

Total and Permanent Disability Discharge Assignment Guide for Federal Perkins Loans

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General Information

Schools may be directed to assign Federal Perkins loans for Total and Permanent Disability (TPD) discharge to the Department of Education (Department) at any time during the program year. All loans that a school assigns to the Department are assigned without recompense. The Department will not reimburse the school’s Federal Perkins Loan Fund for the loans, and all rights, authorities and privileges associated with the loan are transferred to the United States. After assignment, the school is relieved of incurring additional expenses in attempting to collect on the loan. Any funds

collected by the Department on these loans are the property of the United States. Note that loan assignments for TPD discharge will not affect the calculation of the school's Perkins Loan cohort default rate.

Carefully read and follow the assignment procedures. Loan assignment submissions not adhering to these procedures will need to be re-submitted. Schools must submit accounts for assignment using the Perkins Assignment Form (see the section below).

Except as explained below under "Veterans TPD Discharge," schools must assign loans to the Department within 45 days of the date of the notification from the Department that the borrower is approved for a TPD discharge. This notification will be sent to the school in the Loan Holder Notification file (LHN) as a secured attachment via email. **Important: A loan should only be assigned to the TPD Servicer after the school receives the LHN file with the reason code "APPAPPR." Do not send the loan prior to receiving the LHN file with this approval reason code, as the borrower has not yet been approved for TPD Discharge.**

Important: If a school is liquidating its Federal Perkins Loan Program portfolio and has potential TPD loan assignments that have not yet received approval from the TPD Servicer, the school should instead refer the loans through the "regular" liquidation and assignment process and submit them to Department's Perkins Loan Servicer, ECSI. In these cases, the reason for the assignment should be marked as "Liquidation."

Veterans TPD Discharge

In April 2018, the Department began a data-matching process with the Department of Veterans Affairs (VA) to further simplify the steps needed to document a borrower's eligibility for TPD. To do this the Department began matching borrowers on the National Student Loan Data System (NSLDS®) who owe federal student loans to the VA database.

Borrowers who are positively identified in the match will receive a letter from the Department's TPD servicer, Nelnet. The letter will explain that the borrower is eligible for loan discharge and include a TPD application. A borrower then can sign and return the application to complete the process of applying for TPD discharge.

The borrower notifications will be staggered over a period of several weeks. The match process will then be conducted on a quarterly basis – in March, June, September, and December of each year.

From an operational perspective, the TPD discharge process does not change. If the borrower is approved for TPD discharge under the special standard for certain veterans, the school does not assign the loan to the Department. Instead, the Department will notify the school of each veteran borrower's eligibility for discharge through the LHN File sent via email in a password-protected .zip file.

Upon notification by the Department that the borrower qualifies for a TPD discharge, the school discharges the loan, notifies the borrower of the discharge, and refunds any payments that were made on or after the effective date of the grant of disability by the VA.

Loan Holder Notification Files

The LHN file is the primary form of communication of TPD discharge information between the Nelnet Total and Permanent Disability Servicer and the school. To ensure the school receives LHN files timely, keep both loan holder information and contact information on the NSLDS Professional website current. If the school does not currently receive an LHN file, it should take the following steps to begin receiving it:

1. Student Aid Internet Gateway (SAIG) Option (recommended) – Enroll to receive the TPD LHN file via the Student Aid Internet Gateway (SAIG) mailbox.
2. Email Option - Ensure NSLDS has the correct loan holder listed and/or has the correct contact information listed. Once the information on NSLDS is verified, contact the Nelnet Total and Permanent Disability Servicer by email at disabilityinformation@nelnet.net or by phone at 1-888-303-7818. The Nelnet Total and Permanent Disability Servicer will need an email address to send the encrypted LHN file. **Note:** The request to receive LHN files must come from the loan holder.

For detailed instructions about the LHN file, see the [April 17, 2018 Electronic Announcement](#) posted to the Information for Financial Aid Professionals (IFAP) website.

Reporting – Credit Bureau, NSLDS, and FISAP

After the Department’s TPD Servicer has officially accepted the TPD loan assignment, the school must update information with the credit bureaus and NSLDS as well as on the Fiscal Operations Report and Application to Participate (FISAP).

Credit Bureau Reporting

Non-defaulted loan held by the School – The school reports Status Code “05” and the Payment Rating that is consistent with the current or delinquent status of the account on the date a school submits a disability assignment to the Department (i.e., 0, 1, 2, 3, 4, 5 or 6). Status Code 05 is defined as “Account transferred to another office” and the Payment Rating indicates that the payment for this month was current or delinquent.

