Delinquent Borrower Counseling Guide

TOGETHER, WE CAN HELP STUDENTS AND RECENT GRADUATES STAY ON THE RIGHT TRACK.
# Delinquent Borrower Counseling Guide

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DEFAULT PREVENTION OVERVIEW

CREATING A DEFAULT PREVENTION PLAN

BEFORE YOU CAN BEGIN TO COUNSEL YOUR STUDENT BORROWERS

You will need to first create and define your default prevention plan. To help prioritize your default prevention goals, you will need to identify your “typical” defaulter. In reviewing your historical data, you may determine these students were those who withdrew, had high balances, or lacked academic progress. The second step in creating the plan is to assess the resources you have available and determine which borrower counseling approach will work best for you, while accomplishing your institution’s default prevention goals.

Below are a few things to consider when developing your plan:

• How many hours each week can your office dedicate to default prevention?
• What is your school’s cohort default rate?
• Do you have staff available to do calling campaigns?
• What steps or communications do you currently have in place that could assist you in reaching your default prevention goals?

Many schools have found success in working their accounts by:

• Cohort year
• Days delinquent
• Valid phone numbers and addresses

We understand that executing a default prevention plan can be a tremendous undertaking. This Delinquent Borrower Counseling Guide will help you create and execute your school’s default prevention plan using several tools made available through FedLoan Servicing. Featured are the 3-Step Default Prevention Letters and Guide to Telephone Outreach for counseling student loan borrowers. Included in the Guide to Telephone Outreach are sample call scripts and scenarios, as well as situational decision trees that will help you explore the best options available for your delinquent student loan borrowers.
DEFAULT PREVENTION OVERVIEW

DEFAULT PREVENTION TOOLS ON PAGECENTER

FEDLOAN SERVICING PROVIDES ACCESS TO PAGECENTER, A SECURE, ONLINE REPORT RETRIEVAL SYSTEM THAT IS AVAILABLE 24/7

PageCenter provides flexible reporting options that include viewing reports online, downloading to a text file, as well as a direct-to-print function to meet specific needs. Users will find that PageCenter is extremely easy to navigate and provides many customizable features. With PageCenter, users can save time navigating by bookmarking favorite reports. Users can adjust font sizes, text color, and page layout to customize report output.

In your PageCenter FedLoan Mailbox, you will find a full portfolio listing of borrowers at your school, grouped by status, and 3-Step Default Prevention Letters.

3-Step Default Prevention Letter Series

The 3-Step Default Prevention Letter Series is easy to use and has proven to be an effective method in reaching out to delinquent student loan borrowers. Schools using the letter series have seen an increase in averted defaults. This sequence of letters allows you to notify your student borrowers as their accounts become more delinquent. Letters are generated weekly to your PageCenter mailbox, ready for you to print and mail. These letters can also be used for all of your delinquent loans, by using your NSLDS Delinquency report to identify all of your federally serviced delinquent borrowers. Click here to view our instructional video to learn more about this process.

To demonstrate how the 3-Step Default Prevention Letters can be used, examples of each suggested collection letter are included on the following pages. Used in succession, each letter creates a greater sense of urgency as the borrower’s account becomes more delinquent. These letters are set up to automatically generate weekly for borrowers whose accounts are in a delinquent status and meet the established parameters. Your institution may select to use any or all of these letters in your collection efforts. Each letter will be complete with the student borrower’s name, address, and delinquency information. Just print the letters on your school’s letterhead and mail them to your borrowers.

We hope you find the 3-Step Default Prevention Letter Series helpful in your efforts to further address student loan delinquencies and help get your student borrowers back on track to success.

Helpful Hints

Telephone outreach is another successful default prevention tool. We have developed a guide, complete with call scripts and scenarios, to assist you in resolving the delinquency when contact is established with the borrower. (see pages 8-9)
[Date]

[First Name, Last Name]
[Address 1]
[Address 2]
[City, State, Zip]
[Foreign Country]          

[Re: SS#          ]

Dear [Insert first & last name]:

Our institution was recently notified by FedLoan Servicing that you have failed to honor the repayment obligation on your federal student loan account. Your account is delinquent [number of days delinquent] days. It is imperative that you make immediate arrangements to resolve this delinquency in order to prevent the default of your account. Failure to do so may result in serious consequences and significant long-term effects on your future.

