardship deferment debt-to-income provision.
• Graduate fellowship deferment eligibility.
• Social security number requirement for loan assignment.
• Cancellation rate progression across cancellation categories.
• School enrollment status reporting requirements.
• Minimum loan period for transfer students in non-term programs and certain non-standard term programs.

These topics are tentative. Topics may be added or removed as the process continues.

Schedule for Negotiations

The committee will meet for three sessions on the following dates:

Session 1: January 9–13, 2012.
Session 2: February 13–17, 2012.
Session 3: March 26–30, 2012.

All sessions will begin at 12 p.m. on Monday and end at 12 p.m. on Friday.

The meetings will be held at the U.S. Department of Education at: 1990 K Street, NW., Eighth Floor Conference Center, Washington, DC 20006.

Accessible Format: Individuals with disabilities can obtain this document in an accessible format (e.g., braille, large print, audiotape, or compact disc) by contacting the contact person under **FOR FURTHER INFORMATION CONTACT.**

Electronic Access to This Document: The official version of this document is the document published in the Federal Register. Free internet access to the official edition of the Federal Register and the Code of Federal Regulations is available via the Federal Digital System at: *http://www.gpo.gov/fdsys.* At this site you can view this document, as well as all other documents of this Department published in the Federal Register, in text or Adobe Portable Document Format (PDF). To use PDF, you must have Adobe Acrobat Reader, which is available free at this site.

You may also access documents of the Department published in the Federal Register by using the article search feature at *http://www.federalregister.gov.* Specifically, through the advanced search feature at this site, you can limit your search to documents published by the Department.

Program Authority: 20 U.S.C. 1098a.

Dated: October 25, 2011.

Eduardo M. Ochoa,

Assistant Secretary for Postsecondary Education.

[FR Doc. 2011–27962 Filed 10–27–11; 8:45 am]

BILLING CODE 4000–01–P

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 52

[EPA–R07–OAR–2011–0825, FRL–9484–4]

Approval and Promulgation of State Implementation Plans; Missouri: Prevention of Significant Deterioration; Greenhouse Gas Tailoring Rule; New Source Review Reform

AGENCY: Environmental Protection Agency (EPA).

ACTION: Proposed rule.

SUMMARY: EPA is proposing to approve revisions to the Missouri State Implementation Plan (SIP) relating to regulation of Greenhouse Gases (GHGs) under Missouri's Prevention of Significant Deterioration (PSD) program, and to two New Source Review (NSR) revisions. The GHG-related SIP revisions incorporate the GHG emission thresholds established in EPA's "PSD and Title V Greenhouse Gas Tailoring Final Rule," which EPA issued by notice dated June 3, 2010. These revisions were submitted by the Missouri Department of Natural Resources (MDNR) to EPA in a letter dated August 8, 2011. The NSR revisions are to the Construction Permits Required Rule and the Emissions Banking and Trading Rule and are intended to address changes to the Federal NSR regulations, which were promulgated by EPA on December 31, 2002. These revisions were submitted by MDNR to EPA in a letter dated November 30, 2009. EPA is proposing to approve the GHG and NSR revisions because the Agency has made the preliminary determination that these SIP revisions, already adopted by Missouri as final effective rules, are in accordance with the Clean Air Act (CAA or Act) and EPA regulations regarding PSD permitting for GHGs and NSR.

DATES: Comments must be received on or before November 28, 2011.

ADDRESSES: Submit your comments, identified by Docket ID No. EPA–R07–OAR–2011–0825, by one of the following methods:

1. *http://www.regulations.gov:* Follow the on-line instructions for submitting comments.
2. *Email: gonzalez.larry@epa.gov.*
3. *Fax:* (913) 551–7844.
4. *Mail:* Air Planning and Development Branch, Air and Waste Management Division, U.S. Environmental Protection Agency, Region 7, 901 North 5th Street, Kansas City, Kansas 66101.
5. *Hand Delivery or Courier:* Mr. Larry Gonzalez, Air Planning and Development Branch, Air and Waste Management Division, U.S. Environmental Protection Agency, Region 7, 901 North 5th Street, Kansas City, Kansas 66101. Such deliveries are only accepted during the Regional Office's normal hours of operation. The Regional Office's official hours of business are Monday through Friday, 8 a.m. to 4:30 p.m., excluding Federal holidays.

