

STUDENT LOAN GUIDEBOOK FOR SERVICEMEMBERS AND THEIR ADVOCATES

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MAY 2018

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Student debt is one of the highest rising debt markets in the country. As of May 2018, student loan debt exceeded \$1.48 trillion, with the average Class of 2016 student borrower carrying a balance of over \$37,000.¹ It is important that every borrower, current and future, understands the basics of student loan law, including the borrower's rights and responsibilities, to make informed decisions. The goal of this guidebook is to provide a resource focused on military borrowers that gives information on this topic, as well as directs military borrowers and their advocates where to go to learn more. In this resource, you will find information on a multitude of subjects, generally organized to follow the lifecycle of a loan.

Chapter 1: Student Loan Basics explains the different types of loans.

Chapter 2: The Servicemembers Civil Relief Act examines the Servicemember Civil Relief Act and the effect it can have on loans/repayment.

Chapter 3 For-Profit Schools explains what students should know about for-profit schools prior to enrollment.

Chapter 4 Federal Loan Repayment Options describes the different types of repayment plans and factors that may influence a borrower's decision to choose different plans.

Chapter 5 Default and Debt Collection examines what default is and how it can affect a borrower, as well as the rights borrowers have with respect to debt collection.

Chapter 6 Student Loan Lenders, Servicers, Scams and Bad Deals sets forth what borrowers should look out for when it comes to unlawful loan practices.

Chapter 7 Resources Available sets out institutional, informational, and advocacy resources that borrowers and their advocates can use for more help and information.

¹ Students & Debt, DEBT.ORG, <https://www.debt.org/students/>, (last visited May 4, 2018).

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1. Student Loan Basics

What Are Student Loans?

A loan results when one party lends money to another party. For large purchases, such as higher education or a house, an individual may not have all the money available to make the purchase up front. In that circumstance, the consumer may seek a lender, such as a bank, for a loan to make the purchase. For student loans, the federal government is by far the largest lender. The borrower is then responsible for paying the money back to the lender, with interest.

More and more students are taking out student loans to help pay for tuition and other living expenses. Borrowers are expected to pay back these loans, with interest, according to the agreement made between the lender and the borrower. While education loans are an investment in one's future, it is important to recognize that student loans are debt like any other debt. A borrower should pay close attention to the amount of the loan, the terms and protections of the loan, and the rights and responsibilities of repayment and default. This resource aims to provide that information for military borrowers.

Important Players: Student Loans

Navigating student loans requires an understanding of the players involved. Most loans involve a borrower, a lender, and a servicer. The borrower is the person taking out the loan. A lender is the organization that gives (or originates) the loans. Nearly ninety percent of student loans are federal loans where the U.S. Department of Education (ED) is the lender. A servicer is a "company that collects payments, responds to customer service inquiries, and performs other administrative tasks associated with maintaining a federal student loan on behalf of a lender."² This means that the servicer is the primary point of contact for the borrower from the time the loan is made through its repayment. Servicers are private companies that contract with the federal government or private lender to service the loans. Some private loans also require a cosigner, who is the person that signs a loan with a borrower; the cosigner is also fully responsible for the loan debt. For borrowers who end up in default, a debt collector may also be involved with the loan. Debt collection companies are private companies that contract with the lender or servicer to collect on an overdue debt.

Types of Loans

There are two main types of loans: federal and private. A **federal loan** is made and administered by the federal government. For federal loans, Congress sets the interest rates, terms and conditions, repayment plans, and default consequences. The Department of Education issues regulations to further explain the law and implements the program. There are different kinds of federal loans, which include **Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, Direct Consolidation Loans, Federal Perkins Loans, and Federal Family Education Loans (FFEL)**.³ FFEL loans were made by private lenders and guaranteed by the federal government. The federal government stopped issuing FFEL loans in favor of Direct Loans, but many individuals still have FFEL loans in repayment or default.

Private loans are made by private lenders (including banks, credit unions, and schools). Unlike federal loans, private loans have terms and conditions set by the lender instead of the

² *Glossary*, FED. STUDENT AID: AN OFFICE OF THE U.S. DEP'T OF EDUC. <https://studentaid.ed.gov/sa/glossary> (last visited May 4, 2018).

³ No new loans have been made through the FFEL program since June 30, 2010.

government. As a result, private loans differ from public loans with respect to repayment options, rights and responsibilities in default, and lender’s collection tools.

BASIC DIFFERENCES BETWEEN FEDERAL AND PRIVATE LOANS

Federal Student Loans	Private Student Loans
Students will not have to start repaying federal student loans until they graduate, leave school, or change their enrollment status to less than half-time.	Because private student loans have their own terms, lenders can require payments as soon as the loan is made, including while a borrower is in school.
The interest rate is fixed by Congress and is often lower than private loans.	Private student loans can have variable interest rates. Students with high credit scores may be able to obtain a low interest rate, but some rates are greater than 18%. A variable rate may substantially increase the total amount a student repays.
Undergraduate students with financial need can qualify for a subsidized loan where the government pays the interest while the borrower is in school on at least a half-time basis.	Private student loans are not subsidized, and the borrower must pay the interest rate.
A borrower doesn’t need to get a credit check for most federal student loans (except for PLUS loans).	Private student loans may require an established credit record. The cost of a private student loan will depend on a borrower’s credit score and other factors.
Most federal student loans do not require a cosigner.	Private student loans may require a cosigner.
Interest may be tax deductible.	Interest may not be tax deductible.
Multiple federal loans can be consolidated into a Direct Consolidation Loan. A borrower cannot consolidate private student loans and federal student loans into a Direct Consolidation Loan.	Some private student loans can be consolidated. In some cases, the borrower can consolidate federal and private loans into a new, private consolidation loan. In that case, the new loan is a private loan.
If a borrower is having trouble repaying the loan, he/she may be able to temporarily postpone or lower monthly payments.	A borrower must contact the private lender to determine whether deferment or forbearance are options.
There are several repayment plans, including an option to tie monthly payments to the borrower’s income.	Repayment options depend on the lender.
There is no prepayment penalty fee.	There may be a prepayment penalty fee.
Borrowers may be eligible to have some of their loans forgiven if they work in public service.	Most private lenders do not offer public service loan forgiveness.

Adapted from: Federal Student Aid: An Office of the Department of Education. Original at <https://studentaid.ed.gov/sa/types/loans/federal-vs-private>.

FEDERAL LOAN DETAILS (INFORMATION CURRENT AS OF MARCH 2018)

Federal Loan Program	Program Details	Maximum Annual Award
Direct Subsidized Loan	<p>For undergraduate students who have financial need</p> <p>For loans first disbursed on or after July 1, 2017, and before July 1, 2018, interest rate is 4.45%</p> <p>The borrower is not usually charged interest on the loan during certain periods (in school, during grace periods, etc.)</p> <p>The U.S. Department of Education (ED) is the lender; payment is owed to ED (but paid through servicer)</p>	<p>Up to \$5,500 depending on grade level and dependency status</p> <p>For total lifetime limit, go to http://StudentAid.gov/sub-unsub</p>
Direct Unsubsidized Loan	<p>For undergraduate, graduate, and professional degree students; financial need is not required</p> <p>For loans first disbursed on or after July 1, 2017, and before July 1, 2018:</p> <ul style="list-style-type: none"> - 4.45% interest rate for loans made to undergraduate students, and - 6% interest rate for loans made to graduate and professional degree students <p>The borrower is responsible for interest during all periods</p> <p>ED is the lender; payment is owed to ED (but paid through servicer)</p>	<p>Up to \$20,500 (less any subsidized amounts received for same period) depending on grade level and dependency status</p> <p>For total lifetime limit, go to StudentAid.gov/sub-unsub</p>
Direct PLUS Loan	<p>For parents of dependent undergraduate students who are borrowing money to pay for their child's education, and for graduate or professional degree students; financial need is not required</p> <p>For loans first disbursed on or after July 1, 2017, and before July 1, 2018, interest rate is 7%</p> <p>Borrower must not have adverse credit</p> <p>ED is the lender; payment is owed to ED (but paid through servicer)</p>	<p>Maximum amount is cost of attendance minus any other financial aid student receives</p>

Federal Loan Program	Program Details	Maximum Annual Award
Federal Perkins Loan	<p>For undergraduate, graduate, and professional degree students</p> <p>Eligibility depends on financial need and availability of funds at the school; contact the school's financial aid office about eligibility</p> <p>Interest rate is 5%</p> <p>The school is the lender; payment is owed to the school that made the loan</p>	<p>Undergraduate students: \$5,500; graduate and professional degree students: \$8,000</p> <p>Total lifetime limit may not exceed \$27,500 for undergraduates and \$60,000 for graduate students (including amounts borrowed as an undergraduate)</p>

Adapted from: Federal Student Aid: An Office of the Department of Education.

Original at: <https://studentaid.ed.gov/sa/sites/default/files/federal-loan-programs.pdf>

Another type of federal loan is a **Direct Consolidation Loan**. A Direct Consolidation Loan allows a borrower to combine multiple federal education loans into one, which allows the borrower to make one single monthly payment instead of many different ones.⁴ A borrower cannot consolidate private loans into a Direct Consolidation Loan. The Direct Consolidation Loan is a brand-new loan. Consolidation is a good option for those hoping to access certain loan repayment plans and forgiveness programs and for getting federal loans out of default.

Some private lenders also allow borrowers to consolidate loans; however, the new loan is still private. A borrower can consolidate federal loans and private loans into a new private loan, but these loans lose all of the protections of a federal loan. For more information, see Repayment Options beginning at pg. [49](#), and see Default and Debt Collection beginning at pg. [97](#).

Types of Loans Eligible for Direct Consolidation:

- Subsidized Federal Stafford Loans
- Unsubsidized Federal Stafford Loans
- PLUS loans from the *Federal Family Education Loan (FFEL) Program*
- Supplemental Loans for Students
- Federal Perkins Loans
- Nursing Student Loans
- Nurse Faculty Loans
- Consolidation Loans (only under certain conditions)⁵
- Health Education Assistance Loans
- Health Professions Student Loans
- Loans for Disadvantaged Students
- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct PLUS Loans
- FFEL Consolidation Loans
- FFEL Direct Loans

⁴ *Loan Consolidation*, FED. STUDENT AID: AN OFFICE OF THE U.S. DEP'T OF EDUC. <https://studentaid.ed.gov/sa/repay-loans/consolidation> (last visited May 4, 2018).

⁵ *Id.*

SHOULD YOU CONSOLIDATE YOUR LOANS?

Pros	Cons
<p>If you currently have federal student loans that are with different loan servicers, consolidation can greatly simplify loan repayment by giving you a single loan with just one monthly bill.</p> <p>Consolidation can lower your monthly payment by giving you a longer period of time (up to 30 years) to repay your loans.</p> <p>If you consolidate loans other than Direct Loans, it may give you access to additional income-driven repayment plan options and Public Service Loan Forgiveness. (Direct Loans are from the William D. Ford Federal <i>Direct Loan</i> Program.) You'll be able to switch any variable-rate loans you have to a fixed interest rate.</p>	<p>Consolidation usually increases the period of time you to have to repay your loans, so you might have to pay more than if you don't consolidate.</p> <p>Consolidation may also cause you to lose certain borrower benefits—such as interest rate discounts, <i>principal</i> rebates, or some loan <i>cancellation</i> benefits—that are associated with your current loans.</p> <p>If you're paying your current loans under an income-driven repayment plan, or if you've made qualifying payments toward Public Service Loan Forgiveness, consolidating your current loans will cause you to lose credit for any payments made toward income-driven repayment plan forgiveness or Public Service Loan Forgiveness.</p> <p>Servicemember consolidation of preservice loans causes loss of SCRA interest rate protection. For more information on the SCRA, see the SCRA Chapter, beginning at pg. 12.</p>

Source: Federal Student Aid: An Office of the Department of Education.⁶

Once a borrower identifies what types of loans he/she carries, it is easier to make financial decisions. Loan type determines the interest rates, when interest accrues, what repayment options are available, and default remedies. To find out a borrower's specific loan information, visit the Federal Student Aid website (<https://studentaid.ed.gov/sa/>) and create an FSA ID. The FSA website provides a comprehensive list of each borrower's specific federal loans, interest rates, and information about the borrower's current repayment plan for each loan.

Legal assistance lawyers or officers on base may find the Student Loan Checklist, **Appendix A**, pg. [11](#), helpful in intake.