If your account defaults, it may hinder your ability to receive future financial aid and may hinder our ability to offer aid to other students. We are committed to assisting all students (past, present, and future) and we do not wish for you to jeopardize your future as a result of this issue. Therefore, please make arrangements with FedLoan Servicing to resolve the delinquency on your account. If you have any questions beforehand, financial aid officers are happy to assist you or answer any questions that you may have.

You may qualify for special assistance such as reduced payments or a temporary suspension of payments through the use of deferments or forbearances. Representatives at FedLoan Servicing will gladly assist you by explaining these options and will do all in their power to prevent your account from defaulting.

Please contact FedLoan Servicing’s office today at 1-800-699-2908 Monday through Thursday 8:00 AM to 11:00 PM (ET). Friday 8:00 AM to 9:00 PM (ET).

For additional information on managing your student loan debt, please log into your account at www.MyFedLoan.org.

Sincerely,

Financial Aid Office
[Date]

[First Name, Last Name]
[Address 1]
[Address 2]
[City, State, Zip]          
[Foreign Country]          [Re: SS# ]

Dear [Insert first & last name]:

Our institution was notified by FedLoan Servicing that you have not responded to their requests to resolve the delinquency on your federal student loan account. Your account is delinquent [number of days delinquent] days. You must contact FedLoan Servicing immediately to resolve this delinquency in order to discontinue collection activity and to prevent serious risk to your credit and to your future. Failure to do so may result in the default of your student loan account.

Defaulting on your federal student loan account is a serious issue and it could cause severe and negative implications in your future. If you allow your account to default, FedLoan Servicing is required by federal regulations to report your name to each nationwide consumer reporting agency as being in default on a government debt. Further, collection fees may be added to your account and the entire balance of all defaulted loans will become due (in full) immediately. These consequences may hinder your ability to borrow in the future.

You may qualify for special assistance such as reduced payments or a temporary suspension of payments through the use of deferments or forbearances. Loan Counselors at FedLoan Servicing will gladly assist you by explaining these options and will do all in their power to prevent your account from defaulting.

Please contact FedLoan Servicing’s office today at 1-800-699-2908 Monday through Thursday 8:00 AM to 11:00 PM (ET). Friday 8:00 AM to 9:00 PM (ET).

For additional information on managing your student loan debt, please log into your account at www.MyFedLoan.org.

Sincerely,

[Financial Aid Office]
Dear [Insert first & last name]:

Our institution is disappointed by the recent notification from FedLoan Servicing indicating your failure to resolve the delinquency on your student loan account. At this progressive stage in the delinquency it should be quite clear that this issue must be resolved immediately. Your account is delinquent [number of days delinquent] days. Unless you take immediate action, your student loan will default. We are informing you of this critical information because it is still not too late to rectify this serious situation.

If your account defaults, a negative report will be submitted to each nationwide consumer reporting agency. This negative report will severely damage your credit rating. In addition, collection fees may be added to your account and the entire balance of all defaulted loans will become due (in full). Collection activity will be initiated against you, which could include the garnishment of wages, the seizure of income tax refunds, and the referral of your account to an outside collection agency.

Defaulting on a student loan is very serious and bears many negative consequences. We are strongly committed to supporting all students and we do not wish for you to risk your future as a result of this issue. Therefore, we urge you to make direct contact with FedLoan Servicing so that they may assist you in preventing default. Ignoring FedLoan Servicing or this letter may result in dire and unavoidable consequences that are certain to jeopardize your future. There is still time to resolve matter as long as you take immediate action.

If you are unable to make payments, you may be eligible for deferment, forbearance, other repayment plans, or consolidation options. Please contact FedLoan Servicing's office today at 1-800-699-2908 Monday through Thursday 8:00 AM to 11:00 PM (ET). Friday 8:00 AM to 9:00 PM (ET).