Instructions: Direct your comments to Docket ID No. EPA–R07–OAR–2011–0825. EPA's policy is that all comments received will be included in the public docket without change and may be made available online at *http://www.regulations.gov,* including any personal information provided, unless the comment includes information claimed to be Confidential Business Information (CBI) or other information whose disclosure is restricted by statute. Do not submit through *http://www.regulations.gov* or email, information that you consider to be CBI or otherwise protected. The *http://www.regulations.gov* Web site is an "anonymous access" system, which means EPA will not know your identity or contact information unless you provide it in the body of your comment. If you send an email comment directly to EPA without going through *http://www.regulations.gov,* your email address will be automatically captured and included as part of the comment that is placed in the public docket and made available on the Internet. If you submit an electronic comment, EPA recommends that you include your name and other contact information in the body of your comment and with any disk or CD–ROM you submit. If EPA cannot read your comment due to technical difficulties and cannot contact you for clarification, EPA may not be able to consider your comment. Electronic files should avoid the use of special characters, any form of encryption, and be free of any defects or viruses. For additional information about EPA's public docket visit the EPA Docket Center homepage at *http://www.epa.gov/epahome/dockets.htm.*

Docket: All documents in the electronic docket are listed in the *http://www.regulations.gov* index. Although listed in the index, some information is not publicly available, *i.e.,* CBI or other information whose disclosure is restricted by statute. Certain other material, such as copyrighted material, is not placed on the Internet and will be publicly available only in hard copy form. Publicly available docket materials are available either electronically in *http://www.regulations.gov* or in hard copy at the Air Planning and Development Branch, Air and Waste Management Division, U.S. Environmental Protection Agency, Region 7, 901 North 5th Street, Kansas City, Kansas 66101. EPA requests that if at all possible, you contact the person listed in the **FOR FURTHER INFORMATION CONTACT** section to schedule your inspection. The Regional Office's official hours of business are Monday through Friday, 8 a.m. to 4:30 p.m., excluding Federal holidays.

FOR FURTHER INFORMATION CONTACT: For information regarding the GHG portion of the Missouri SIP, contact Mr. Larry Gonzalez, Air Planning and Development Branch, Air and Waste Management Division, U.S. Environmental Protection Agency, Region 7, 901 North 5th Street, Kansas City, Kansas 66101. Mr. Gonzalez's telephone number is (913) 551–7041; *email address: gonzalez.larry@epa.gov.* For information regarding the NSR Reform portion of the Missouri SIP, contact Ms. Amy Bhesania, Air Planning and Development Branch, Air and Waste Management Division, U.S. Environmental Protection Agency,

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Special Direct Consolidation Loans

The U.S. Department of Education (the Department) will offer Special Direct Consolidation Loans to eligible borrowers, beginning in January 2012. This is a short-term consolidation opportunity, ending June 30, 2012, for borrowers with

- at least one student loan held by the Department (a Direct Loan or a Federal Family Education Loan [FFEL] owned by the Department and serviced by one of the Department's servicers); **and**
- at least one commercially-held FFEL loan (a FFEL loan that is owned by a FFEL lender and serviced either by that lender or by a servicer contracted by that lender).

View President Obama's announcement about special consolidation

Special Direct Consolidation Loans are intended to help borrowers manage their debt by ensuring all of their federal loans are serviced by the same entity, resulting in one bill and one payment (borrowers repay loans to a loan servicer). Borrowers will also receive an interest rate reduction on Special Direct Consolidation Loans as a repayment incentive.