Status Code 05 is considered a “final” status; no further reporting by the school would be required.

A school should retain a Payment History Profile Grid that represents the accurate account history.

Defaulted loan (previously reported by the school as Status Code 93 – Collection)- The school reports Status Code “05”, Payment Rating “G” and Special Comment Code “AL.” Status Code 05 is defined as “Account transferred to another office.” Payment Rating G indicates that the account was a Collection prior to the transfer, and Special Comment Code AL indicates “Student loan – permanently assigned to government.”

Status Code 05 is considered a “final” status; no further reporting by the school would be required

A school should retain all collection history already reported for historical credit reporting purposes.

NSLDS Reporting

The school must update the loan in NSLDS to show that it is “transferred for assignment”. This is done by using the **transfer code “AE”** in **Field Code #263**. (This will release the loan and enable the Department to report on it.)

When reporting loans as “AE” or transferred to the Department, the Date of Loan Status field (Field Code #262) should match the loan “certification date” used on the assignment form (Certification, Section B, Item 12) for the loan when it was submitted to the Department for assignment using the paper form.

IMPORTANT: Once the loan is reported with the “AE” transfer code, the school or its servicer should not report on that same loan again.

FISAP Reporting

If the Department determines that the borrower is total and permanently disabled, the school must assign the loan to the Department and report the assignment, and any associated refunds, as instructed on the "Fiscal Operations Report and Application to Participate (FISAP)."

Required Documentation for TPD Loan Assignments

TPD loan assignments must include the following documentation in the submission package. More detailed information about each of the documentation requirements are provided in the sections below. **Note:** If a borrower has more than one loan being assigned, separate supporting documentation must be included for each loan.

- Assignment Manifest
- Perkins Assignment Form
 - Institutional Certification (OMB 1845-0048)
 - Borrower and Loan Information (OMB 1845-0048)
- Original Promissory Note or Perkins Master Promissory Note (MPN)
- Repayment History
- Judgment Information (If applicable)
- Bankruptcy Information (If applicable)

To expedite the review process and reduce the number of rejected assignments, the title of each required document in the assignment package (except for the original promissory note and the Perkins Assignment Form) should be included at the top of each document. If there are items in the assignment submission package that need clarification or justification (for example, the school made a disbursement after the withdrawal date), a written explanation should be included with that loan's documentation.

Missing or Defective Documentation – Explanations concerning missing or defective (e.g., incomplete, not signed) promissory notes, missing or incomplete bankruptcy information, or missing or incomplete judgment information require formal approval by the appropriate Department official. Send a password-protected .zip file (and provide the password in a separate email) to PerkinsLoanAssignments@ed.gov and copy disabilityinformation@nelnet.net for approval requests. **Note:** It is important to indicate that the loan was approved for TPD discharge to ensure the assignment submission is routed to the appropriate official for Departmental approval.

For guidance on TPD processing for joint consolidation loans, co-made PLUS loans, and PLUS loans with endorsers who have applied for TPD discharge, refer to Appendix V – Co-made Loans and Endorsers that is included as an attachment to a [March 8, 2016 Electronic Announcement](#).

Assignment Manifest

A manifest listing the accounts submitted must be included. See Section C of the Institutional Certification page of the Perkins Assignment Form for detailed instructions on the contents and format of the manifest.

Separate or Bundled Loans

- Loans Made Prior to July 1, 2008: If an account was bundled (more than one loan was initially reported to NSLDS as one loan), these loans should be listed on the manifest as one loan.
- Loans Made On or After July 1, 2008: Loans made on or after July 1, 2008 should have been reported to NSLDS individually and not combined or bundled with another loan(s). Loans made on or after July 1, 2008 must be individually submitted for assignment.

Reporting loans on the manifest in the same manner that they were reported to NSLDS reduces the possibility of matching errors in NSLDS.

Perkins Assignment Form

The approved Federal Perkins Loan Program Assignment Form (OMB Number 1845-0048, expiration date 12/31/2021) must be used for assignment submissions. The Perkins Loan Assignment Form must be completed according to the form's instructions for each borrower approved for TPD discharge as indicated by the Loan Holder Notification file. The assignment form and instructions are available on the Campus-Based Processing Information page on the IFAP website. Read and follow these instructions carefully.