For additional information on managing your student loan debt, please log into your account at www.MyFedLoan.org.

Sincerely,

[Financial Aid Office]
GUIDE TO TELEPHONE OUTREACH

IDENTIFYING/COUNSELING DELINQUENT BORROWERS

Telephone outreach is another successful default prevention tool. We have developed the following call scripts and scenarios to assist you in resolving the delinquency when contact is established with the borrower.

Prepare for the Call
Determine the types of accounts that fit your plan and highlight those accounts before you begin your calling campaign.

- Reference the National Student Loan Data System (NSLDS) to identify all of the student’s loans and servicers.
  - NSLDS offers a Delinquent Borrower Report and a Delinquent Borrowers site at nslds.ed.gov which provide delinquency information for all federally-owned debt.
  - These resources contain information about Federal Family Education Loan Program (FFELP) loans purchased through the Put program and serviced by these entities, as well as Direct Loans.

- Use the delinquency information on your school’s FedLoan Servicing School Portal to make note of the length of delinquency, date of delinquency, and contact information given, including home address and telephone number, for loans serviced by FedLoan Servicing.

- If the loan is serviced by FedLoan Servicing, you can also use the school portal to get the monthly payment and delinquent amount. If you do not have access to the servicer(s) information to get the exact payment amount, use the date condition occurred (DCO) to determine how many months the account is past due and see if the borrower is able to bring it current.
  - For example: If the DCO is 12/10/09 and today’s date is 3/12/10, the borrower would owe 4 payments.

- Utilize your servicer(s)’ website or additional resources that may be available to obtain the borrower’s payment information.

Helpful Hint
WHEN YOU REACH A THIRD-PARTY...
If you reach someone other than the borrower, be careful not to disclose any sensitive information such as reference to a loan, amounts past due, etc. Be certain to leave your name and number so that the borrower may return your call.
CALL SCRIPT & SCENARIOS

1. WAS THE CALL ANSWERED?
   - YES
     - MAKE THE INTRODUCTION
       - Hello, my name is (name) and I am calling from (name of school). May I please speak with (name of borrower)?
       - Continue to question 2
     - LEAVE A MESSAGE
       - Hi, this is (name) from (name of school). This message is for (name of borrower). Please call me at (office number) between the hours of (your office hours). Again, the number is (office number).

2. IS THE BORROWER ABLE TO TALK?
   - NO
     - ESTABLISH ADDITIONAL CONTACT INFO
       - I am calling from (name of school) to update our records. Do you know the best time that I might be able to reach (name of borrower)? Or, is there a better way to contact him/her?
       - Could you please ask (name of borrower) to return my call at his/her earliest convenience? My number is (office number) and my hours are (your office hours). Again, the number is (office number).
   - YES
     - My name is (name). I am calling from (name of school). I’m calling to see if I can address any questions or issues you may have regarding your student loans.
     - REACHING OUT
       - Your servicer has contacted our office to let us know that your loan is (number of days) past due. I’d like to help you resolve the delinquency by seeing if we can set-up payment arrangements or discuss other options for getting you caught up on your payments.
       - Continue to question 3

3. WILL THE BORROWER WORK WITH YOU?
   - NO
     - DEFAULT HAS CONSEQUENCES
       - Late payments and default can have serious implications for your financial well-being. They can hurt your lifestyle by ruining your credit and making it hard to buy the things you want and need...like a house, car, or even cell phone. If your account becomes 270 days delinquent, it will be eligible to default. I am here to help you get back on track.
       - CONTACT INFORMATION
         - I’m sorry that you aren’t interested in receiving help. Let me give you my contact information should you change your mind. Again, my name is (name). I can be reached at (office number) from the hours of (time and days).
         - See page 10.
   - YES
     - Your student loan servicer, has recently notified us that you are (# of months) behind on your student loan. This delinquency can be resolved very simply if you pay the amount past due. Can you pay (amount) to get caught up on your loan?
     - Continue to question 4

4. CAN THE BORROWER MAKE A PAYMENT?
   - NO
     - If the borrower can’t make any payment, ask why.
     - Based on the borrower’s response, use page 11 to guide you to the best solution for the borrower.
   - YES
     - If he/she agrees to pay all or some part of the delinquent amount, refer the borrower to the appropriate servicer(s), making sure to give the borrower the correct contact information for their specific servicer(s).
MANAGING THE UNCOOPERATIVE BORROWER

Let the borrower know the hard facts about the impact of defaulting. Use the following to address these issues and guide your conversation:

1. SPEAK SOFTLY AND IN A CALM VOICE. Speaking softly and in a calm voice forces the borrower to listen more carefully and it normally helps to calm him/her down.