⁶ *Id.*

APPENDIX A: STUDENT LOAN CHECKLIST

1. Do you have student loans? If so, list each loan, each creditor (or servicer), the amount of the loan, and the interest rate.
2. Which of the loans listed above are private student loans? Which are federal student loans? Which are federally guaranteed student loans?
3. Are you on active duty with the U.S. Armed Forces? If so, when did such active duty begin?
4. Which, if any, of the loans did you take out prior to military service?
5. Have you consolidated your student loans? If so, when?
6. Have you made a written request to the lender for a reduction of the interest on your private student loans to six percent?
7. Have you contacted your loan servicer to make sure that any federal or federally-guaranteed student loan has been reduced to six percent interest?
8. Do you have copies of all of your student loan contracts? If not, have you made a request for a copy of the contracts?
9. What school (and what degree) did you take out these student loans to attend?
10. Did you attend a for-profit school?
11. Has the school you attended closed prior to the completion of your program of instruction? If so, have you determined whether the United States is offering debt forgiveness or other remedy concerning federal or federally-guaranteed student loans? Have you determined whether the private loan lender is offering any such remedy?
12. Have you consulted with appropriate legal counsel?

2. The Servicemembers Civil Relief Act

The Servicemembers Civil Relief Act (SCRA) is a federal law designed to give service members protections with respect to civil matters, such as eviction, residential and motor vehicle leases, repossession, mortgage foreclosure, storage liens, telephone service contracts, property tax, and pre-service financial obligations. The SCRA also provides procedural protections that apply in all civil proceedings and beyond the courtroom. This chapter focuses on the application of the SCRA to student loans.

OVERVIEW OF SCRA PROTECTIONS

SCRA Coverage

The SCRA covers all **active duty**⁷

- Service members;
- Reservists;
- Members of the national guard⁸;
- Dependents⁹; and
- Persons secondarily liable.¹⁰

SCRA Effect on Student Loans

Under the SCRA (50 U.S.C.A. § 3937(a)(1)), all loans, including student loans, taken out **prior to joining the military** are limited to a six percent interest rate for the time period that a servicemember is on active duty. The debt must have been incurred prior to joining the service. "Interest" includes service charges, renewal charges, fees, or any other charges. If loans are taken out jointly (for example, a joint student loan for the spouse of a servicemember), and a

⁷ The term "active duty" means full-time duty in the active military service of the United States. "Active duty" includes full-time training duty, annual training duty, and attendance, while in the active military service or at a school designated as a service school by law or by the Secretary of the military department concerned. 10 U.S.C. § 101(d)(1).

⁸ Includes service under a call to active service, authorized by the President or the Secretary of Defense, for a period of more than 30 consecutive days under section 502(f) of Title 32 for purposes of responding to a national emergency declared by the President and supported by Federal funds. 50 U.S.C. § 3911(2)(A)(ii).

⁹ The term "dependent" under the SCRA means "(A) the servicemember's spouse; (B) the servicemember's child (as defined in section 10194) of Title 38); or (C) an individual for whom the servicemember provided more than one-half of the individual's support for 180 days immediately preceding an application for relief under this chapter." 50 U.S.C. § 3911(4). In certain circumstances, dependent family members are also covered by the SCRA. For example, termination of a servicemember's lease obligations pursuant to SCRA also terminates lease obligations of dependent family members. Additionally, SCRA interest rate reduction provisions apply to pre-service financial obligations jointly entered by the servicemember and his/her spouse.

¹⁰ Persons secondarily liable are those who are liable in the event that a servicemember fails to pay a debt. That includes cosigners and guarantors. In certain circumstances, persons who share a debt with a covered servicemember or who have secondary liability as a surety or guarantor may be protected by the SCRA. The SCRA grants courts the power to protect persons secondarily liable when the SCRA is invoked by a servicemember in two ways. 50 U.S.C. § 3913. (1) It allows courts to grant an extension of SCRA protection to a person secondarily liable when a court stays, postpones, or suspends an enforcement action against a servicemember. *Id.* at § 3913(a). (2) It allows courts to vacate or set aside a judgment or decree against a person secondarily liable when the court vacates or sets aside a judgment or decree against a servicemember. *Id.* at § 3913(b)

servicemember is a party to the loan, the loan still qualifies for the six percent interest rate cap. While the six percent interest rate cap only applies if the servicemember's service "materially affects" the servicemember's ability to pay the loan, the burden is on the lender who does not wish to comply with the SCRA to show that the servicemember's ability to pay has not been affected. Thus, the "material affect" requirement is generally not a barrier to obtaining the interest cap. This interest cap is not a deferment; any interest above the six percent is forgiven completely. The SCRA provides that the servicemember must make a proper written request to obtain the interest rate reduction, as described later in this chapter. However, in the case of federal or federally guaranteed student loans, the loan servicer is required to reduce interest even without such a request, as described later.

Loan Consolidation: If a servicemember consolidates his or her loans while serving in the military, the servicemember will lose the ability to qualify for the six percent interest rate limit on those consolidated loans.

When SCRA Benefits Apply

The servicemember is eligible for reduction of pre-service financial obligations upon entering active duty. The rate reduction benefit continues throughout military service (and for one year thereafter in the case of a pre-service mortgage). Regardless of how long the servicemember has been on active duty prior to making the request, the rate reduction is effective back to the date military service began.

Other SCRA Servicemember Benefits

In every civil action, the plaintiff is required to file an affidavit with the court stating whether the defendant is or is not in the armed forces or that the plaintiff is unable to determine the defendant's service affiliation. Knowingly filing a false affidavit is a criminal offense. If it appears that the absent defendant is a member of the armed forces, the court is required to appoint an attorney to represent that defendant. The attorney is required to attempt to locate the defendant and determine whether the defendant wishes to stay the proceedings. The court may not enter a judgment against the absent defendant without an appointment of counsel. Additionally, a servicemember defendant who is aware of the civil action brought against him may request a stay, or delay, of the proceedings when military service materially affects his ability to appear and defend. A servicemember can request a stay of proceedings for at least 90 days in civil actions where he/she has been served as a defendant. A valid initial stay request includes a statement as to how military duties affect the ability to appear, a date on which the servicemember can appear, and a statement from the commanding officer acknowledging this and indicating that military leave is not authorized at this point. See **Appendix D**, pg. [26](#), for a sample letter from the servicemember to the Clerk of Court developed by Michael S. Archer. See **Appendix E**, pg. [27](#), for a sample letter from the commanding officer to the Clerk of Court developed by Michael S. Archer. A servicemember who has requested a stay should confirm with the Clerk of Court that the request for a stay has been received. The SCRA provides that the court "shall" order a 90-day stay of proceedings upon the timely receipt of a proper SCRA stay request.¹¹ A servicemember may request an additional 90-day stay "based on continuing material affect of military duty on the servicemember's ability to appear," but the law does not *require* the court to grant the second stay request.¹²

¹¹ "At any stage before final judgment in a civil action or proceeding in which a servicemember described in subsection (a) is a party, the court may on its own motion and *shall*, upon application by the servicemember, stay the action for a period of not less than 90 days, if the conditions in paragraph (2) are met." 50 U.S.C.A. § 3932(b)(1) (emphasis added).

¹² 50 U.S.C.A. § 3932(d).

Servicemembers are also allowed to reopen default judgments that were granted during their service if the SCRA was violated and the servicemember could have asserted a meritorious defense (including lack of proper service) had he/she been present. In the student loan context, this protection is important when servicemembers are sued for nonpayment on student loans.

SERVICEMEMBERS AND SCRA BENEFITS: A HISTORICAL OVERVIEW

The United States Government Accountability Office (“GAO”) released a study in 2016 finding that servicemembers were having difficulty obtaining the SCRA interest rate cap. More specifically, large percentages of servicemembers faced challenges in obtaining accurate information about enacting the rate cap, especially with private lenders.

Originally Implementing the SCRA

When the SCRA was first implemented, the law required servicemembers to contact their student loan servicer(s) and provide written notice and proof of an active-duty start date to receive SCRA benefits, including the interest rate cap on student loans. After receiving that notice, the loan servicer(s) had to apply the cap to any loans that were disbursed prior to active military service and had an interest rate above six percent.

When the cap was applied retroactively to many loans, it resulted in significant interest payment reductions for many servicemembers. (See chart for how much the cap can save various servicemembers).

Many servicemembers, however, did not originally receive the benefits of the SCRA interest rate cap when the SCRA was first implemented. Some servicemembers did not know about the cap or how to inform their loan servicer(s) that they qualified for the cap. Some servicemembers failed to apply for the rate cap even though they were eligible for the financial savings associated with it. Others faced reluctant loan providers, who asked for excessive documentation or even rejected the request altogether, refusing to apply the cap.

Some student loan servicers, like Navient Solutions, Inc., failed to apply the SCRA interest rate cap even when a servicemember filed the appropriate paperwork. This resulted in a complaint filed by then Attorney General Eric Holder on behalf of the United States. In the complaint, Navient was alleged to have violated the SCRA by failing to lower interest rates to six percent after receiving written notice and active-duty military orders from qualified servicemember borrowers. Navient also allegedly failed to follow up and request military orders from servicemembers who requested the cap but failed to send in active-duty orders. The complaint also contained accusations that Navient failed to inform active-duty servicemembers that they were eligible for the SCRA cap, even when it knew that those servicemembers were eligible. Without admitting any wrongdoing, Navient ultimately entered into a consent order with the

Financial Impact of the SCRA Interest Rate Cap on Three Hypothetical Servicemembers

All three servicemembers borrow \$40,000 in federal loans at 6.8 percent interest—the most common pre-cap interest rate for federal loans—and repay the loans under the 10-year standard repayment plan.

- Borrower A received the rate cap for 24 months, beginning after 7 years in repayment.
Total reduction in payment: \$172
- Borrower B received the rate cap for 24 months, beginning after 1 year in repayment.
Total reduction in payment: \$611
- Borrower C received the rate cap for 40 months, beginning after 1 year in repayment.
Total reduction in payment: \$942

Source: GAO analysis. | GAO-17-4

Department of Justice, under which it created a \$60 million settlement fund and paid a \$55,000 civil penalty for its alleged SCRA violations.

New Department of Education Requirements Ease Paperwork Burden

Given the problems with implementing the SCRA rate cap, the Department of Education (ED) implemented new requirements for federal loan servicers in 2014. Federal loan servicers are now required to identify borrowers who qualify for SCRA rate reduction even absent a servicemember request. Procedurally, this means that each month federal loan servicers are required to determine whether a borrower is a servicemember, or has become a servicemember, and to apply the rate reduction accordingly. One relatively easy method of checking military affiliation of a borrower is to use the Defense Manpower Data Center online service. The lender can use this online tool to determine whether the borrower is currently a member of the armed forces with the borrower's name and social security number (or birthdate).

Continued Problems for Servicemembers with Private Loans

Although servicemembers with federal student loans and commercial FFEL loans have been better served by the automatic eligibility check requirement implemented in 2014, servicemembers with private student loans continue to face challenges obtaining the cap. Private student lenders and loans servicers are not required to conduct an automatic eligibility check. Therefore, a servicemember with a private student loan still has to supply written notice and active-duty military orders to his/her private student loan servicer(s).

Although it would benefit all servicemember borrowers to ensure that they are receiving the rate cap, private student loan borrowers should be particularly attentive to SCRA application. Private student loan borrowers currently receive the least oversight from government agencies when it comes to SCRA compliance. Further, private student loan borrowers committed some of the worst abuses of the SCRA in the past. For example, the \$60 million Navient settlement fund allocated \$45 million to private student loan borrowers, demonstrating that the majority of the harm was felt by those with private student loans. Given the additional problems servicemembers with private loans face, those servicemembers should be especially careful to ensure that the private loan servicer has (1) received both the written notice and the active-duty orders and (2) implemented the rate cap.