The information below describes the eligibility requirements and benefits of taking out a Special Direct Consolidation Loan.

Who is eligible for a Special Direct Consolidation Loan?

You must have at least one loan owned by the Department of Education and at least one commercially-held FFEL loan to qualify for a Special Direct Consolidation Loan.

What federal student loans are eligible for the Special Direct Consolidation Loan program?

While you must have both a Department-owned loan and a commercially-held FFEL loan to be eligible, ONLY your commercially-held FFEL loans are eligible for consolidation under this initiative. These include:

- FFEL Subsidized and Unsubsidized Stafford Loans;
- FFEL PLUS Loans (both those taken out by graduate/professional students and those taken out by a parent to pay for the costs of an undergraduate student); and
- FFEL Consolidation Loans

In order to be eligible for consolidation under this initiative, these loans *must be* in grace, repayment, deferment, or forbearance.

The following loans are ineligible for this program:

- FFEL loans in default or subject to a bankruptcy proceeding;
- Perkins Loans;
- Health Education Assistance Loans (HEAL), Health Professions Student Loans (HPSL), Nursing Student Loans (NSL), Loans for Disadvantaged Students (LDS); and
- Private student loans

What are the benefits of Special Direct Consolidation Loans?

- **Interest rate reduction:** If you consolidate into a Special Direct Consolidation Loan, you will receive a 0.25% interest rate reduction from the current interest rate on your commercially-held FFEL loan(s) as of the date of consolidation. The interest rate will be fixed for the life of the loan and cannot exceed 8.25%.

Last updated/reviewed
Novmeber 16, 2011

- **Repayment term will not be changed:** The repayment term on your Special Direct Consolidation Loan (the length of time you have to repay the loan) will remain the same as your current repayment terms and will not be reset. As a result, you will pay less interest over the life of the loan than you would with a traditional Direct Consolidation Loan.
- **Credit for Previous Income-Based Repayment (IBR) Payments:** If you made any IBR loan payments on your commercially-held FFEL loans prior to consolidation, those payments will count toward the required repayment time for cancellation if you remain in IBR. Under IBR, any remaining loan balance is forgiven after 25 years of repayment.
- **Eligibility for loan forgiveness under the Public Service Loan Forgiveness (PSLF) Program:** By consolidating your commercially-held FFEL loans into a Special Direct Consolidation Loan, those loans become Direct Loans, and as result, are eligible for the PSLF Program if you meet the additional program requirements. Under this program, you may qualify for forgiveness of the remaining balance due on your eligible Direct Loans after you have made 120 payments on those loans under certain repayment plans while employed full time by certain public service employers.

How are Special Direct Consolidation Loans different than traditional Direct Consolidation Loans?

	Traditional Direct Consolidation Loan	Special Direct Consolidation Loan
Repayment Term	The repayment term for the loan starts over, giving students longer to repay their loan. A longer repayment term may result in lower monthly payments but will ultimately increase the amount the borrower will pay over the life of the loan since more interest will accrue during a longer repayment period.	Each loan that is consolidated retains its original repayment term. As a result, borrowers will pay less interest over the life of the loan than they would under the traditional consolidation program.
Interest Rate	A fixed rate based on the weighted average of the interest rates of those loans being consolidated rounded up to the nearest one-eighth of 1%, not to exceed 8.25%.	A fixed rate (not to exceed 8.25%) after applying the 0.25% interest rate reduction to the FFEL loans being consolidated.
Electronic Debit Benefit	Eligible for a 0.25% interest rate reduction if the loan is repaid through the Department's automatic debit system.	Eligible for an additional 0.25% interest rate reduction if the loan is repaid through the Department's automatic debit system.

Should I consolidate my loans into a Special Direct Consolidation Loan?