2. LISTEN ATTENTIVELY. Give the borrower plenty of time to explain the situation. After the explaining is done, summarize and restate what the borrower has told you. This lets the borrower know that you are listening and he/she will be more likely to trust your advice.

3. EXPLAIN THAT YOU ARE TRYING TO HELP. Let the borrower know you are interested in helping to resolve the problem, because it won’t go away and it will be much easier to fix now rather than later.

4. CONVEY THAT DEFAULT HAS CONSEQUENCES. Let the borrower know the hard facts about the impact of defaulting on his/her credit rating, financial stability, and even his/her career.

EXPLAIN: Consequences of Default

- Payment on the balance of your loan is demanded in full.
- Your annual income tax returns will be seized until the loan is paid in full.
- You will lose your right to alternative options such as deferment or forbearance.
- You will be subject to up to a possible 25% in collection fee.
- You will be ineligible to receive financial aid.
- Default can seriously damage your credit for a period up to seven years.
- Failure to make your monthly loan payment can result in garnishment of your wages and any federal or state assistance you receive. This deduction could, in fact, be much higher than your current monthly payment.

Helpful Hints

WHEN YOU REACH THE BORROWER...

- It’s important to let the borrower know that you are calling to help and you will only need a few minutes to discuss the account.

- The borrower may not immediately open up to you. Just explain that you are aware he/she may be having financial problems and that you’d like to help by explaining all of the options available to get back on track.

- Don’t use the consequences of default as a threat, but rather to explain why you wish to help them. Let the borrower know that you don’t want these things to happen, so you want to explain all the options available.
EXPLORING ALTERNATIVE OPTIONS

Q1: WHY CAN’T YOU MAKE PAYMENTS?

A: I am in school. - Proceed to page 12.

A: I am unemployed or working less than 30 hours per week. - Proceed to page 13.

A: I am experiencing financial difficulties. - Proceed to page 14.

A: I want to make payments, but my monthly payments are too high. - Proceed to page 16.

Helpful Hints

• Sometimes resolving financial difficulties is as easy as changing their repayment option. See page 16.

• Make sure you listen for any clues that may indicate why the borrower is experiencing financial difficulties. It may be as simple as calling their servicer(s) for a due date change because their car payment, mortgage payment, and their student loan payment are all due the same day.

• The three most common types of deferment are: in-school, unemployment and economic hardship.

• If you have the time, you may choose to download the deferment forms from YouCanDealWithIt.com. You can then complete part of the deferment while you are speaking with the borrower and send the form to the borrower to finish and sign.

• Introducing the borrower to the idea of postponing loan payments may help immediately resolve the delinquency, but you’ll want to advise the borrower to look into different repayment options to help prevent future delinquency once the deferment period is over. See page 16 for more information on the various repayment options.

• After deciding which option is best for the student, explain that he/she should keep in contact with their servicer(s) until the delinquency is resolved. Explain that until payments are received or the deferment/forbearance request is applied, he/she is still in danger of defaulting.

• Remember to explore all deferment options before offering forbearance. Forbearance can hurt a borrower if it is not used responsibly. When forbearance is applied, interest will continue to accrue on the account. The accrued interest is then capitalized (added to the principal) if the borrower does not pay the interest during the forbearance period. This will result in a higher loan balance and possibly higher monthly payments. Always advise borrowers to only use forbearance as a last resort.
GUIDE TO TELEPHONE OUTREACH

IN-SCHOOL DEFERMENT

Q1: ARE YOU ENROLLED AT LEAST HALF-TIME?
   A: Yes - Proceed to Q3.
   A: No  - Proceed to Q2.