HOW TO INVOKE THE SCRA INTEREST RATE CAP

If You Have Pre-Service Private Student Loans...	If You Have Pre-Service Federal Student Loans...
<p>1. You need to request the six percent interest cap from your servicer.</p> <p>2. To request your six percent interest cap, you need to contact your servicer directly. Generally, you will need to send a written request AND a copy of your orders calling you to active duty. See Appendix C, pg. 24, for a sample letter developed by Michael S. Archer.</p> <p>3. If your servicer is making unreasonable requests, acting too slowly, or not acting at all, contact your JAG officer and/or the CFPB to lodge a complaint.</p> <p>4. If your servicer refuses to adjust your interest rate claiming that you waived your rights under the SCRA, check your original loan documents. Borrowers can waive their rights under the SCRA when taking out private loans if borrowers were notified in at least size 12 font.¹³</p>	<p>1. Your servicer should automatically apply the six percent interest cap to eligible federal loans effective the date of entry into the armed forces.</p> <p>2. It is still a good idea to contact your servicer and make sure the six percent interest cap has been applied to your loans.</p> <p>3. If the six percent interest cap was not automatically applied, fill out and send in a completed SCRA Interest Rate Limitation Request Form to your servicer available here. See also Appendix A, pg. 20.</p> <p>4. Federal loans taken out before August 14, 2008 are not eligible for the SCRA interest rate cap.¹⁴</p>

NOTE: If you **consolidated** your loans after you entered military service, then the loans will not be eligible for the six percent interest cap, regardless of whether they are federal loans or private loans.

¹³ Pursuant to 50 U.S.C. § 3918, to be effective, waiver of SCRA rights must: (a) be in writing, (b) be executed as an instrument separate from the obligation or liability to which it applies, (c) be executed during or after the servicemember's period of military service, (d) specify the legal instrument to which the waiver applies and (e) be in at least 12-point type.

¹⁴ 20 U.S.C. § 1078(d) was amended on August 14, 2008 to include federal loans; before that date, only private loans were covered by the SCRA.

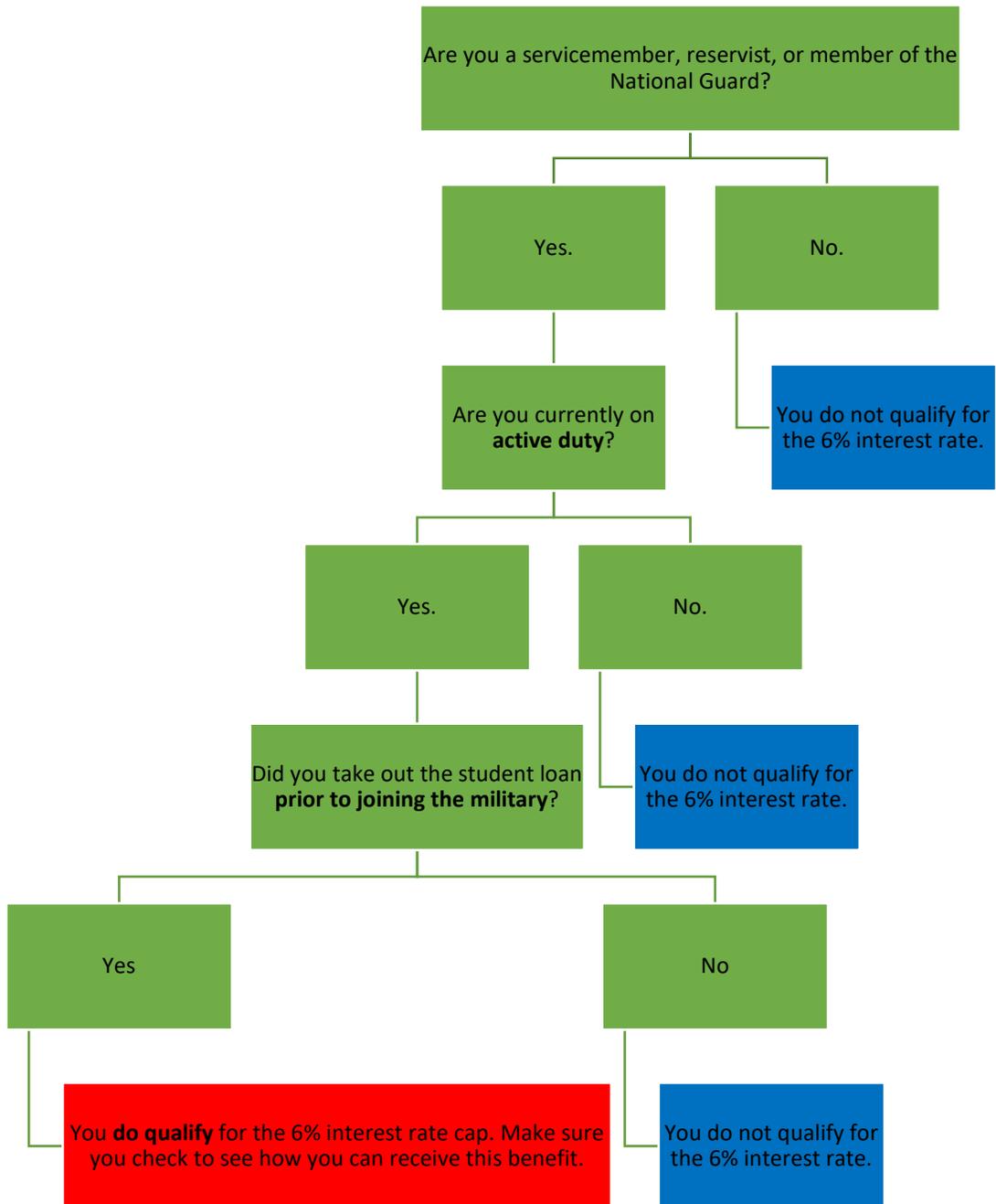
WHAT TO DO IF A CREDITOR REFUSES TO APPLY THE SCRA INTEREST CAP

Not all creditors and servicers act in the best faith when it comes to SCRA interest caps. Creditors may move slowly, demand excessive documentation, or even refuse to apply the cap. In these situations, a servicemember can complain to the Consumer Financial Protection Bureau at <https://www.consumerfinance.gov/complaint/>. A servicemember can also speak to a military legal assistance attorney or JAG officer, who can guide him/her through the process of involving the Department of Justice.

If a servicemember is wronged and the SCRA is violated, that individual has a personal right of action and may recover.

The DOJ, CFPB, and/or state attorneys general can all also sue the violator. These cases often arise after many servicemember borrowers complain and often allege a pattern or practice of illegal behaviors.

ELIGIBILITY FOR SCRA STUDENT LOAN REDUCTION



FREQUENTLY ASKED QUESTIONS

1. Does the SCRA interest rate cap apply to all my loans or just my student loans?

The six percent interest rate cap applies to all loans that a servicemember took out prior to active duty military service unless (a) the loan is a federal or federally guaranteed student loan taken out prior to 2008, or (b) the servicemember executed a valid waiver of this SCRA right. To be valid, waiver of SCRA must (a) be in writing, (b) be executed as an instrument separate from the obligation or liability to which it applies, (c) be executed during or after the servicemember's period of military service, (d) specify the legal instrument to which the waiver applies and (e) be in at least 12-point type.

2. I consolidated my loans. Does that change how the SCRA applies to me?

It depends. If a servicemember consolidated his/her loans prior to going on active-duty military service, those loans will continue to be covered by the SCRA interest rate cap. However, if a servicemember consolidates his/her loans during his/her active-duty service, those loans will no longer qualify for the interest rate cap, even if the loans were taken out prior to military service.

3. I have federal student loans. Do I need to do anything to have the SCRA interest rate cap applied to my loans?

A servicemember does not have to do anything to have the SCRA interest rate cap applied to his/her federal student loans. Federal student loan servicers must check to ensure that the SCRA interest rate cap is applied to servicemembers' loans. However, a servicemember should still double check to ensure his/her interest rate is not higher than six percent.

4. I have private student loans and notified my creditor that the SCRA interest rate cap should apply to my loans. They are refusing to apply it. What should I do?

Servicemembers who cannot get a creditor to apply the SCRA interest rate cap to their qualified loans should file a complaint with the Consumer Financial Protection Bureau at <https://www.consumerfinance.gov/complaint/>, or contact their military legal assistance attorney.

5. Someone is trying to get me to sign a contract that says it waives my SCRA rights. How would that affect me?

A servicemember can waive his/her SCRA rights under 50 § USC 3918. Therefore, a servicemember should be wary of any contract purporting to waive his/her SCRA rights.

6. A contract I signed says that any disputes are required to go through arbitration. Does this affect my SCRA rights?

Yes. Servicemembers should be wary of forced arbitration provisions in contracts. Arbitration provisions do not waive SCRA interest rate reduction rights, so borrowers maintain the right to reduce interest on pre-service financial obligations even with binding arbitration provisions. However, those provisions change how contractual disputes concerning interest rates and costs are resolved. Without arbitration provisions, servicemembers have the right to be notified of court proceedings, to have an attorney appointed, to delay proceedings where military service materially affects his/her ability to appear, and to reopen wrongly decided cases if the SCRA was violated. These SCRA procedural rights do not apply to arbitration.

APPENDIX A: SCRA INTEREST RATE LIMITATION REQUEST



SERVICEMEMBERS CIVIL RELIEF ACT (SCRA): INTEREST RATE LIMITATION REQUEST

OMB No. 1845-0135
Form Approved
Exp. Date 10/31/2018

William D. Ford Federal Direct Loan (Direct Loan) Program and Federal Family Education Loan (FFEL) Program

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying document is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

SECTION 1: SERVICEMEMBER INFORMATION

Please enter or correct the following information.

Check this box if any of your information has changed.

SSN _____
Name _____
Address _____
City _____ State _____ Zip Code _____
Telephone - Primary _____
Telephone - Alternate _____
Email (Optional) _____

SECTION 2: INFORMATION ABOUT THE SERVICEMEMBERS CIVIL RELIEF ACT

Under the Servicemembers Civil Relief Act (SCRA), the maximum interest rate that may be charged on an eligible Direct Loan or FFEL Program loan is 6% during the period of the servicemember's qualifying military service.

Generally, you do not need to request that your loan holder limit the interest rate on your Direct Loans or FFEL Program loans that are eligible for the SCRA interest rate limitation. Your loan holder will check the U.S. Department of Defense's Defense Manpower Data Center (DMDC) on a regular basis and automatically apply the SCRA interest rate limitation if the information in the DMDC shows that you qualify.

You can use this form if you have evidence of your military service that is more accurate than the information in the DMDC, or if you are performing military service not reflected in the DMDC. There are other methods of requesting that your loan holder apply the SCRA interest rate limitation to your Direct Loans and FFEL Program loans, including:

- Submitting a written request and a copy of your military orders; or
- Submitting an application for a military service deferment on your loan.

If you want to use this form to request application of the SCRA interest rate limit, **carefully read the entire form, including the instructions and definitions in Sections 5 and 6.** Complete Section 3 and then have an authorized official complete Section 4.

SECTION 3: SERVICEMEMBER REQUEST, UNDERSTANDING, AUTHORIZATION, AND CERTIFICATION

I request that for any of my eligible Direct Loans and FFEL Program loans, my loan holder limit the interest rate charged on those loans to 6% during my qualifying military service.

I understand that my interest rate limitation will begin no earlier than August 14, 2008.

I authorize the entity to which I submit this request and its agents to contact me regarding my request or my loans at any cellular telephone number that I provide now or in the future using automated telephone dialing equipment or artificial or prerecorded voice or text messages.

I certify that all of the information I have provided on this form and in any accompanying documentation is true, complete, and correct to the best of my knowledge and belief.

Servicemember's Signature _____

Date _____

Name _____

SSN _____

SECTION 4: AUTHORIZED OFFICIAL'S CERTIFICATION

1. Select the branch of military service that the servicemember is a member of:
- Army, Navy, Air Force, Marine Corps, or Coast Guard (Including Reserves and National Guard) - Continue to Item 2.
 - Public Health Service - Continue to Item 2.
 - National Oceanic and Atmospheric Administration - Continue to Item 2.
 - None of the above - The servicemember is not eligible for the SCRA Interest rate limitation.

2. Select the level of service that the servicemember is engaged in:
- Active duty under 10 USC 101(d)(1) - Continue to Item 3.
 - National Guard service under 32 USC 502(f) authorized by the President or the Secretary of Defense for a period of more than 30 consecutive days to respond to a national emergency declared by the President - Skip to Item 4.
 - Active service in the Public Health Service or in the National Oceanic and Atmospheric Administration - Skip to Item 5.
 - Absent from duty due to sickness, wounds, leave, or other lawful cause - Skip to Item 5.
 - None of the above - The servicemember is not eligible for the SCRA Interest rate limitation.

3. Is the servicemember activated from a reserve component (Reserves or National Guard)?
- Yes - Continue to Item 4.
 - No - Skip to Item 5.