You should assess your personal student loan situation to determine if you should consolidate your loans into a Special Direct Consolidation Loan. While Special Direct Consolidation Loans offer certain benefits, such as a reduced interest rate, some borrowers may choose not to take advantage of this limited time offer because they are satisfied with the current repayment arrangements on their existing loans, or they wish to consolidate all of their federal loans (including those loans ineligible for this special consolidation opportunity) into a traditional Direct Consolidation Loan.

How much money will I save in interest if I obtain a Special Direct Consolidation Loan?

Your interest savings must be evaluated on a loan-by-loan basis. If you are eligible for a Special Direct Consolidation Loan, the federal loan servicer that contacts you starting in January 2012 will be able to provide you with detailed interest reduction information.

How will I know if I am eligible for the Special Direct Consolidation Loan Program?
Once Special Direct Consolidation Loans are available in January 2012, a Department of Education servicer will notify you if you are eligible.

What action should I take to initiate a Special Direct Consolidation Loan?
You do not need to take any action until you are contacted by a Department of Education servicer. If you're interested in taking out a Special Consolidation Loan, **it is critical that you do not start the traditional Direct Consolidation Loan process. If you consolidate your loans into a traditional Direct Consolidation Loan before Special Consolidation Loans are available, you will not be eligible for a Special Direct Consolidation Loan.**

Who will contact me if I am eligible for a Special Direct Consolidation Loan?
You will be contacted by one of the Department of Education's servicers if you are eligible for this special consolidation opportunity. The Department of Education servicers for this special initiative are FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae.

Will I be required to sign a new promissory note to obtain a Special Direct Consolidation Loan?
Yes, by consolidating your loans into a Special Direct Consolidation Loan you are securing a new loan. This requires a new promissory note.

What repayment options are available for Special Direct Consolidation Loans?
You can choose any of the following repayment plans to repay your Special Direct Consolidation Loan:

- Standard Repayment Plan
- Graduated Repayment Plan
- Extended Repayment Plan
- Income-Contingent Repayment (ICR) Plan
- Income-Based Repayment (IBR) Plan

However, it is important to remember that your repayment term does not start over when you receive a Special Direct Consolidation Loan. Instead, each commercially-held FFEL loan that you consolidate will retain its original repayment term. This means, for example, that if you had made three years of loan payments on a 10-year standard repayment plan prior to consolidating a Federal Stafford Loan and you choose the Standard Repayment Plan for your Special Direct Consolidation Loan, your remaining repayment term would continue to be 7 years.

Please note that if your Special Direct Consolidation Loan includes parent Federal PLUS Loans, or Federal Consolidation Loans that repaid parent PLUS loans, that portion of your consolidation loan may not be repaid under the IBR Plan. However, you have the option of paying that portion of your loan under the ICR Plan.

For more information about each repayment plan, visit Repayment Plans and Calculators.

Where can I get more information about Special Direct Consolidation Loans?
If you have further questions about Special Consolidation Loans, you can call 1-800-4-FED-AID (1-800-433-3243) for more information.

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Posted Date: October 26, 2011

Author: David Bergeron, Deputy Assistant Secretary for Policy, Planning, and Innovation, Office of Postsecondary Education

Subject: Special Direct Consolidation Loan Information - Short-Term Consolidation Opportunity Offered from January - June 30, 2012

On October 25, 2011, the Obama Administration announced several steps it is taking to increase college affordability by making it easier to manage student loan debt. Key initiatives include a "Pay As You Earn" repayment plan and a short-term consolidation opportunity that will be offered through the Department of Education (the Department) from January – June 30, 2012. The press release and an accompanying fact sheet are available at **http://www.whitehouse.gov/briefing-room/statements-and-releases**.

This Electronic Announcement is the first in a series of communications through which we will inform the financial aid community about the availability of Special Direct Consolidation Loans. At this time, we want to share basic process and eligibility information that our customer service centers will provide to borrowers who contact us about the availability of Special Direct Consolidation Loans. As other program-related guidance becomes available, we will post Electronic Announcements on the **Information for Financial Aid Professionals (IFAP) Web site**. All subsequent announcements on this topic will include the words "Special Direct Consolidation Loan Information" in the subject line.