Q2: ARE YOU UNEMPLOYED OR WORKING LESS THEN 30 HOURS PER WEEK?
   A: Yes - See if the borrower can send payments or if he/she qualifies for an Unemployment Deferment. See page 13.
   A: No  - See if the borrower can send payments or if he/she qualifies for an Economic Hardship Deferment. See page 14.

Q3: WHAT IS THE NAME OF THE SCHOOL YOU ARE ATTENDING?
   A: YOUR INSTITUTION
      1. Check your records to make sure the borrower is enrolled at least half-time.
      2. Explain to the borrower, “You qualify for an in-school deferment. I will send a letter of verification to your servicer(s) to have the payments deferred.”
      3. Fax a letter of verification on your school’s letterhead to their servicer(s). The letter of verification must include the student’s status and beginning and ending dates for each semester enrolled.
   A: ANOTHER INSTITUTION
      See EXPLAIN on the right.

EXPLAIN:
You qualify for in-school deferment. This allows you to postpone your payments until graduation or until you drop below half-time student status. You will need to complete the deferment form and take it to the registrar of your school.

You must return the form to your servicer(s) immediately. Your account will remain delinquent and in danger of defaulting until it is received and approved. You will want to follow-up with your servicer(s) in about a week to make sure the deferment has been applied.

Form Options:
- See if the borrower can download and print the deferment form from YouCanDealWithIt.com.
- If you have copies in your office, mail or fax the deferment form to the borrower.
- Refer the borrower to their servicer(s) to request the form, making sure to give the borrower the correct contact information for their specific servicer(s).

Helpful Hints
If the borrower does not qualify for a deferment, the servicer may still be able to offer a forbearance. Refer the borrower to their servicer(s), making sure to give the borrower the correct contact information for their specific servicer(s).
UNEMPLOYMENT DEFERMENT

Q1: ARE YOU UNEMPLOYED OR WORKING LESS THAN 30 HOURS EACH WEEK?
   A: Yes - Proceed to Q2.
   A: No  - See if the borrower can send payments.
   If not, see if the borrower qualifies for Alternative Repayment Plans (see page 16) or for an Economic Hardship Deferment (see page 14).

Q2: ARE YOU LOOKING FOR FULL-TIME WORK?
   A: Yes - Proceed to Q3.
   A: No  - See if the borrower can send payments.
   If not, see if the borrower qualifies for Alternative Repayment Plans (see page 16) or for Forbearance (see page 15).

Q3: ARE YOU REGISTERED WITH AN EMPLOYMENT AGENCY OR RECEIVING UNEMPLOYMENT BENEFITS?
   A: Yes - Borrower qualifies
   See EXPLAIN on the right.
   A: No  - Ask the borrower if he/she is willing to register with an employment agency in order to defer payments.

EXPLAIN:
You qualify for an Unemployment Deferment. You are eligible for this deferment as long as you are working less than 30 hours a week and registered with an employment agency or receiving unemployment benefits. There is a deferment form you will have to complete and return to your servicer(s).

You must return the form to your servicer(s) immediately. Your account will remain delinquent and in danger of defaulting until it is received and approved. You will want to follow-up with your servicer(s) in about a week to make sure the deferment has been applied.

Form Options:
- See if the borrower can download and print the deferment form from YouCanDealWithIt.com.
- If you have copies in your office, mail or fax the deferment form to the borrower.
- Refer the borrower to their servicer(s) to request the form, making sure to give the borrower the correct contact information for their specific servicer(s).
ECONOMIC HARDSHIP DEFERMENT

Q1: ARE YOU RECEIVING PUBLIC ASSISTANCE OR SERVING AS A PEACE CORPS VOLUNTEER?

A: Yes - See EXPLAIN: Public Assistance.
A: No - Proceed to Q2.

Q2. DOES YOUR MONTHLY INCOME EXCEED THE LARGER OF THE FEDERAL MINIMUM WAGE RATE OR THE MONTHLY AMOUNT OF 150% OF THE POVERTY GUIDELINE FOR YOUR ACTUAL FAMILY SIZE AND STATE?