For each assignment submission package of approved TPD discharged loans, a school is required to complete:

- **One** Institutional Certification page of the Perkins Assignment Form. The Institutional Certification page must bear the original signature of the school official who is authorized to transfer the institution's assets, and
- A Borrower and Loan Information page of the Perkins Assignment Form **for each individual loan.**

A school may also submit a photocopy of the OMB-approved Perkins Assignment Form or may produce its own computer-generated version of the form. If a school chooses to produce a computer-generated version of the Perkins Assignment Form, it must ensure, to the extent possible, that the school-produced form is identical in format and content to the OMB-approved Perkins Assignment Form. School-produced versions of the assignment form that do not comply with this requirement or that are not legible may be rejected. Assignments using any form other than the approved Perkins Assignment Form, or an acceptable photocopy or school-produced version of that form, will be rejected.

For complete information about the approved assignment form and manifest instructions, refer to the Perkins Assignment Form Instructions on the Campus-Based Processing Information page of the IFAP website.

Perkins Original Promissory Note

Original promissory notes are required for all loans. All promissory notes that are submitted for assignment must be valid legal instruments. Open-end and closed-end Perkins promissory notes must contain the borrower's signature, loan amounts, and dates for each loan period. Perkins Master Promissory Notes (MPNs) must contain the borrower's signature and the principal amount loaned must be supported by institutional disbursement records.

At some schools, audits and program reviews may have already identified defective (e.g., incomplete, not signed) notes. These loans may not be assigned without the approval of the appropriate Department official or until these defective notes have been corrected. If a defective promissory note cannot be corrected, the institution may still assign the loan by following the procedures below for assigning loans with missing or defective promissory notes.

Electronically signed promissory notes

If a school is assigning a Perkins Loan promissory note that was signed electronically, the school's most recent audit must verify the extent to which the school's electronic signature authentication process meets the Department's Standards for Electronic Signatures in Electronic Student Loan Transactions. In addition, at the Department's request, the school must provide an affidavit or certification regarding the creation and maintenance of the electronic records of the loan or loans assigned to the Department in a form that is admissible in a legal proceeding. The school may also be required by the Department to provide testimony by an authorized official of the school to

ensure the admission of the electronic records of the loan in any legal proceedings. The school must cooperate with the Department in all activities necessary to enforce the loan.

Missing original promissory note

If an original promissory note is missing, a "Certified True Copy" of the front and back of the promissory note may be submitted in lieu of the missing note.

A "Certified True Copy" of a promissory note

If the original promissory note is no longer available and only a photocopy exists, the photocopy (front and back) may be submitted with the following statement, signed by an appropriate institutional official, appearing on the photocopy:

"Certified True Copy"

I declare under penalty of perjury that the foregoing is a true and correct copy of the original promissory note.

Signature:

Title:

Date:

If neither the original nor a photocopy of the promissory note is available, or if the promissory note is defective (e.g., incomplete, not signed), the loan may still be assigned if the school submits copies (front and back) of the signed disbursement checks or vouchers, or submits an original affirmative legal judgment with the appropriate transfer statement (see additional information on judgments below).

Copies of disbursement checks or vouchers may also be submitted as documentation of unsigned advances on a closed-end or open-end promissory note. Partial assignment of a note may be made by including a clarifying statement noting that assignment is being made of only the valid advances and by completing the Perkins Assignment Form to reflect this.

Multiple loans on one note

If a school has a National Defense Student Loan and a National Direct Student Loan on the same promissory note, or the promissory note includes more than one interest rate for the same borrower, or different individuals co-signed parts of the same promissory note, each loan must be treated as a separate loan even though the loans are on the same promissory note. In this situation, a school should make a certified true copy of the original promissory note (as previously instructed) and include the original promissory note with one loan and the certified true copy with the other loan(s). Attach a clarifying statement with the certified true copy indicating that the original promissory note is attached to one of the borrower's other loans included in the assignment package. (Please specify Federal Perkins, Direct, or Defense). A separate Perkins Assignment Form, along with supporting documentation, must be completed for each note with different provisions.

With the exception of Master Promissory Notes (MPN), any assignment where one promissory note represents two loans for any reason other than that described in the preceding paragraph will require the approval of the appropriate Department official to be accepted. Send a password-protected .zip file (and provide the password in a separate email) to PerkinsLoanAssignments@ed.gov and copy disabilityinformation@nelnet.net for approval requests. **Note:** It is important to indicate that the loan was approved for TPD discharge to ensure it is routed to the appropriate official for Departmental approval.

Repayment History

A copy of the student's loan repayment history (financial profile of the account) must be provided. Such a repayment history includes all payments made, on a payment-by-payment basis, and how individual payments were applied (such as what portion of the payment was applied to principal and what portion was applied to interest, etc.). Each payment history must also include total amounts for each of these areas of payment application. A key to interpret the repayment history must also be provided and attached to any printout. Such a key will assist in the interpretation of every accounting transaction that appears on the repayment history.