4. Provide the date the servicemember was notified of his or her call to active duty and then continue to Item 5.
- _____

5. Provide the start date of the servicemember's active duty military service or active service and then continue to Item 6.
- _____

6. Is the end date of the servicemember's military service known?
- Yes - Continue to Item 7.
 - No - Complete the certification below.

7. Provide the end date of the servicemember's military service and then complete the certification below.
- _____

I certify, to the best of my knowledge and belief, that the servicemember named above is performing military service as indicated in this section.

Name of Military Branch or National Guard Component _____

Address _____

City _____ State _____ Zip Code _____ Telephone _____

Name and Title of Authorized Official _____

Authorized Official's Signature _____ Date _____

SECTION 5: INSTRUCTIONS FOR COMPLETING THE FORM

Type or print using dark ink. Enter dates as month-day-year (mm-dd-yyyy). Use only numbers. Example: March 14, 2015 = 03-14-2015. If you need help completing this form, contact your loan holder. If you want the SCRA Interest rate limitation to apply to loans that are held by different loan holders, you must submit a separate request to each loan holder. **Return the completed form to the address shown in Section 7.**

SECTION 6: DEFINITIONS

The **William D. Ford Federal Direct Loan (Direct Loan) Program** includes Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans.

The **Federal Family Education Loan (FFEL) Program** includes Federal Stafford Loans (both subsidized and unsubsidized), Federal PLUS Loans, Federal Consolidation Loans, and Federal Supplemental Loans for Students (SLS).

An **authorized official** who may complete Section 4 is your commanding officer, personnel officer, or unit-readiness non-commissioned officer.

The **holder** of your Direct Loans is the U.S. Department of Education (the Department). The holder of your FFEL Program loans may be a lender, secondary market, guaranty agency, or the Department. Your loan holder may use a servicer to handle billing, payment, repayment options, and other communications on your loans. References to "your loan holder" on this form mean either your loan holder or your servicer.

Period of qualifying military service means the period of time when:

- A member of the U.S. Army, Navy, Air Force, Marine Corps, or Coast Guard (or respective Reserve component) is on active duty, including full-time duty in the active military service of the United States and full-time training duty, annual training duty, and attendance, while in the active military service, at a school designated as a service school by law or by the Secretary of the military department concerned, but not including full-time National Guard duty;
- A member of the National Guard is performing service on active duty or full-time National Guard duty authorized by the President or the Secretary of Defense for a period of more than 30 consecutive days under 32 USC 502(f), for the purposes of responding to a national emergency declared by the President and supported by Federal funds;
- A commissioned officer of the Public Health Service or the National Oceanic and Atmospheric Administration is on active service; or
- A servicemember is absent from duty due to sickness, wounds, leave, or other lawful cause.

An **eligible servicemember** is a borrower with eligible Direct Loans or FFEL Program loans who received those loans or an endorser who signed as such on an eligible Direct Loan or a FFEL Program loan prior to the date that the period of qualifying military service began.

The **interest rate** includes interest and other charges or fees applied to the loan. During periods of qualifying active duty military service, the interest rate on the eligible loan will not exceed 6%. If the interest rate is already below 6%, the loan will retain the lower interest rate.

Eligible Direct Loans and FFEL Program loans are Direct Loan and FFEL Program loans made before the date the period of qualifying military service began. A Direct or Federal Consolidation Loan is eligible only if you signed the promissory note for the loan before the period of qualifying military service began.

SECTION 7: WHERE TO SEND THE COMPLETED REQUEST

Return the completed form and any documentation to:
(If no address is shown, return to your loan holder.)

If you need help completing this form, call:
(If no telephone number is shown, call your loan holder.)

SECTION 8: IMPORTANT NOTICES

Privacy Act Notice. The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authorities for collecting the requested information from and about you are §421 et seq., §451 et seq., or §461 of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 et seq., 20 U.S.C. 1087a et seq., or 20 U.S.C. 1087aa et seq.) and the authorities for collecting and using your Social Security Number (SSN) are §§428B(f) and 484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program, Federal Family Education Loan (FFEL) Program, or Federal Perkins Loan (Perkins Loan) Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan, FFEL, or Federal Perkins Loan Programs, to permit the servicing of your loans, and, if it becomes necessary, to locate you and to collect and report on your loans if your loans become delinquent or default. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loans, to enforce the terms of the loans, to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions.

To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment statuses, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

Paperwork Reduction Notice. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0135. Public reporting burden for this collection of information is estimated to average 20 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. If you have comments or concerns regarding the status of your individual submission of this form, please contact your loan holder directly (see Section 7).

**APPENDIX B: SAMPLE LETTER FOR SCRA INTEREST RATE REDUCTION TO
LOAN SERVICER**

YOUR NAME HERE
YOUR ADDRESS HERE

Date _____

CREDITOR NAME HERE
CREDITOR ADDRESS HERE

Subject: INTEREST RATE REDUCTION UNDER SERVICE MEMBER CIVIL
RELIEF ACT:

Debtor name: _____
Account #: _____

To Whom It May Concern:

Pursuant to the interest rate reduction provisions of the Service Member Civil Relief Act, Title 50, U.S. Code section 3937 (hereinafter referred to as the SCRA) I hereby request that the interest on the above-mentioned debt be reduced to 6% as of the date that I entered active military service.

I incurred this civil debt prior to the date that I entered active duty military service. I began active duty on _____, and have remained on active duty as reflected in the following documents **[IDENTIFY THE DOCUMENT YOU ARE ATTACHING THAT PROVES ACTIVE DUTY MILITARY SERVICE INCEPTION DATE AND ANY EXTENSIONS OR REENLISTEMENTS]**. As indicated on **(identify here the enlistment contract, orders, or other document that indicates the term of service)** my current enlistment extends through _____. However, I may choose to reenlist at that time. I will notify you upon my release from active duty.

You may also confirm my military service dates online at the website of the Defense Manpower Data Center (DMDC) <https://www.dmdc.osd.mil/appj/scra/>

I am currently assigned to **[UNIT NAME]** _____, located at Camp Lejeune, North Carolina. **[If applicable, add the following: I anticipate deployment to _____ in the near future.]** I have also included copies of the following documents that prove current military service: **[List here document(s) you will include showing that you are on active duty: e.g., photocopy of armed forces ID, military orders, enlistment contract]**

My entry into the military service has materially affected my ability to meet this obligation at the original interest rate. **[If desired and appropriate, state here the manner in which military service affects ability to pay; e.g., by noting the specific decrease in pay resulting from military service]**

The SCRA sets a 6% per annum ceiling on interest charges (including service charges, renewal charges and fees) during the period of military service for obligations made prior to the date of entry onto active duty. Interest above 6% must be **forgiven** and not accrued. Please ensure that your records reflect this statutory ceiling and that any excess charge is withdrawn.

Please note that the Higher Education Act Opportunity Act of 2008 (PL 110-35) makes the interest rate reduction provisions of the SCRA applicable to federally guaranteed student loans as well as other student loans. Note also that, in addition to civil remedies, the 2008 amendment to the SCRA makes the knowing violation of section 3937 a crime punishable by a fine and up to one year in prison.

[YOUR NAME]
[YOUR RANK]
U.S. Marine Corps

APPENDIX C: SAMPLE SCRA STAY REQUEST LETTER TO CLERK OF COURT



UNITED STATES MARINE CORPS
CONSOLIDATED LEGAL ASSISTANCE OFFICE
OFFICE OF THE STAFF JUDGE ADVOCATE
MARINE CORPS BASE
PSC BOX 20004
CAMP LEJEUNE, NORTH CAROLINA 28542-0004

IN REPLY REFER TO:

5800

LSSS/msa

Clerk of Court
State of _____
County of _____
Any additional details re court here, Eg Family Court Sixteenth Judicial Circuit

ADDRESS OF COURT HERE

RE: Smith v Jones, Case # 2013-DR-46-1122

Sir or Ma'am,

In accordance with the Servicemember Civil Relief Act, (SCRA), I hereby request a stay of the proceedings in the above captioned case.

I am an active duty service member with the United States Marine Corps, currently assigned to _____ located at Marine Corps Base, Camp Lejeune, North Carolina. **Add relevant details of billet and current duties, if any, suggesting that absence to attend court hearing will be particularly difficult or onerous for individual and / or unit. For example, cite any deployment, or special exercises, or attendance of special school to qualify for duty or to maintain proficiency, or any other special circumstances (e.g. I am the only physician assigned to a large unit in a war zone).**

Pursuant to the Service Member Civil Relief Act (SCRA), Title 50 U.S. Code section 3932, I request a stay of proceedings. The SCRA makes a ninety-day stay mandatory, with an additional, or lengthier stay discretionary with the court upon a finding that military duties continue to materially affect the service member's ability to appear. Pursuant to SCRA section 3932(c), this request for a stay does not constitute an appearance nor waive any rights or defenses to which I may otherwise be entitled.

The precise length of time that my military duties materially interfere with my ability to appear and defend is indeterminate; however, it is anticipated that I will be able to appear and defend the action on or after approximately _____. I request that proceedings be delayed at least until _____ as my military duties prevent my appearance at the civil hearing and I have not been authorized leave for such attendance. A letter to this effect from my Commanding Officer is enclosed.

ALEXANDER HAMILTON
Corporal, U.S. Marine Corps

Encl: Ltr of CO, _____

Cc: PLAINTIFF'S Attorney
Address

APPENDIX D: SAMPLE SCRA STAY REQUEST LETTER FROM CO



MARINE CORPS

COMMAND LETTERHEAD

IN REPLY REFER TO:
1000
CLAO/

State of _____

County of _____

Any additional details re court here, E.g., Family Court Sixteenth Judicial Circuit

ADDRESS OF COURT HERE

RE: NAME OF CLIENT
Case: Case #, if known

To Whom It May Concern:

It has come to my attention that _____, an active duty service member assigned to my command, has a civil court hearing scheduled for _____.

_____’s military duties prevent his appearance at such hearing. [Provide explanation of important duties and why they interfere with the member’s ability to appear and defend] His presence with his unit is imperative and, at this time, I cannot grant him leave to attend to these civil matters.

The length of the deployment is indeterminate; however, I anticipate that military duties will no longer preclude the service member’s ability to appear approximately _____.

[Name]
Commanding Officer

3. For-Profit Schools

Over the last decade, journalists and policymakers have started to expose problems within for-profit education. As student enrollment grew in for-profit schools, investigations raised concerns about the quality of education, cost of attendance, and many other problems. This chapter examines these issues, and highlights why they are so important for military borrowers.

For-profit schools have existed in some form in America since the 19th century. Originating primarily as trade schools, they offered practical skills training. The evolution of for-profit colleges into what they are today can be traced back to the 1970s. The 1972 reauthorization of the Higher Education Act increased the amount of government student aid available to for-profit schools, which helped spur their growth.¹⁵

Enrollment at for-profit schools slowly increased through the 1990s, spiking after the year 2000. From 2000 to 2010, undergraduate enrollment at private for-profit schools quadrupled from 403,000 to

1.7 million students, compared to just 20-30% increases at traditional colleges.¹⁶ This marked the peak of for-profit enrollment, with enrollment declining in the next few years. As of fall 2015, roughly 10% of all undergraduate students attended for-profit schools.¹⁷



For-profit schools differ from traditional nonprofit schools in a variety of ways. For-profit schools generally offer more flexibility. They primarily offer online courses, which provide educational opportunities for students who cannot attend traditional on-campus classes. For-profit schools also generally have lower requirements for admission than comparable private or public nonprofit schools. The biggest difference is that for-profit schools are owned and operated by businesses. Therefore, they are ultimately accountable by law for the profit returns they produce for shareholders. Nonprofit schools, whether private or public, are bound by a concept called “nondistribution constraint,” meaning that profit must be returned to the school and spent in pursuit of the goal of education.¹⁸

¹⁵ James Coleman and Richard Vedder, *For-Profit Education in the United States: A Primer*, CENTER FOR COLLEGE AFFORDABILITY AND PRODUCTIVITY, (May 2008), <https://files.eric.ed.gov/fulltext/ED536281.pdf>.

¹⁶ NATIONAL CENTER FOR EDUCATION STATISTICS, *Undergraduate Enrollment*, (May 2017), https://nces.ed.gov/programs/coe/indicator_cha.asp.

¹⁷ The Integrated Postsecondary Education Data System, *Postsecondary Institutions and Cost of Attendance in 2015–16; Degrees and Other Awards Conferred, 2014–15; and 12-Month Enrollment, 2014–15, IPEDS, Fall 2015, 12-Month Enrollment component*, U.S. DEPARTMENT OF EDUCATION (Jul. 2016), <https://nces.ed.gov/pubs2016/2016112.pdf>.