A: Yes - See if the borrower can send payments or if he/she qualifies for a forbearance. See page 15.
A: No - See EXPLAIN: Financial Difficulties.

EXPLAIN: Public Assistance
Because you are receiving assistance from the government, you may be eligible for a deferment that will postpone your payments. I am going to refer you to your servicer(s) so they can send you the deferment form and explain how to complete it. First, I want to give you their specific contact information so that you may call them directly in the future.

EXPLAIN: Financial Difficulties
You may qualify for an Economic Hardship Deferment. I will refer you to your servicer(s) so they can perform the calculations and assist you in determining what type of deferment for which you may qualify. First, I want to give you their specific contact information so that you may call them directly in the future.

Helpful Hints
• The Poverty Guideline Chart is found on the Economic Hardship Deferment Form on YouCanDealWithIt.com. If the borrower is not currently residing in the United States, use the poverty guideline amounts for the 48 contiguous states and District of Columbia.
• The Federal Minimum Wage Rate is also listed on the current form.
• A borrower’s family size includes other individuals if, at the time the borrower requests the Economic Hardship Deferment, the other individuals—(A) live with the borrower; and (B) receive more than half their support from the borrower and will continue to receive this support from the borrower for the year the borrower certifies family size. Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.
EXPLAINING FORBEARANCE

If the borrower doesn’t qualify for deferment and doesn’t agree to explore alternative repayment plans, see page 16, forbearance may be the only remaining option. There are both mandatory and discretionary forbearances. It is best to work with the servicer to determine the borrower’s options.

EXPLAIN:

Forbearance allows you to postpone repayment. However, the interest will continue to accrue on your loan(s). You may choose to pay the interest. If you don’t, it will be added to the principal of your loan, which will increase the amount of your loan and possibly raise your monthly payment once the forbearance ends. You must contact your servicer(s) for a verbal request or return the form to your servicer(s) immediately. Your account will remain delinquent and in danger of defaulting until it is received and approved by your servicer(s). You will want to follow-up with your servicer(s) in about a week to make sure the forbearance has been applied.

Form Options:

• See if the borrower can download and print the forbearance form from their servicer’s website.

• If you have copies in your office, mail or fax the forbearance form to the borrower.

• Refer the borrower to their servicer(s) to request the form, making sure to give the borrower the correct contact information for their specific servicer(s).

Verbal Options:

• Most servicers accept a borrower’s verbal request for forbearance and in many instances have it reviewed and granted in as little as one day.

• Refer the borrower to the servicer(s) listed on the delinquency report to request a verbal forbearance.
Explain:

Since you want to make regular payments, but the monthly payment amounts are just too high and you are not a candidate for deferment, contact your servicer(s) to discuss several alternative payment options listed below.

1. **LEVEL REPAYMENT SCHEDULE**  
   (Standard, unless another option is requested)  
   The monthly installment amount remains the same throughout.

2. **GRADUATED REPAYMENT SCHEDULE**  
   This repayment schedule is designed for borrowers who anticipate making more money as they progress in their careers. Payments are initially lower and then increase later in the repayment schedule.

3. **EXTENDED REPAYMENT SCHEDULE**  
   This repayment option is available for borrowers who owe more than $30,000 in outstanding Direct and/or $30,000 in outstanding FFELP Loans. All loans must be disbursed after October 7, 1998. This plan will give you a lower monthly payment on your loan(s) than a Standard or Graduated Repayment schedule; however, because of the longer repayment period, you will pay more interest over the life of your loan(s).

4. **INCOME SENSITIVE REPAYMENT SCHEDULE**  
   (FFELP ONLY)  
   Your monthly payment rises and falls on an annual basis with your estimated income. A borrower who selects an income sensitive repayment plan must provide income information within 90 days of the first payment due date and must continue to provide income information annually.