Special Direct Consolidation Loans are not the same as traditional consolidation loans offered under the William D. Ford Federal Direct Loan (Direct Loan) Program. Only certain borrowers will be eligible for Special Direct Consolidation Loans, and eligible borrowers will apply through a new and different online process. In addition, Special Direct Consolidation Loans will only be available for a short period of time from January – June 30, 2012.

We have established a Special Direct Consolidation Loans page on our Student Aid on the Web site where we will post information for borrowers. This page is available at **www.studentaid.ed.gov** and can be easily accessed from a link under "Announcements" on the right side of the home page. The direct page URL is **http://studentaid.ed.gov/PORTALSWebApp/students/english/specialconsolidation.jsp**.

In addition to resources we provide for borrowers, we know that borrowers will reach out to their schools for information. We appreciate any assistance schools can provide and will ensure that schools are kept informed throughout the duration of the program.

Getting Started – Special Direct Consolidation Loan High-Level Summary

Through four basic questions, we present high-level summary information about the process, borrower eligibility, loan eligibility, and benefits associated with Special Direct Consolidation Loans that will be available from January – June 30, 2012. This summary information is further supplemented by the information available on our Special Direct Consolidation Loans Web page.

How will the Special Direct Consolidation Loan Process work?

- Special Direct Consolidation Loans ***are not the same as*** traditional consolidation loans that borrowers can apply for today.
- Only certain borrowers will be eligible for Special Direct Consolidation Loans.
- Eligible borrowers will be contacted by one of four federal loan servicers starting in January 2012. Given the number of eligible borrowers, these contacts will occur over several weeks.
- The servicers that will contact eligible borrowers are FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae.
- The servicers will provide eligible borrowers with application instructions.
- After receiving application instructions from a servicer, eligible borrowers will apply through a new and different online process.
- Borrowers who may be eligible ***must not apply*** through the traditional Direct Consolidation Loan Web site (http://loanconsolidation.ed.gov).

What loans must a borrower have to be eligible for a Special Direct Consolidation Loan?

- At least one ED-held Direct Loan or ED-held FFEL loan and one commercially-held FFEL loan.

What loans are eligible for Special Direct Consolidation?

- ***Only commercially-held FFEL loans*** (subsidized, unsubsidized, PLUS, and consolidation).
- Commercially-held FFEL loans ***must be*** in grace, repayment, deferment, or forbearance.
- Commercially-held FFEL loans ***can be*** defaulted loans that have been rehabilitated.
- Commercially-held FFEL loans ***cannot be*** in default or subject to a bankruptcy proceeding.

What will a borrower gain by obtaining a Special Direct Consolidation

Loan?

- One servicer and one payment, as opposed to one or more servicers with multiple bills and varying repayment requirements.
- For commercially-held FFEL loans that will be consolidated, a 0.25 percent reduction from each loan's existing interest rate at the time of consolidation, plus the opportunity to receive an additional 0.25 percent interest rate reduction if automatic debit is chosen for repayment.
- For commercially-held FFEL loans with a variable interest rate at the time of consolidation, the conversion to a fixed interest rate at the lower percentage that will not change over time.
- No loss to previous time in repayment; it will count towards the repayment term for the new loan.
- No loss to previous Income-Based Repayment (IBR) payments; they will count towards the required repayment time for cancellation if the borrower remains in IBR.
- The commercially-held FFEL loans that will be consolidated will be eligible for discharge under the Public Service Loan Forgiveness Program.

Further Information

We look forward to offering the Special Direct Consolidation Loan opportunity to eligible borrowers starting in January 2012 and appreciate the financial aid community's support of this initiative.

As explained above, we will keep the community informed through subsequent "Special Direct Consolidation Loan Information" Electronic Announcements on the IFAP Web site. Borrower information is available on our Special Direct Consolidation Loans Web page.