¹⁸ Robert Shirman, *The Important Difference Between For-profit and Nonprofit Colleges*, HUFFINGTON POST (Jul. 7, 2014), https://www.huffingtonpost.com/robert-shireman/the-important-difference-b_5595903.html.

Certain problems have been reported with respect to for-profit colleges. Tuition is higher than traditional colleges, and students take out more in student loans to attend. There have been widespread concerns about the quality of education provided, student retention, and even school closures at certain for-profit institutions.

Although these issues are important for all students to consider, they are especially important for military students. Military students¹⁹ make up a disproportionate number of students at for-profit schools. At for-profit schools in 2017, 9% of the student body was made up of military students, compared to just 4% in public and nonprofit schools.²⁰

The disparity is even starker when viewed in terms of the apportionment of federal financial aid. The government spends \$12 billion per year helping veterans pay for college through the GI Bill, and 40% of that currently goes to for-profit colleges.²¹

One major reason for this disproportionate expenditure of military GI bill dollars on for-profit schools is the “90-10 rule”.²² This regulation was passed by Congress as part of the 1992 reauthorization of the Higher Education Act. It caps the percentage of revenue a for-profit school can receive from federal financial aid sources at 90%.²³ Thus, for-profit schools must fill the other 10% with other sources of revenue. Money from the GI Bill, however, does not count as federal aid under this statute. Recognizing the opportunity in this exception, for-profit schools have sought out military borrowers. This aggressive marketing led to a large increase of military students at for-profit schools.

2012 SENATE REPORT: ILLUSTRATING PROBLEMS THAT PERSIST TODAY

The United States Senate Health, Education, Labor, and Pensions (HELP) Committee released a study in 2012²⁴ that examined the effect for-profit schools were having on students. In general, the report found that students enrolled at for-profit colleges graduated with more debt and fewer career prospects than their counterparts at public or nonprofit institutions.

The HELP report also illustrated many of the problems that students attending for-profit colleges face, which include high tuition costs, poor student outcomes, increased debt loads for graduates, low student retention rates, and misleading advertisements. The Senate HELP report also detailed the problems associated with for-profit colleges recruiting military veterans. These problems will be discussed in more detail below.

¹⁹ The term “military student” is defined as “veterans or service members on active duty, in the reserves, or in the National Guard.”

²⁰ Caren A. Arbeit and Laura Horn, *A Profile of the Enrollment Patterns and Demographic Characteristics of Undergraduates at For-Profit Institutions*, U.S. DEPARTMENT OF EDUCATION (Feb. 2017), <https://nces.ed.gov/pubs2017/2017416.pdf>.

²¹ *Warrior Scholar Project helps veterans transition from battlefield to classroom*, CBS NEWS (Aug. 15, 2017), <https://www.cbsnews.com/news/warrior-scholar-project-helps-veterans-transition-to-college-life/>.

²² 20 U.S.C §1094(a)(24) (1998).

²³ The breakdown was initially 85-15, until it was changed in the 1998 reauthorization. Ironically, the rule was based off post-World War II regulations limiting the amount of money schools could get from the GI Bill.

²⁴ UNITED STATES SENATE: HEALTH, EDUCATION, LABOR AND PENSIONS COMMITTEE, *For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success*, (Jul. 30, 2012), https://www.help.senate.gov/imo/media/for_profit_report/PartI.pdf.

Tuition

The HELP report generally noted that for-profit colleges cost more than public higher education options. As of 2012, the average cost of a for-profit school was three and a half times more than the same degree at a public university.²⁵ This higher cost, however, did not result in superior services offered to the students. Rather, for-profit colleges often made tuition decisions in order to maximize revenue, even if the decisions harmed the students and made it more difficult for them to pay back loans. Internal documents from some for-profit colleges acknowledged that the tuition increases were harming students, but the schools chose to move forward with them. For example, the HELP report found that certain for-profit institutions increased tuition even after executives were made aware that such decisions were resulting in higher withdrawal rates. The higher prices negatively affected students' ability to finish their degrees.

Current Tuition Examples

Students who attend for-profit schools can expect to pay more in tuition than students who attend public schools, including the flagship university of their state. For example, a North Carolina resident who enrolls in the University of Phoenix online program to obtain a Bachelor's of Science in Business can expect to pay \$55,820 in tuition over four years. Comparatively, a North Carolina resident who enrolls at the flagship university of North Carolina, the University of North Carolina at Chapel Hill, to obtain a Bachelor's of Science in Business can expect to pay \$35,336 over four years. A student can therefore expect to pay \$20,484 more in tuition at the University of Phoenix for the same degree from the University of North Carolina Chapel Hill.

Students who enroll in for-profit colleges' distance learning programs can also expect to pay more in tuition than students who enroll in other distance learning programs. A North Carolina resident who enrolls in the University of Phoenix online program to obtain a Bachelor's of Science in Criminal Justice can expect to pay \$59,400 in tuition over four years. By comparison, a North Carolina resident who enrolls in Western Carolina University's online program to obtain a Bachelor's of Science in Criminal Justice can expect to pay \$13,937 in tuition over four years. Thus, a student who chooses to enroll in online classes at the University of Phoenix rather than Western Carolina University can expect to spend \$45,469 more on tuition alone over four years.

Finally, students who attend for-profit colleges can expect to pay more in tuition than students who enroll at historically black colleges or universities (HBCUs). For example, a North Carolina resident who enrolls in the DeVry University Bachelor's program in Communications can expect to pay \$76,125 in tuition over four years. Comparatively, a North Carolina resident who enrolls to obtain a Bachelor's of Arts in Communications at Fayetteville State University, an HBCU in North Carolina, can expect to pay \$32,592 in tuition over four years. Therefore, a student who chooses to attend DeVry University instead of Fayetteville State University can expect to spend \$43,533 more on tuition alone over four years.

Student Outcomes

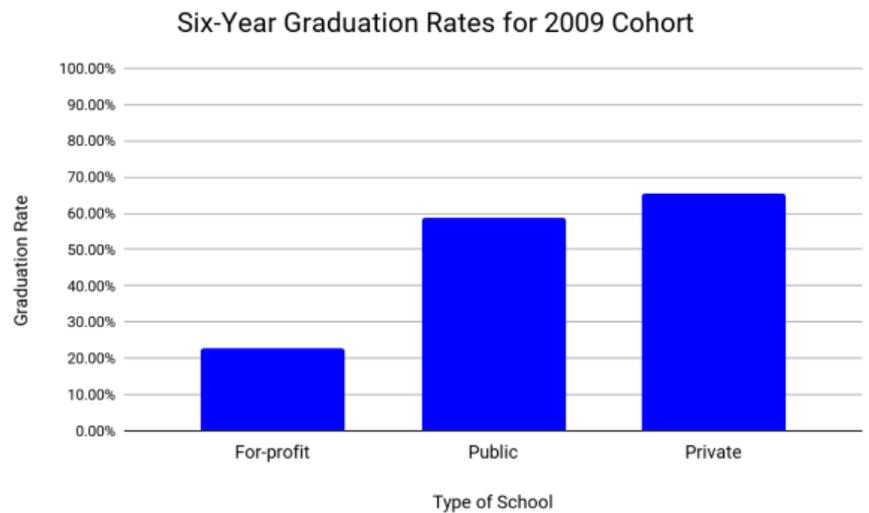
Student outcomes at for-profit schools vary by institution and student background. Students who have already completed a year of higher education prior to enrolling in for-profit schools tend to fare better, but it's hard to assess success rates at various institutions. Students who graduate from for-profit schools may receive a lower quality of education. In a GAO undercover investigation, a large number of for-profit schools were found to be accepting plagiarized and low-quality work. This lack of academic rigor meant that some students struggled after

²⁵ These numbers come from the 2012 Senate HELP report. Current cost depends on both the college and the program. <https://nces.ed.gov/collegenavigator/> allows comparison of cost for public and private schools to for-profit institutions.

graduation since they did not learn necessary skills while in school.²⁶ For-profit schools also often failed to invest in student services and career services, meaning students who needed help did not receive it during and after enrollment.

Although for-profit universities often charge more in tuition, most of them graduate far fewer students than their public and private nonprofit school counterparts. Only 22.7% of students who started at a for-profit university in 2009 had graduated by 2015.²⁷ Comparatively, 58.6% of students who started at a public university in 2009 and 65.6% of students who started at a private nonprofit university in 2009 had graduated by 2015.²⁸

These statistics illustrate that although for-profit universities charge higher tuition, there is a lack of return on their investment. Those students are about half as likely to graduate as their counterparts who enroll in public or private nonprofit schools.²⁹



Debt

Since for-profit schools charge more in tuition than other types of schools and have more students who do not graduate, students who attend for-profit schools are less likely to be able to pay down their student debt. For example, Kaplan University, a for-profit school, had 14.6% of its 2014 cohort³⁰ default on its loans within the first three years of repayment, and for-profit schools overall had a 15.5% default rate for the 2014 cohort.³¹ This is higher than the 11.3% default rate for the 2014 cohort at public universities and the 7.4% default rate for the 2014 cohort at private nonprofit universities.³² Therefore students who attended a for-profit university were 4.2% more likely to default on their loans than students who attended a public university, and those same students were 8.1% more likely to default on their loans than students who attended a private nonprofit university.³³

²⁶ *Id.*

²⁷ Graduation rate from first institution attended for first-time, full-time bachelor's degree-seeking students at 4-year postsecondary institutions, by race/ethnicity, time to completion, sex, control of institution, and acceptance rate: Selected cohort entry years, 1996 through 2009, NAT'L CTR. FOR EDUC. STATISTICS (Oct. 2016), https://nces.ed.gov/programs/digest/d16/tables/dt16_326.10.asp.

²⁸ *Id.*

²⁹ *Id.*

³⁰ The 2014 cohort are student borrowers who entered repayment during the 2014 fiscal year.

³¹ *Comparison of FY 2014 Official National Cohort Default Rates to Prior Two Official Cohort Default Rates*, U.S. DEP'T OF EDUC. (Aug. 5, 2017), <https://www2.ed.gov/offices/OSFAP/defaultmanagement/schooltyperates.pdf>.

³² *Id.*

³³ *Id.*

For-Profit Recruiting

Recruiting is the primary way that for-profit schools increase enrollment and maximize revenue. For a time, for-profit schools were allowed to pay employees' salaries based on the number of students they enrolled. In 2011, a ban on that practice that had been previously lifted was reinstated. That ban does not cover incentives such as vacations and reduced hours, and so these practices persist. Hiring and firing decisions were also linked to enrollment rates, with schools seeking out people with experience in sales, rather than higher education.³⁴ Further, for-profit schools had a huge number of recruiting staff compared to other types of staff members, such as career services, at a rate of almost ten recruiters per one career services employee.³⁵

To meet the high recruitment demands, some for-profit schools adopted practices that the HELP report referred to as “deceptive and misleading.” At least as late as of 2012, some for-profit institutions hid how much a degree would cost by concealing how many credits were required to graduate or by excluding high fees in their quoted tuition price. Other institutions falsely implied or explicitly stated that financial aid would cover the cost of school completely. Some for-profit schools misstated graduation rates and misled students about job prospects and potential future earnings.

The 2012 report also found that some for-profit schools trained their employees to specifically target vulnerable populations.³⁶ Recruiters would ask a series of questions at the beginning of a phone call to find out what issues were causing the potential student the most stress – family, money, etc. They would then use these “pain points” to close sales, by continually linking a lack of degree to whatever problems the potential student was experiencing. If the person on the other side of the phone objected, the person was told that school would improve their life.

For-profit schools commonly make misleading statements about accreditation and credit transfer. Many for-profits advertise themselves as “nationally accredited” and assure potential students that credits will transfer. By and large, however, higher education institutions are accredited regionally. As such, although the schools are technically accredited, that national accreditation has little meaning. The lack of regional accreditation may result in private and public schools declining to accept credits or even degrees earned at a for profit school. According to a recent GAO report, students transferring from a for-profit school to a public school were unable to transfer 94% of credits earned at the for-profit school on average.³⁷ In comparison, students transferring between public schools were unable to transfer 37% of previously earned credits on average.³⁸

Military Recruiting

Some for-profit schools specifically targeted military personnel for enrollment, including hiring special staff to just recruit from military bases.³⁹ Certain for-profit schools went to Wounded Warriors Centers to sign people up for school, which violated base regulations and therefore

³⁴ *For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success*, U.S. SENATE: HEALTH, EDUC., LABOR AND PENSIONS COMM. (Jul. 30, 2012), https://www.help.senate.gov/imo/media/for_profit_report/Part1.pdf.

