

RESOLVING STUDENT LOANS THAT ARE IN DEFAULT

If you are unsure which type(s) of loan(s) you have, check your original loan documents or log in to https://www.nslds.ed.gov/nslds_SA/ to get your government assigned agency contact information. You can also use www.saltmoney.org/wccc to retrieve this information.

You have several options for getting your loan out of default. These include

- loan repayment, loan rehabilitation, and loan consolidation.

Loan Repayment

One option for getting out of default is repaying your defaulted student loan in full. Get repayment information for your loan(s) to learn about how to repay and where to send payments from NSLDS (see above)

Loan Rehabilitation

Another option for getting your loan out of default is loan rehabilitation. To rehabilitate your Direct Loan or FFEL Program loan, you and ED must agree on a reasonable and affordable payment plan. (Remember, contact your school for your Perkins Loan.)

Your loan is rehabilitated only after you have voluntarily made the agreed-upon payments on time and the loan has been purchased by a *lender*. Outstanding *collection costs* may be added to the *principal* balance.

Note: Payments that have already been collected from you—for example, through the Administrative Wage Garnishment (AWG) process or through legal action taken against you to collect your defaulted loan—do not count toward your rehabilitation payments.

Once your loan is rehabilitated, you may regain eligibility for benefits that were available on your loan before you defaulted. Those benefits may include *deferment*, *forbearance*, a choice of repayment plans, *loan forgiveness*, and eligibility for additional federal student aid.

Other benefits of loan rehabilitation include the removal of

- the default status on your defaulted loan,
- the default status reported to the national credit bureaus, wage garnishment, and
- any withholding of your income tax refund made by the Internal Revenue Service (IRS).

After rehabilitation, your monthly payment may be more than the amount you paid while you were rehabilitating your loan. Collection costs may be added to your principal balance, increasing the total amount you owe. Delinquencies (late payments) reported before the loan defaulted will not be removed from your credit report.

No matter what you decide to do, you can always call us and we can help you with this process.

Thank you,

Linda Fitzsimmons, Director of Financial Aid