

Issue Paper 6
Session 3: March 16-18, 2016

Issue: Allow for discharge of Title IV loans or TEACH Grant service obligations based on a faxed or electronically submitted death certificates for the borrower or grant recipient, or based on verification of the individual's death through an electronic Federal or State database.

Statutory cite: §§420N(d)(2), 437(a)(1), and 464(c)(1)(F)(i) of the Higher Education Act of 1965, as amended

Regulatory cites: 34 CFR 674.61(a), 682.402(b)(2), 685.212(a)(1), and 686.42(a).

Summary of changes:

Proposed changes would revise the Perkins, FFEL, Direct Loan, and TEACH Grant program death discharge regulations by expanding the types of documentation that may be used by a loan holder or the Secretary as the basis for discharging a loan or TEACH Grant service obligation to include faxed or electronically submitted death certificates, or documentation of the borrower's or grant recipient's death through an electronic Federal or State database approved by the Secretary. Additional minor changes would make the language of the death discharge regulations more consistent across the Title IV programs.

Changes: See regulatory text below.

Perkins Loan Program

§674.61 Discharge for death or disability.

(a) *Death.* (1) An institution must discharge the unpaid balance of a borrower's Defense, NDSL, or Perkins loan, including interest, if the borrower dies. The institution must discharge the loan on the basis of —

(i) ~~a~~An original or certified copy of the death certificate~~—or~~;

(ii) ~~a~~An accurate and complete photocopy of the original or certified copy of the death certificate~~;~~

(iii) An accurate and complete original or certified copy of the death certificate that is scanned and submitted electronically or sent by facsimile transmission; or

(iv) Verification of the borrower's death through an authoritative Federal or State electronic database approved for use by the Secretary.

(2) Under exceptional circumstances and on a case-by-case basis, the chief financial officer of the institution may approve a discharge based upon other reliable documentation supporting the discharge request of the borrower's death.

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FFEL Program

§682.402 Death, disability, closed school, false certification, unpaid refunds, and bankruptcy payments.

(b) *Death.* (1) If an individual borrower dies, or the student for whom a parent received a PLUS loan dies, the obligation of the borrower and any endorser to make any further payments on the loan is discharged.

(2)(i) A discharge of a loan based on the death of the borrower (or student in the case of a PLUS loan) must be based on—

~~(A) an original or certified copy of the death certificate, or;~~

~~(B) an accurate and complete photocopy of the original or certified copy of the death certificate;~~

~~(C) An accurate and complete original or certified copy of the death certificate that is scanned and submitted electronically or sent by facsimile transmission; or~~

~~(D) Verification of the borrower's or student's death through an authoritative Federal or State electronic database approved for use by the Secretary.~~

(ii) Under exceptional circumstances and on a case-by-case basis, the chief executive officer of the guaranty agency may approve a discharge based upon other reliable documentation ~~supporting the discharge request of the borrower's or student's death.~~

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Direct Loan Program

§685.212 Discharge of a loan obligation.

(a) *Death.* (1) If a borrower (or a student on whose behalf a parent borrowed a Direct PLUS Loan) dies, the Secretary discharges the obligation of the borrower and any endorser to make any further payments on the loan based on—

~~(i) an original or certified copy of the borrower's (or student's in the case of a Direct PLUS loan obtained by a parent borrower) death certificate, or;~~

~~(ii) an accurate and complete photocopy of the original or certified copy of the borrower's (or student's in the case of a Direct PLUS loan obtained by a parent borrower) death certificate;~~

~~(iii) An accurate and complete original or certified copy of the death certificate that is scanned and submitted electronically or sent by facsimile transmission; or~~

(iv) Verification of the borrower's or student's death through an authoritative Federal or State electronic database approved for use by the Secretary.

~~(2) If an original or certified copy of the death certificate or an accurate and complete photocopy of the original or certified copy of the death certificate is not available, the Secretary discharges the loan only if other reliable documentation establishes, to the Secretary's satisfaction, that the borrower (or student) has died. The Secretary discharges a loan based on documentation other than an original or certified copy of the death certificate, or an accurate and complete photocopy of the original or certified copy of the death certificate only u~~nder exceptional circumstances and on a case-by-case basis, the Secretary discharges a loan based upon other reliable documentation of the borrower's or student's death that is acceptable to the Secretary.

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TEACH Grant Program

§686.42 Discharge of agreement to serve.

(a) *Death.* (1) If a grant recipient dies, the Secretary discharges the obligation to complete the agreement to serve based on —

(i) a~~n~~ original or certified copy of the ~~grant recipient's~~ death certificate;;

(ii) a~~n~~ accurate and complete photocopy of the original or certified copy of the ~~grant recipient's~~ death certificate;;

(iii) An accurate and complete original or certified copy of the death certificate that is scanned and submitted electronically or sent by facsimile transmission; or;

(iv) Verification of the grant recipient's death through an authoritative Federal or State electronic database approved for use by the Secretary.

(2) Under exceptional circumstances and on a case-by-case basis, the Secretary discharges the obligation to complete the agreement to serve based on other reliable documentation of the grant recipient's death that is acceptable to the Secretary.

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