³⁵ *Id.*

³⁶ *Id.*

³⁷ U.S. GOV'T ACCOUNTABILITY OFFICE, *Higher Education: Students Need More Information to Help Reduce Challenges in Transferring College Credits*, (Aug. 2017), <https://www.gao.gov/assets/690/686530.pdf>.

³⁸ *Id.*

³⁹ See *supra* note 34.

constituted federal trespass. On one of these occasions, a recruiter even signed up a veteran with brain injuries so severe that he couldn't remember what courses he had signed up for.⁴⁰

For-profit schools also use military-specific "lead generators" to mislead military personnel into enrolling. Now-defunct websites with names that implied a military connection, like GIBill.com, military-net.com, and MilitaryGIBill.com directed potential students to for-profit schools, falsely suggesting that such schools are the only ones that could accept GI benefits.⁴¹ Once the for-profit school had the potential student's information, recruiters would lie about how much of school was covered by military benefits. While the websites listed have since been shut down or turned over to the VA, new sites continue to emerge.

Fraud

For-profit schools also have in some instances committed fraud by misrepresenting their graduation rates, employment rates, and other important statistics to attract more students. In fact, nearly 99% of complaints to the Department of Education about unlawful activity by an institution of higher education from 2015 to 2017 were about for-profit schools.⁴²

Corinthian Colleges, Inc., provides a clear example. Corinthian operated Everest, Heald, and WyoTech, and was sued by the California State Attorney General in 2013⁴³ and the Consumer Financial Protection Bureau in 2014⁴⁴ for a variety of fraudulent and unlawful practices. Those practices included providing misleading graduate job placement information, misrepresenting the likelihood that academic credits could be transferred to nonprofit schools, promoting degree programs that the school did not offer, preventing students from attending class if they were behind on loan payments, and illegally using U.S. military seals in advertisements. The California suit resulted in a \$1.1 billion judgment against Corinthian and the CFPB suit resulted in a \$530 million judgment against Corinthian.

The Department of Education conducted its own inquiry into Corinthian's conduct and levied a \$30 million fine against Corinthian for boosting official job placement rates by paying temporary employment agencies to hire students for brief periods following graduation. Corinthian Colleges later filed for bankruptcy. The Department of Education's decision to withdraw Corinthian's eligibility to receive federal financial aid dollars was instrumental in Corinthian's bankruptcy and ultimate closure.

By law, students who took out federal student loans to attend a higher education institute that committed fraud or some other violation of state law are eligible to submit a borrower defense to repayment application. Borrower defense to repayment applications may forgive all or part of

⁴⁰ Daniel Golden, *For-Profit Colleges Target the Military*, BLOOMBERG (Dec. 30, 2009), <https://www.bloomberg.com/news/articles/2009-12-30/for-profit-colleges-target-the-military>.

⁴¹ See *supra* note 35.

⁴² Yan Cao and Tariq Habash, *College Complaints Unmasked: 99 Percent of Student Fraud Claims Concern For-Profit Colleges*, THE CENTURY FOUND. (Nov. 8, 2017), <https://tcf.org/content/report/college-complaints-unmasked/>.

⁴³ *Press Release: Attorney General Kamala D. Harris Files Suit in Alleged For-Profit College Predatory Scheme*, OFFICE OF THE CALIFORNIA ATTORNEY GENERAL (Oct. 10, 2013), <https://oag.ca.gov/news/press-releases/attorney-general-kamala-d-harris-files-suit-alleged-profit-college-predatory>.

⁴⁴ *CFPB Sues For-Profit Corinthian Colleges for Predatory Lending Scheme*, CONSUMER FIN. PROT. BUREAU (Sept. 16, 2014), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-for-profit-corinthian-colleges-for-predatory-lending-scheme/>.

the student's outstanding federal student loan debt and reimburse the student for amounts they have already repaid towards those loans.

On September 29, 2016, Senator Elizabeth Warren (D-MA) sent the Department of Education a letter alleging that although nearly 80,000 former Corinthian students were eligible for some form of debt relief, only 23,185 had submitted a borrower defense application.⁴⁵ This statistic suggests that many students do not know that the borrower defense to repayment application is an option to obtain relief from student loan payments. Therefore, education about the borrower defense to repayment is important for servicemembers, including the need to affirmatively file an application. The application can be found in **Appendix A**, pg. [41](#).

News outlets have reported that the Department of Education has not approved a single borrower defense to repayment application since the administration change in January 2017.⁴⁶ As of publication, the Department of Education has put the new borrower defense guidelines that were supposed to take effect on July 1, 2017, on hold while Secretary of Education Betsy DeVos convenes a committee to reconsider the rules on borrower defense. It is unclear when, if, or through what process the administration will review borrower defense claims in the future.

FOR-PROFIT SCHOOL CLOSURES AND FRAUD

For the reasons described above, for-profit schools may sometimes shut down, like Corinthian Colleges in 2015 or ITT Technical Institute in 2016. This section sets forth options that student servicemembers and veterans can consider in that scenario, including with respect to their GI Bill benefits or student loans.

GI Bill

Many military students or their immediate family members receive benefits through the GI Bill (or the Post-9/11 GI Bill, both hereinafter referred to as the GI Bill) to finance their education after completing their military service. Through the GI Bill, a certain amount of a military student's tuition is paid for by the government. That amount is based on the amount of time a military student had been on active duty prior to discharge.⁴⁷ GI Bill benefits are not loans, but a one-time allotment of money with the limited purpose of funding a military student's post-service education.

Until recently, if a military student used GI Bill money to pay tuition and expenses related to education at a for-profit school, but that school closed before the military student earned a degree, the military student could not get that GI Bill money restored to put towards an education at a different school. In other words, if a veteran used or uses money from their GI Bill benefits toward education at a for-profit school that closes before the military student can finish the requirements for the degree, there is no way to claw that money back from the closed school, and the veteran will need to find another way to finance any future educational endeavors.

⁴⁵ Elizabeth Warren, *Letter to Ed re: Corinthians College* (Sept. 29, 2016),

https://www.warren.senate.gov/files/documents/2016-9-29_Letter_to_ED_re_Corinthian_data.pdf.

⁴⁶ Danielle Douglas-Gabriel, *Trump Administration is Sitting on Tens of Thousands of Student Debt Forgiveness Claims*, WASH. POST (Jul. 27, 2017), https://www.washingtonpost.com/news/grade-point/wp/2017/07/27/trump-administration-is-sitting-on-tens-of-thousands-of-student-debt-forgiveness-claims/?noredirect=on&utm_term=.ae749617c154.

⁴⁷ See https://www.benefits.va.gov/gibill/handouts_forms.asp for more information.

That is changing. In the summer of 2017, the Harry W. Comerly Educational Assistance Act⁴⁸ (also known as the Forever GI Bill) became law. Under the Forever GI Bill, if a military student attended a for-profit school that closed after January 15, 2015, the military student will be able to apply for a partial restoration of GI Bill benefits to be put toward a different school. That benefit should become available sometime in 2018. The application has not yet been developed, but once the application is completed in 2018, military students will be able to retroactively apply to at least partially restore benefits used at a for-profit school that closed after January 15, 2015.

For courses or programs discontinued during the period beginning January 1, 2015, and ending on August 16, 2017, an individual who does not transfer credits can have all his/her entitlement restored.⁴⁹

The Department of Veterans Affairs is currently working to put together a website with forms for veterans to fill out to obtain partial restoration of GI Bill tuition benefits. Check for updates at the VA website: <https://benefits.va.gov/GIBILL/FGIBCommunications.asp>.

Federal Loans⁵⁰

If a military student used federal student loans to attend a for-profit school that closed while the student was in the process of completing a degree or program, the military student may have a few options with respect to repayment of those loans. Eligibility for such relief depends on the timing of the school closure, and whether the military student had chosen to continue a program of study at a different school. The two possibilities are applying for a **closed school discharge⁵¹** or **borrower defense to repayment.⁵²**

A. Closed School Discharge

The Department of Education offers loan discharges (another word for loan forgiveness) if the school a student is attending closes before the degree could be completed. Loan discharge provides many benefits to borrowers. Discharge ends the borrower's obligation to repay the loan, provides the borrower with reimbursement of payments made voluntarily or through forced collection, and also deletes any adverse credit history associated with the loan.⁵³

Borrowers may be able to obtain a 100% discharge on federal loans if the school closed under certain circumstances. If a borrower does not meet the necessary criteria or continued her

⁴⁸ Harry W. Colmery Veterans Educational Assistance Act of 2017, Pub. L. No. 115-48.

⁴⁹ *Assistance for Students Affected by School Closures and Certain Disapproval*, U.S. DEP'T OF VETERANS AFFAIRS, <https://benefits.va.gov/GIBILL/FGIBSummaries.asp#109> (last visited May 4, 2018).

⁵⁰ The discharge options and benefits detailed below are not available for private loans. Servicemembers with private loans should contact their servicer directly to find out more about repayment options or assistance for loans taken out for schools that have since closed.

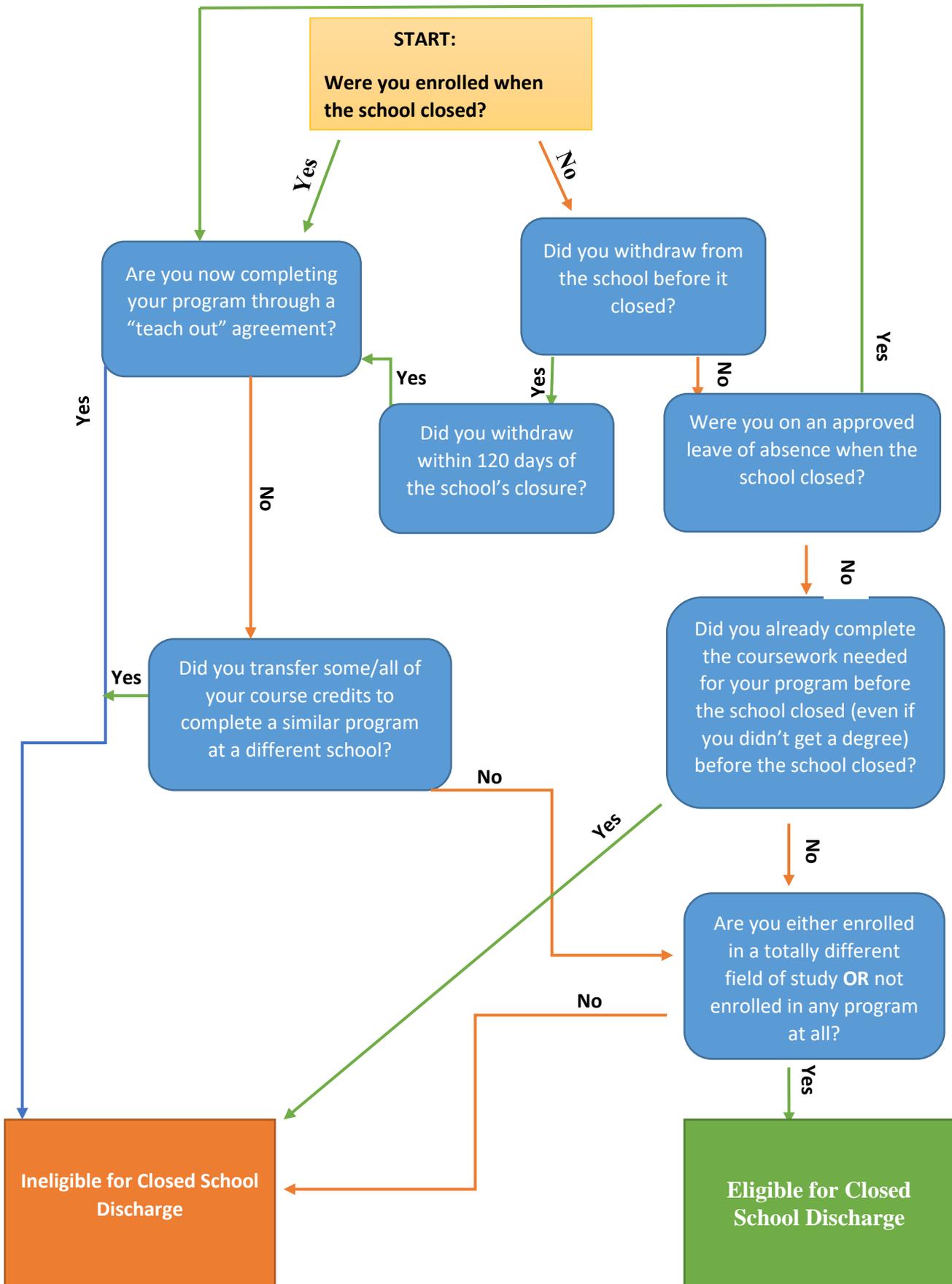
⁵¹ 34 C.F.R. 685.214; see also *Closed School Discharge*, FED. STUDENT AID: AN OFFICE OF THE U.S. DEP'T OF EDUC., <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/closed-school> (last visited May 4, 2018).