5. **INCOME-BASED REPAYMENT**  
   This payment option is available to borrowers who have a partial financial hardship. Each year, your monthly payments will be calculated based on your adjusted gross income (AGI), family size, and the total amount of your eligible federal student loans. Any remaining balance on the loan after 25 years of qualifying payments will be forgiven. The maximum repayment period is 25 years. If you haven’t fully repaid your loans after 25 years (time spent in deferment or forbearance does not count) under this plan, the unpaid portion will be discharged. You may, however, have to pay taxes on the amount that is discharged. (Parent PLUS Loans are not eligible for this repayment plan.)

6. **INCOME-CONTINGENT REPAYMENT**  
   (FDLP ONLY)  
   Each year, your monthly payments will be calculated based on your adjusted gross income (AGI), family size, and the total amount of your Direct Loans. If your payments do not cover the interest that has accumulated on your loans, the unpaid amount will be capitalized once each year. The maximum repayment period is 25 years. If you haven’t fully repaid your loans after 25 years (time spent in deferment or forbearance does not count) under this plan, the unpaid portion will be discharged. You may, however, have to pay taxes on the amount that is discharged. (Parent PLUS Loans are not eligible for this repayment plan.)

7. **REVISED PAY AS YOU EARN**  
   This plan helps borrowers who may be experiencing financial hardship manage their monthly payments. Monthly are payments based on your adjusted gross income (with your spouse, if applicable), your family size, and your state of residence. If you’re married, your spouse’s income as well as their eligible student loan debt will be considered, if applicable. Payments are calculated based on 10% of your income and loan forgiveness is granted after 20 years of qualifying payments or 25 years for borrowers with Direct Loans that were obtained for graduate or professional study.

8. **PAY AS YOU EARN**  
   Pay As You Earn is an income-driven repayment option that considers income and family size and offers lower monthly payments to those who are eligible. Under this plan, we calculate your reduced monthly payments by using your adjusted gross income and family size. This plan differs from other income-driven repayment plans in that loan forgiveness is granted after 20 years of qualifying payments instead of 25 and is calculated based on 10% of your income.

9. **CONSOLIDATION**  
   Consolidation combines all loans to create one new loan and one monthly payment that offers the borrower a longer repayment term and generally a lower, more manageable payment amount.

If the borrower is interested in alternative repayment plans you may refer them to their servicer(s), making sure to give the borrower the correct contact information for their specific servicer(s).
ADDITIONAL TOOLS TO TAME STUDENT DEBT

FedLoan Servicing continues to take a proactive approach to lowering student loan delinquencies and defaults. FedLoan Servicing offers the following additional tools to help schools prevent student loan delinquency and manage their cohort default rates.

Financial Wellness Curriculum is the perfect complement to your school’s current orientation program or exit counseling. Each module includes a PowerPoint presentation covering topics vital to today’s college students, including introduction to financial management, understanding financial aid and establishing good credit. Each presentation, accompanied by a presenter’s guide to assist you or another counselor hosting the seminar, can be presented separately or collectively. Visit the Financial Aid Advisors section of YouCanDealWithIt.com for more information.

Default Prevention Training was developed to help schools create an effective and efficient default prevention plan. Loaded with helpful information and useful tools, this workshop will give you the resources to enhance your school’s efforts to assist your student borrowers in making good financial decisions, ultimately preventing default.

For more information about our default prevention tools or to review your current plan please contact us at 800.655.3813 (option 4), or SchoolSupport@MyFedLoan.org.

WEB RESOURCES

YouCanDealWithIt.com provides college graduates and students with important information on money management, student loans, budgeting, and the benefits and dangers of credit cards. In addition to being a resource for students, the site also provides information for parents and tools for financial aid administrators to help them communicate this financial advice to their students.
Building on PHEAA’s 45-plus years of student aid experience, FedLoan Servicing was established to support the U.S. Department of Education’s ability to service student loans owned by the federal government. FedLoan Servicing is one of a limited number of organizations approved by the Department of Education to service these loans and is dedicated to supporting borrowers with easy and convenient ways to manage their student loans. For more information, visit MyFedLoan.org.

MyFedLoan.org
800.699.2908

P.O. Box 69184, Harrisburg, PA 17106-9184

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