time for program completion, is unable
to obtain employment upon comple-
tion, or is otherwise dissatisfied with
or did not receive educational or other
services that the borrower purchased
from the institution;
   (ix) Provide—
      (A) A general description of the
terms and conditions under which a
borrower may obtain full or partial for-
giveness or cancellation of principal
and interest, defer repayment of prin-
cipal or interest, or be granted an ex-
tension of the repayment period or a
forbearance on a title IV loan; and
      (B) A copy, either in print or by elec-
tronic means, of the information the
Secretary makes available pursuant to
section 485(d) of the HEA;
   (x) Require the borrower to provide
current information concerning name,
address, social security number, ref-
erences, and driver's license number,
the borrower's expected permanent ad-
dress, the address of the borrower's
next of kin, as well as the name and ad-
dress of the borrower's expected em-
ployee;
   (xi) Review for the borrower informa-
tion on the availability of the Student
Loan Ombudsman's office;
   (xii) Inform the borrower of the
availability of title IV loan informa-
tion in the National Student Loan
Data System (NSLDS) and how NSLDS
can be used to obtain title IV loan sta-
tus information; and
   (xiii) A general description of the
types of tax benefits that may be avail-
able to borrowers.

§ 674.43 Billing procedures.
   (a) The term billing procedures, as
used in this subpart, includes that se-
ries of actions routinely performed to
notify borrowers of payments due on
their accounts, to remind borrowers
when payments are overdue, and to de-
mand payment of overdue amounts. An
institution shall use billing procedures
that include at least the following
steps:
   (1) If the institution uses a coupon
payment system, it shall send the cou-
pons to the borrower at least 30 days
before the first payment is due.
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(2) If the institution does not use a coupon system, it shall send to the borrower—
   (i) A written notice giving the name and address of the party to which payments are to be sent and a statement of account at least 30 days before the first payment is due; and
   (ii) A statement of account at least 15 days before the due date of each subsequent payment.

(3) Notwithstanding paragraph (a)(2)(ii) of this section, if the borrower elects to make payment by means of an electronic transfer of funds from the borrower’s bank account, the institution shall send to the borrower an annual statement of account.

(b)(1) An institution shall send a first overdue notice within 15 days after the due date for a payment if the institution has not received—
   (i) A payment;
   (ii) A request for deferment; or
   (iii) A request for postponement or for cancellation.

(2) Subject to § 674.47(a), the institution may assess a late charge for loans made for periods of enrollment beginning on or after January 1, 1986, during the period in which the institution takes any steps described in this section to secure—
   (i) Any part of an installment payment not made when due, or
   (ii) A request for deferment, cancellation, or postponement of repayment on the loan that contains sufficient information to enable the institution to determine whether the borrower is entitled to the relief requested.

(3) The institution shall determine the amount of the late charge imposed for loans described in paragraph (b)(2) of this section based on either—
   (i) Actual costs incurred for actions required under this section to secure the required payment or information from the borrower; or
   (ii) The average cost incurred for similar attempts to secure payments or information from other borrowers.

(4) The institution may not require a borrower to pay late charges imposed under paragraph (b)(3) of this section in an amount, for each late payment or request, exceeding 20 percent of the installment payment most recently due.

(5) The institution—
   (i) Shall determine the amount of the late or penalty charge imposed on loans not described in paragraph (b)(2) of this section in accordance with § 674.31(b)(5) (See appendix E); and
   (ii) May assess this charge only during the period described in paragraph (b)(2) of this section.

(6) The institution shall notify the borrower of the amount of the charge it has imposed, and whether the institution—
   (i) Has added that amount to the principal amount of the loan as of the first day on which the installment was due; or
   (ii) Demands payment for that amount in full no later than the due date of the next installment.

(c) If the borrower does not satisfactorily respond to the first overdue notice, the institution shall continue to contact the borrower as follows, until the borrower makes satisfactory repayment arrangements or demonstrates entitlement to deferment, postponement, or cancellation:

   (1) The institution shall send a second overdue notice within 30 days after the first overdue notice is sent.

   (2) The institution shall send a final demand letter within 15 days after the second overdue notice. This letter must inform the borrower that unless the institution receives a payment or a request for deferment, postponement, or cancellation within 30 days of the date of the letter, it will refer the account for collection or litigation, and will report the default to a credit bureau.

(d) Notwithstanding paragraphs (b) and (c) of this section, an institution may send a borrower a final demand letter if the institution has not within 15 days after the due date received a payment, or a request for deferment, postponement, or cancellation, and if—

   (1) The borrower’s repayment history has been unsatisfactory, e.g., the borrower has previously failed to make payment(s) when due or to request deferment, postponement, or cancellation in a timely manner, or has previously received a final demand letter; or
   (2) The institution reasonably concludes that the borrower neither intends to repay the loan nor intends to
seek deferment, postponement, or cancellation of the loan.

(e)(1) An institution that accelerates a loan as provided in §674.31 (i.e., makes the entire outstanding balance of the loan, including accrued interest and any applicable late charges, payable immediately) shall—
(i) Provide the borrower, at least 30 days before the effective date of the acceleration, written notice of its intention to accelerate; and
(ii) Provide the borrower on or after the effective date of acceleration, written notice of the date on which it accelerated the loan and the total amount due on the loan.

(2) The institution may provide these notices by including them in other written notices to the borrower, including the final demand letter.

(f) If the borrower does not respond to the final demand letter within 30 days from the date it was sent, the institution shall attempt to contact the borrower by telephone before beginning collection procedures.

(g)(1) An institution shall ensure that any funds collected as a result of billing the borrower are—
(i) Deposited in interest-bearing bank accounts that are—
(A) Insured by an agency of the Federal Government; or
(B) Secured by collateral of reasonably equivalent value; or
(ii) Invested in low-risk income-producing securities, such as obligations issued or guaranteed by the United States.

(2) An institution shall exercise the level of care required of a fiduciary with regard to these deposits and investments.

(Approved by the Office of Management and Budget under control number 1845–0023)

(Authority: 20 U.S.C. 424, 1087cc)


§ 674.45 Collection procedures.

(a) The term ‘‘collection procedures,’’ as used in this subpart, includes that series of more intensive efforts, including litigation as described in §674.46, to recover amounts owed from defaulted borrowers who do not respond satisfactorily to the demands routinely made as part of the institution’s billing procedures. If a borrower does not satisfactorily respond to the final demand

(b) Refer the account to a firm that provides commercial skip-tracing services.

(c) If the institution acquires the borrower’s address or telephone number through the efforts described in this section, it shall use that new information to continue its efforts to collect on that borrower’s account in accordance with the requirements of this subpart.

(d) If the institution is unable to locate the borrower after following the procedures in paragraphs (a) and (b) of this section, the institution shall make reasonable attempts to locate the borrower at least twice a year until—
(1) The loan is recovered through litigation;
(2) The account is assigned to the United States; or
(3) The account is written off under §674.47(g).

(Approved by the Office of Management and Budget under control number 1845–0023)

(Authority: 20 U.S.C. 424, 1087cc)