⁵² 34 C.F.R. 685.206; see also *Borrower Defense to Repayment*, FED. STUDENT AID: AN OFFICE OF THE U.S. DEP'T OF EDUC. <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/borrower-defense> (last visited May 4, 2018).

⁵³ *Closed School Discharge*, FED. STUDENT AID: AN OFFICE OF THE U.S. DEP'T OF EDUC., <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/closed-school#benefits> (last visited May 4, 2018).

degree or certificate program at a different school or through a teach-out agreement⁵⁴ since the school's closure, she will not be eligible for a discharge. The flowchart below may help determine if a servicemember may be eligible for a closed-school discharge.

⁵⁴ "A teach-out plan is a written course of action a school will take to ensure its students are treated fairly with regard to finishing their programs of study. Some plans include written agreements between the closed school and other schools that are still open for teaching." See *id.*



As noted in the flowchart, if the military student begins a completely new and different degree program after the school closure (for instance, the military student was studying journalism at a for-profit school that has since closed and has now decided to pursue a biology degree at a public nonprofit school), then the servicemember is still eligible for the closed school discharge.

Under existing law, if a for-profit school closed after July of 2013, an automatic closed-school discharge will be applied to eligible students' loans.⁵⁵ Affected students should receive a closed school discharge application in the mail from Department of Education, which needs to be filled out and returned within 60 days of receipt. This application should be automatic and should be sent to affected students without the student having to request the application. Affected students who do not receive an application and think they qualify should contact their federal loan servicer to find out how to apply.

B. Borrower Defense to Repayment

If a servicemember does not qualify for a closed school discharge, the servicemember may still apply for a borrower defense discharge, which is another type of loan forgiveness based on fraud or some other violation of state law a school may have committed. While a school need not have closed to apply for borrower defense discharge, it is an option worth considering if a closed school discharge is not an option and an affected student feels they had been misled or defrauded by the school in some way. For more information about the current state of borrower defense to repayment applications, see pg. [34](#).

To qualify for borrower defense to repayment, a servicemember must demonstrate through the borrower defense to repayment application that the servicemember was misled by the school in some tangible way. These applications are thorough, requesting the servicemember provide a detailed description of how the servicemember was misled, among other details.

A servicemember can apply either through completing:

1. An online application⁵⁶
2. A pdf or other version of the application and emailing it to FSASOperations@ed.gov, or printing and mailing the application to the Department of Education at
US Department of Education
P.O. Box 429060
San Francisco, CA 94142

Please see **Appendix A**, pg. [41](#), for a recent version of the borrower defense to repayment application.

C. Example

ITT Technical Education Services Inc., also known as ITT Tech, closed all 136 of its campuses on September 6, 2016. The decision to close ITT Tech was not due to a lack of interest among students; 35,000 students were still enrolled when the school closed. Instead, ITT Tech was forced to close because the Department of Education barred the company from enrolling new students using federal funds, citing financial instability and accreditation issues. Without the federal financial aid dollars, ITT Tech had to file for bankruptcy. 35,000 ITT Tech students were left with partially completed degrees and outstanding student loans. Those students had to make a decision regarding what to do with their credits and their student loan debt.

⁵⁵ 34 C.F.R. 685.214

⁵⁶ *U.S. Department of Education Application For Borrower Defense To Repayment*, FED. STUDENT AID: AN OFFICE OF THE U.S. DEP'T OF EDUC. <https://borrowerdischarge.ed.gov/s/> (last visited May 4, 2018).

Enrolled ITT Tech students and students who had withdrawn 120 days before ITT Tech closed could apply for a closed school loan discharge. Students who chose this option had any federal student loans they took out to attend ITT Tech forgiven, although the administration change in January 2017 has led to slower approval of closed school loan discharges. Students who took out private student loans, however, could not discharge their private loans under the closed school discharge program. Students who applied for a closed school loan discharge could not transfer any of the credits they earned at ITT Tech to another institution unless they enrolled in a completely different program of study than the one in which they were enrolled at ITT Tech.

Alternatively, enrolled ITT Tech students could seek to transfer their ITT Tech credits to a different school and then continue studies there. Unfortunately, few quality schools were willing to accept ITT Tech credits. Students who decided to transfer also had to continue to pay back the expensive loans they took out to go to ITT Tech.

Originally, ITT Tech's closure hit the military students enrolled at ITT Tech particularly hard since the Department of Veteran's Affairs did not have the legal authority to restore GI Bill benefits to veterans who were impacted by ITT's closure. As a result, the 12,500 veterans who attended ITT in 2015 and the 6,842 GI Bill recipients who were slated to begin classes in September 2016, could not, under then existing law, reclaim any military tuition benefit spent at ITT. To rectify this situation, Congress passed the Harry W. Colmery Veterans Educational Assistance Act in August 2017,⁵⁷ which will restore any GI Bill benefits used by a veteran if those funds were used to attend a school that school permanently closed during their attendance.

ITT Tech's closure also affected students who used Federal Pell Grant funds, since the maximum amount of Pell Grant funding a student can receive over their lifetime is six years. It wasn't until April 2017, a year and a half after ITT Tech closed, that the Department of Education began implementing a policy change to restore periods of Pell Grant eligibility to students who were unable to complete their studies due to the closure of ITT Tech.

⁵⁷ Harry W. Colmery Veterans Educational Assistance Act of 2017, Pub. L. No. 115-48.

FREQUENTLY ASKED QUESTIONS

1. How can I tell if my school is for-profit?

Sometimes it is not clear that a school is for-profit. The information should be listed on the school's website, but that may not always be the case.

You can find out information about a specific school by searching the National Center for Educational Statistics database: <https://nces.ed.gov/collegenavigator/>

2. Should I avoid all for-profit schools?

Not necessarily. However, in light of the widespread problems with for-profits generally, as detailed above in this chapter, you should be especially cautious and conduct thorough research before signing up. You should also consider whether high quality, lower cost alternatives are available.

3. What options do I have if I think I've been defrauded by my school?

Students who believe they have been defrauded are eligible to apply for debt relief through the Borrower Defense to Repayment application. For more information about the borrower defense to repayment application, see pg. [34](#).

APPENDIX A: BORROWER DEFENSE TO REPAYMENT APPLICATION

**U.S. DEPARTMENT OF EDUCATION
APPLICATION FOR BORROWER DEFENSE TO LOAN REPAYMENT**

UNITED STATES DEPARTMENT OF EDUCATION
APPLICATION FOR BORROWER DEFENSE TO LOAN REPAYMENT
FORM APPROVED OMB NO: 1845-0146 Exp. 12/31/2019

If your school misled you or engaged in other misconduct, you may be eligible for “borrower defense to repayment,” which is the forgiveness of some or all of your federal student loan debt.

FORM INSTRUCTIONS: To apply, you must complete, sign, and submit this form to the U.S. Department of Education for review.

You may attach additional documents, such as transcripts, enrollment agreements, and promotional materials from your school. Once completed, please submit this form and any additional documents you believe will help us review your application by email to FSAOperations@ed.gov or by mail to: U.S. Department of Education, PO Box 429060, San Francisco, CA 94142.

Fields marked with an asterisk (*) are required for your application to be considered complete.

SECTION I: BORROWER INFORMATION

Please provide contact information for the borrower:

*First Name _____

Middle Name _____

*Last Name _____

*Date of Birth _____

*Social Security Number (XXX-XX-XXXX) _____

*Telephone Number _____

*Email Address _____

*Street Address _____

*City _____

*State _____

*Zipcode _____

* Are you a PARENT who took out a federal loan on behalf of the student? ___Yes ___No

* If yes, please enter the full name of the student (Last, First, Middle):

* If yes, please enter the student's Social Security Number (XXX-XX-XXXX)

SECTION II: PROGRAM INFORMATION

* School: _____

Campus (including on-line campuses for distance education borrowers):

* Location (City, State): _____

* Enrollment Dates at this school:

*From: Month _____ Year _____

*To: Month _____ Year _____

(if you are still attending this school/campus, please indicate "still enrolled")

___Check if the enrollment dates above are approximate, or if you are unsure of them.

If your attendance at the school listed above was not or has not been continuous (for example, from October 2015 to March 2016, then again from August 2016 to November 2016), please describe all dates that you attended:

* Program Name or Major (e.g. Nursing, Medical Assistant, Paralegal)

Credential/Degree Sought (e.g. Certificate, Diploma, Associates, Bachelors, Masters)

If you enrolled in multiple programs at the school listed above, please describe all programs that you were enrolled in:

* Current Status at school listed above:

___Graduated ___Transferred Out ___Withdrew ___Attending

SECTION III. OTHER LOAN REDUCTION OR TUITION RECOVERY REQUESTS

* Have you made any other requests to have your Federal loans forgiven (for example, under a closed school discharge or false certification discharge from the U.S. Department of Education)? ___Yes ___No

* If yes, please describe these other request(s), including the amount of any loan forgiveness that you received, and attach any documentation about the requests, if available:

* Have you made any requests to anyone else to recover tuition amounts that you paid to your school (for example, a lawsuit against the school or a claim made to a tuition recovery program)? __Yes __No

* If yes, please describe these other request(s), including the amount of the payment that you received (if any), and attach any documentation about the requests, if available:

SECTION IV. BASIS FOR BORROWER DEFENSE

Answer the questions for each section below that applies to you.

For each section below that applies to you, please provide a detailed description of why you believe you are entitled to borrower defense, including the following information:

1. What the school told you or failed to tell you.
2. How the school communicated with you, whether in a brochure, online, over the phone, by email, or in person.
3. The name/title of people who you believe misled you (if known).
4. Why you believe you were misled.

Attach any related documents, such as transcripts, enrollment agreements, promotional materials from the school, emails with school officials or your school's manual, or course catalog.

Note: You only need to provide information for the sections below that apply to you, but you must complete at least one section. If you are a Parent PLUS borrower, the word "you" in the following sections also refers to the student.

If you need more space to complete any section, please attach additional pages.

EMPLOYMENT PROSPECTS

Did the school mislead you (or fail to tell you important information) about promises of future employment, likelihood of finding a job, eligibility for certification or licensure in your field of study, how many students graduate, and/or earnings after graduation? __Yes __No

If yes, you must provide detailed information about how the school misled you. Please also describe any financial harm to you as a result of the school's conduct.

* Did you choose to enroll in your school based in part on the issues you describe above?
__Yes __No

PROGRAM COST AND NATURE OF LOANS

Did the school mislead you (or fail to tell you important information) about how much your classes would cost, how you would pay for your education, the terms of loan repayment, and/or other issues about the cost of your education? __Yes __No

If yes, you must provide detailed information about how the school misled you. Please also describe any financial harm to you as a result of the school's conduct.

* Did you choose to enroll in your school based in part on the issues you describe above?
__Yes __No

TRANSFERRING CREDITS

Did the school mislead you (or fail to tell you important information) about transferring your credits from this school to other schools? __Yes __No

If yes, you must provide detailed information about how the school misled you. Please also describe any financial harm to you as a result of the school's conduct.

* Did you choose to enroll in your school based in part on the issues you describe above?
__Yes __No

CAREER SERVICES

Did the school mislead you (or fail to tell you important information) about the availability or quality of job placement, career services assistance, or the school's connections to employers within your field of study? __Yes __No

If yes, you must provide detailed information about how the school misled you. Please also describe any financial harm to you as a result of the school's conduct.

* Did you choose to enroll in your school based in part on the issues you describe above?
__Yes __No

EDUCATIONAL SERVICES

Did the school mislead you (or fail to tell you important information) about educational services, such as the availability of externships, qualifications of teachers, instructional methods, or other types of educational services? Yes No

If yes, you must provide detailed information about how the school misled you. Please also describe any financial harm to you as a result of the school's conduct.

