

Default Resolution Options to Regain Federal and State Student Aid Eligibility

Payment in Full

You can pay off your account in full. Be sure to obtain your correct payoff balance and receive instructions on how to remit your payment.

The benefits to repaying your loan in full include:

- credit bureau records are updated to indicate the loan is paid
- federal and state student financial aid eligibility is regained
- tax refunds will not be withheld
- interest and collection costs are saved.

Federal Loan Rehabilitation

The default status may be removed from your credit bureau report through participation in the Federal Loan Rehabilitation Program. To be eligible, your loan must not have a legal judgment against it, you must voluntarily make nine approved and on-time payments within a consecutive ten-month period, and sign a Rehabilitation Agreement. Each of the nine payments must be made within 20 days of the due date. You may not pay a lump sum to qualify for loan rehabilitation. However, you may start over if you are unable to fully meet these requirements within a consecutive ten-month period.

Approximately 60 days after the qualifying payments have been made, and the signed Rehabilitation Agreement has been received, your loan will be repurchased by a participating lender to whom you will send all subsequent payments. The most important benefit for you is that the default status on your credit bureau report will be removed. (If you are currently under administrative wage garnishment, ISAC administers a separate program which will allow you to rehabilitate your loans.

In addition to the removal of the default status on your loan, other benefits to rehabilitating your loan include:

- loan is removed from active collection status
- federal and state student aid eligibility is regained
- deferment and forbearance eligibility is regained (if borrower meets eligibility requirements and lender approves request)
- collection costs are reduced.

Reinstatement of Federal and State Student Aid Eligibility

You have a one-time opportunity to reinstate your eligibility by voluntarily making six approved, consecutive and on-time (within 15 days of the due date) monthly payments. You will need to submit a request (in writing or by telephone) to have your eligibility reinstated. It is important to remember that this is a one-time opportunity, and you may not miss a payment or be late on any of the six agreed upon payments. You may not pay in a lump sum, or restart your repayment if you should miss a payment or if a payment is late.

After eligibility is reinstated, you must continue to make payments on your defaulted loan(s) even while in college. If you fail to continue to make monthly on-time payments, you will no longer be eligible for federal and state financial aid programs, including student loans, until your loan(s) are removed from default.

Loan Consolidation

You can request that your defaulted student loans be consolidated to remove them from a defaulted status. All eligible loans will be consolidated into a single, more manageable loan, with an extended repayment period. Contact the Direct Loan Consolidation Center at 800.557.7392 or loanconsolidation.ed.gov for information about consolidating your loans(s) and to determine if consolidation is the right option for you.

Some of the benefits of loan consolidation include:

- loan is reported as paid in full through consolidation to credit bureaus
- federal and state student aid eligibility is regained
- deferment and forbearance eligibility is regained (if borrower meets eligibility requirements and lender approves request)

Contact an ISAC Call Center Representative to learn more about these options.