Judgment Information (If Applicable)

If a school has initiated legal action against a borrower as part of its collection efforts, the loans of that borrower cannot be assigned to the United States until the litigation is completed and a judgment is rendered for the institution and against the borrower or endorser. If the institution wants to assign the loan immediately, the legal action must be withdrawn from the courts.

The Department does not accept assignment of loans for which the institution has obtained a judgment unless the institution transfers the original or a certified true copy of the judgment to the United States with the Perkins assignment form.

To make the judgment enforceable by the United States as assignee, some states require the school, as holder of the judgment, to notify the court that rendered the judgment of the assignment. Other states have no such requirement. If unsure of the rules of the state, the school's attorney should contact the office of the court clerk to inquire about any such requirements.

If the state the judgment was entered in does not require that the judgment be assigned through the court, the following sample statement should accompany the judgment in order to affect the transfer:

Sample Statement:

"All rights, title, and interest of the undersigned in this judgment are hereby assigned to the U.S. Department of Education. The U.S. Department of Education shall have the exclusive right to enforce or release this judgment or any liens created thereby without limitation. Assignor/[Name of school] certifies that it has complied with [any] [applicable] state requirements for the assignment of judgments."

Any judgment that is included as part of an assignment package must cite the interest rate and expiration date. In many states, judgment interest rates and expiration dates are set by state law and thus may not be contained within the individual judgment. If the interest rate or expiration date does not appear within a judgment submitted by a school as part of its assignment package, the school's attorney or the authorized official assigning the loan must provide this information in a separate signed statement. A copy of such a signed statement must be provided with each account.

Note: Prior to reporting judgment data on the Perkins Assignment Form, a school should document for its records a breakout of principal, interest, etc., from any judgment that combines these amounts, to what it was at the time of the litigation, and then follow these remaining steps:

1. Enter the interest rate as assigned by the court into Item #19 ("Applicable Interest Rate")
2. Enter all payments applied to principal (both before and since the judgment) into Item #29 (–Principal Amount Repaid")
3. Enter all payments applied to collection costs provided by the judgment into Item #32 ("Collection Costs Repaid")
4. Enter all payments applied to interest (both before the judgment at the interest rate of the note, and since the judgment at the interest rate provided by the judgment) into Item #33 ("Interest Repaid")
5. Enter any litigation or court costs, if awarded by the court, and any amounts awarded by the court that cannot be explained as representing principal, interest, or collection costs, into Item #36 ("Collection Costs/Penalty/Late Charges")
6. Enter any reductions made by the court to the principal or interest sought to Item #29 ("Principal Amount Repaid") or Item #33 ("Interest Repaid"), as applicable.

If, for any reason, the amount of the judgment that the court awarded represents a reduction from the amount sought by the institution, and it is not clear whether that reduction stems from a reduction of principal, interest, or collection costs, etc. THE ACCOUNT MAY NOT BE ASSIGNED. Any account for which Section D ("Loan Information: Financial") does not reconcile with the amount of any submitted judgment less any subsequent payments WILL BE REJECTED.

If the amount of the judgment represents a combination of Perkins loan(s) and other institutional debts, the institution releases its claim on any unpaid institutional debts covered by the judgment when the institution assigns the judgment to the Department.

Note: Section 484A of the HEA (20 USC 1091a) deals with the statute of limitations for student loans and state court judgments on student loans. In 1991, the amendments to the HEA eliminated the previous 7-year time limitation on the collection of student loans regardless of any other statute, regulation or administrative limitation. Thus, under section 484A, if a holder of a loan obtained a judgment on a student loan account, and the judgment expired 10 years ago—despite the expiration of the 10 years, the judgment could still be enforced and collected in the 11th year and thereafter. Section 484A(a) applies to all judgments not just state court judgments. For

judgments that expired prior to April 9, 1991, the school does not have to assign rights of the judgment to the Department of Education. For judgments that expire on or after April 9, 1991, the school must assign the rights on all active judgments to the Department. The school must transfer the rights to the Department for all active judgments.

Bankruptcy Information (If Applicable)

If a school receives notification that a bankruptcy petition has been filed prior to the time the school submits the loan to the Department, the account cannot be assigned until the court has ruled on the bankruptcy petition, except in the case of a school that is liquidating or closing (see Assignment and Liquidation Guide for instructions for liquidating schools). Once a decision is made, and the loan is eligible to be assigned (see below), all documentation supporting the court decision must be included with the assignment submission. This would include any documents received from or sent to the bankruptcy court. If you are unsure of the type of bankruptcy petition filed or the loan's eligibility for discharge, you should consult with your institution's attorney.

- If the court rules that the loan can be discharged, the account should not be assigned and may be eligible to be written off the institution's records as a bankruptcy.
- If the court rules that the loan cannot be discharged, the account is eligible for assignment to the Department.
- If the institution receives documentation that the bankruptcy petition has been dismissed, the account is eligible for assignment to the Department.

If the institution receives a petition for bankruptcy *after* the Department has accepted the loan for assignment, the notice must be forwarded to the TPD Servicer.

Address and contact information is as follows:

Send bankruptcy and litigation documents via overnight or private courier to:

U.S. Department of Education
121 South 13th Street, Suite 201
Lincoln, NE 68508

Email Address: disabilityinformation@nelnet.net

Fax: 303-696-5250

Schools should fax time-sensitive documents, call the TPD Servicer to notify of the fax, and mail the original documents to the address above.

Mailing Instructions

Loan assignments should be sent to the TPD Servicer at the following address:

Send assignments via overnight or private courier to:

U.S. Department of Education
121 South 13th Street, Suite 201
Lincoln, NE 68508

Email Address: disabilityinformation@nelnet.net

Fax: 303-696-5250

Due to a history of damaged packages shipped via private carriers and the US Mail, the Department has developed additional safeguards related to data exchanged between the Department and our data exchange partners. The new requirements for packaging TPD-related documents bring TPD packaging standards in line with the Department's established policies on mailing Personally Identifiable Information (PII).

Schools must double package all sensitive documents in opaque materials that are approved by the shipping agent of the school (DHL, FedEx, UPS, USPS, etc.). Both the "TO" and "FROM" addresses must be included on both the inner and outer packages. Shipping agents must have the capability of tracking the shipment's status and must require signatures upon receipt. The package should not identify the sensitivity of the contents.

The school must email a copy of the assignment manifest and institutional certification form to the TPD Servicer in a password-protected .zip file (and provide the password in a separate email) at disabilityinformation@nelnet.net. The copy can be in .pdf or MS Word compatible formats (.doc, .docx, .rtf, .txt, etc.).

Resubmission Procedures

If it is necessary for a school to resubmit an account, corrections can be made directly on the returned Perkins Assignment Form, or on a photocopy or school-produced version of the Perkins Assignment Form. Corrections should be made using blue or black ink. (DO NOT USE RED INK). Each change must bear the initials of the staff member making the change. Corrections must be clear and legible. Alternatively, a school may prepare a new form. If a new Perkins Assignment Form is prepared, a school should not resubmit the old Perkins Assignment Form. If the account is resubmitted more than 45 days after its date of return to the school, the certification date and interest due must be changed. If an account is rejected due to a problem with any of the dates appearing on the Perkins Assignment Form, a school should ensure that all correlating dates are correct before resubmitting the assignment. For example, if a school corrects Item 21 "Date Last Grace Period Ended," the institution should ensure that Item 22 "Date of Default" is still correct. "Resubmission" must be clearly written on the form and the envelope.

The resubmission package must include:

- All documentation (supporting documentation, and, if applicable, payment information) originally submitted

- A new assignment manifest

Similar to the original submission, the school should email a copy of the assignment manifest and institutional certification form to the TPD Servicer in a password-protected .zip file (and provide the password in a separate email) at disabilityinformation@nelnet.net. The copy can be in .pdf or MS Word compatible formats (.doc, .docx, .rtf, .txt, etc).

Payments Received after Assignment

Any payments received by a school or its servicer after the loan has been accepted for assignment should be returned to the sender. This includes payments from a borrower or involuntary payments (e.g., Administrative Wage Garnishment).

Note: Borrowers wishing to satisfy their debts once their loans have been accepted for assignment should be directed to the Department's TPD Servicer.

Contact Information

Questions regarding the assignment process for TPD Discharge or questions about loans after they have been assigned due to TPD should be directed either in writing or by phone to the Department's TPD Servicer at:

U.S. Department of Education
P.O. Box 87310
Lincoln, NE 68501-7130

Telephone: 1-888-303-7818 **Note:** If a user is hearing-impaired, he or she may web chat with a representative by visiting <https://disabilitydischarge.com> and clicking "Chat Now".

Email: disabilityinformation@nelnet.net

For questions about Perkins Loan processing or the FISAP, contact the COD School Relations Center at 1-800-848-098 or by email at CODSupport@ed.gov.