* Did you choose to enroll in your school based in part on the issues you describe above? Yes No

ADMISSIONS AND URGENCY TO ENROLL

Did the school mislead you (or fail to tell you important information) about the importance of enrolling immediately, the consequences of failure to enroll, how difficult it was to be admitted, or anything else about the admission process? Yes No

If yes, you must provide detailed information about how the school misled you. Please also describe any financial harm to you as a result of the school's conduct.

* Did you choose to enroll in your school based in part on the issues you describe above? Yes No

OTHER

Do you have any other reasons relating to your school that you believe qualify you for borrower defense, such as your school failing to perform its obligations under its contract with you, or that there is a judgment against your school in a Federal court, a State court, or in front of an administrative board or that you believe that you have a state law cause of action against the school? Is there some other reason you feel your school misled you? For more information about the bases for borrower defense relief, see StudentAid.gov/borrower-defense.

If yes to any of the above, you must provide detailed information about how the school misled you. Please also describe any financial harm to you as a result of the school's conduct.

* Did you choose to enroll in your school based in part on the issues you describe above? Yes No

SECTION V. FORBEARANCE/STOPPED COLLECTIONS

If you are not currently in default on your federal student loans, you may request to have them placed into forbearance status while your application is under review. Forbearance means that you do not have to make loan payments and your loans will not go into default. Forbearance will continue until the borrower defense review process of your application is completed. Your servicer will notify you when your loans have been placed into forbearance status.

If your federal student loans are in default, you may request to have debt collection on your loan stopped ("stopped collections status"). This means that the federal government or debt collection companies will stop attempting to collect on the loans, including by not withholding money from your wages or income tax refunds. Stopped collections status will continue until the borrower defense review process of your application is completed.

Please see the "Common Questions and Answers Regarding Forbearance/Stopped Collections" section on the Borrower Defense website (<https://studentaid.ed.gov/borrower-defense>) if you have any questions regarding choosing to enter forbearance or stopped collections.

Note that interest will continue to accumulate on federal loans regardless of what status they are in, including subsidized loans. If your application for borrower defense is denied, or partially approved, the total amount you owe on those loans may be higher.

PLEASE NOTE: You do not have to place your loans in forbearance or stopped collections to apply for borrower defense relief.

For the most current information with regard to your rights and obligations regarding forbearance and stopped collections, please visit the Borrower Defense website at <https://studentaid.gov/borrower-defense>.

* Are you requesting forbearance/stopped collections?

Yes, I want all of my federal loans currently in repayment to be placed in forbearance and for collections to stop on any loans in default while my borrower defense application is reviewed. During this time period, I understand that interest will continue to accrue.

No, I do not want all of my federal loans currently in repayment to be placed in forbearance and for collections to stop on any loans in default while my borrower defense application is reviewed. During this time period, I understand that interest will continue to accrue and that I must continue to make loan payments.

If you do not select one of the options immediately above, your federal loans currently in repayment will automatically be placed into forbearance and collections will stop for any defaulted loans, and the Department will request forbearance for any commercially held Federal Family Education Loan (FFEL) program loans currently in repayment and for debt collection to stop for any defaulted, commercially held FFEL program loans that you have currently (as applicable).

SECTION VI. CERTIFICATION

By signing this attestation I certify that:

All of the information I provided is true and complete to the best of my knowledge. Upon request, I agree to provide to the U.S. Department of Education information that is reasonably available to me that will verify the accuracy of my completed attestation.

I agree to provide, upon request, testimony, a sworn statement, or other documentation reasonably available to me that demonstrates to the satisfaction of the U.S. Department of Education or its designee that I meet the qualifications for borrower defense.

I certify that I received proceeds of a federal loan, in whole or in part, to attend the school/campus identified in Section II (above).

I understand that if my application is approved and some or all of my loans are forgiven, I am assigning to the U.S. Department of Education any legal claim I have against the school for those forgiven loans. By assigning my claims, I am effectively transferring my interests in any claim that I could make against the school relating to the forgiven loans (including the ability to file a lawsuit over those forgiven loans and any money ultimately recovered in compensation for those forgiven loans in court or other legal proceedings) to the U.S. Department of Education. I am not assigning any claims I may have against the school for any other form of relief—including injunctive relief or damages related to private loans, tuition paid out-of-pocket, unforgiven loans, or other losses.

I understand that the U.S. Department of Education has the authority to verify information reported on this application with other federal or state agencies or other entities. I authorize the U.S. Department of Education, along with its agents and contractors, to contact me regarding this request at the phone number above using automated dialing equipment or artificial or prerecorded voice or text messages.

I understand that any rights and obligations with regard to borrower defense to repayment are subject to the provisions currently in effect under Title 34 of the Code of Federal Regulations.

I understand that if I purposely provided false or misleading information on this application, I may be subject to the penalties specified in 18 U.S.C. § 1001, including fines. I understand that I may be asked to confirm the truthfulness of the statements in this application to the best of my knowledge under penalty of perjury.

Signature _____ Date _____

Submit this form and any additional documents you believe will help us review your application by email to FSAOperations@ed.gov or by mail to: U.S. Department of Education, PO Box 429060, San Francisco, CA 94142.

Privacy Act Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you: The authorities for collecting the requested information from and about you are §421 et seq., §451 et seq. and §461 et seq. of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 et seq., 20 U.S.C. 1087(a) et seq., and 20 U.S.C. 1087(a) et seq., and the authorities for collecting and using your Social Security Number (SSN) are §428B(f) and §484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 20 U.S.C. 1091(a)(4) and 31 U.S.C. 7701(b)). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program, the Federal Family Education Loan (FFEL) Program, or the Federal Perkins Loan (Perkins Loan) Program, and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate. The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan Program, FFEL, or Perkins Loan Programs, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) becomes delinquent or defaults. We also use your SSN as an account identifier and to permit you to access your account information electronically. The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment statuses, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies. In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

Paperwork Reduction Act Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0146. Public reporting burden for this collection of information is estimated to average 1 hour per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain or retain a benefit (20 U.S.C. 1087e(h)). If you have comments or concerns regarding the status of your individual submission of this application, please contact FSAOperations@ed.gov.

4. Federal Loan Repayment Options

After a federal student loan borrower graduates, drops out of school, or drops below part-time status as a student, the borrower must begin to repay his or her student loan debt, usually within six months. This chapter lays out the various repayment options available to federal student loan borrowers and the requirements, benefits, and possible downsides for each option. Repayment plans can be categorized as either traditional repayment plans or income-driven repayment plans, which are based on the borrower's income and family size. Note that the repayment plans outlined below do not apply to private student loans.

REPAYMENT PLAN SUMMARIES

There are three traditional repayment plans. More information about these plans is available on the chart on the following page.

- **Standard Repayment Plan:** Traditional repayment plan featuring fixed monthly payments for up to 10 years or up to 30 years for consolidated loans.
- **Graduated Repayment Plan:** Traditional repayment plan featuring monthly payments that are low at the start of the 10-year repayment term and increase every few years.
- **Extended Repayment Plan:** Traditional repayment plan featuring lower monthly payments but a longer repayment period.

There also are four income-driven repayment plans. More information about these plans is available on the charts on the following pages.

- **Pay As You Earn (PAYE):** Income-driven repayment plan for borrowers with newer loans. Monthly payments are 10% of the borrower's discretionary income up to the 10-year Standard Repayment Plan amount. Any remaining balance is forgiven after 20 years of payments.
- **Revised Pay As You Earn Plan (REPAYE):** Income-driven repayment plan for borrowers with older loans. Monthly payments are 10% of the borrower's discretionary income. Any remaining balance is forgiven after 20 or 25 years of payments.
- **Income-Based Repayment Plan (IBR):** Income-driven repayment plan with monthly payments equal or less than the 10-year Standard Repayment amount. Monthly payments are lower for borrowers who took out loans before July 1, 2014. Any remaining balance is forgiven after 20 years of payments for borrowers with loans from before July 1, 2014 and after 25 years of payments for borrowers with loans from after July 1, 2014.
- **Income-Contingent Repayment Plan (ICR):** Income-driven repayment plan with higher monthly payments. Only income-driven repayment plan for Parent PLUS loans. Only income-driven plan for borrowers with high income. Any remaining balance is forgiven after 25 years of payments.

Each borrower is automatically enrolled in the Standard Repayment Plan and assigned to a loan servicer.⁵⁸ The servicer is the borrower's main point of contact regarding his or her student loan. If a borrower is unsure of who his or her servicer is, the borrower can look that information up using an FSA ID at <https://studentaid.ed.gov/sa/>. Borrowers who do not have an FSA ID can create one at <https://fsaid.ed.gov/npas/index.htm>. A borrower can contact his or her loan servicer to enroll in a different repayment plan. Loan servicers are supposed to help borrowers

⁵⁸ A loan servicer is "[a] company that collects payments, responds to customer service inquiries, and performs other administrative tasks associated with maintaining a federal student loan on behalf of a lender." See *supra* note 2.

navigate their rights and responsibilities, but borrowers should be aware that loan servicers have failed to properly assist borrowers in the past.⁵⁹

Borrowers can use the Department of Education repayment estimator at <https://studentloans.gov/myDirectLoan/repaymentEstimator.action>, to find the best repayment plan for them. Servicemember borrowers also can get more information from their base education center or their base personal financial counselor.

Borrowers trying to select a repayment plan will need to know what type of loans they have because some loans are not eligible for certain repayment plans. Borrowers can find out what type of loan they have with their FSA ID at <https://studentaid.ed.gov/sa/repay-loans>.

TRADITIONAL REPAYMENT PLANS

Traditional repayment plans are not tied to income or family size. Borrowers who choose to enter one of these plans will generally pay higher monthly premiums than income-driven repayment plans, although this is not always the case. The chart below from the Department of Education lays out the differences between each of the traditional (non-income driven) plans:

Plan	Eligible Borrowers	Eligible Loans	Payment	Duration
Standard Repayment Plan	All borrowers	Direct Loans PLUS Loans Consolidation Loans	A fixed amount	Up to 10 years or up to 30 years for Consolidation Loans
Graduated Repayment Plan	All borrowers	Direct Loans PLUS Loans Consolidation Loans	Lower at first and then increase, usually continuing to increase every two years	Up to 10 years (up to 30 years for Consolidation Loans)
Extended Repayment Plan	Direct Loan borrowers with more than \$30,000 in loans FFEL borrowers with more than \$30,000 in loans	Direct Loans PLUS Loans Consolidation Loans	May be fixed or graduated but will be lower than the 10-year Standard Plan or the Graduated Repayment Plan	Up to 25 years

⁵⁹ For example, Navient Solutions, Inc., a federal loan servicer, entered into a consent order with the U.S. Department of Justice under which it created a \$60 million settlement fund and paid a penalty for failing to provide services to borrowers. *Consent Order: U.S. v. Sallie Mae*, U.S. DEP'T OF JUSTICE (May 12, 2014), <https://www.justice.gov/sites/default/files/crt/legacy/2015/07/17/salliesettle.pdf>.

The Consumer Financial Protection Bureau continues to allege that Navient systematically fails to assist borrowers. *CFPB Sues Nation's Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment*, CONSUMER FIN. PROT. BUREAU (Jan. 18, 2017), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/>.

INCOME DRIVEN REPAYMENT (IDR) PLANS⁶⁰

IDR plans are good for borrowers with lower incomes or those seeking Public Service Loan Forgiveness. (The second half of this chapter sets out the details for Public Service Loan Forgiveness.) IDR plans calculate monthly payments based on the the borrower's income and family size each year. Borrowers with lower incomes and/or larger families usually have lower monthly payments on IDR plans than traditional repayment plans.

There are four different IDR plans currently available: Pay As You Earn (PAYE), Revised Pay As You Earn (REPAYE), Income-Based Repayment (IBR), and Income-Contingent Repayment (ICR). The specifics of each plan are detailed in the chart below. Depending on the IDR plan, the remaining balance of the loan will be forgiven after 20 or 25 years. Borrowers should be aware that any forgiven amount will be considered taxable income by the IRS.

Plan	Eligible Borrowers	Eligible Loans	Payment	Duration
Revised Pay As You Earn Repayment Plan (REPAYE)	Any Direct Loan borrower with an eligible loan type	Direct Loans Direct PLUS loans made to students Direct Consolidation Loans that do not include Parent PLUS loans	10% of discretionary income. Spouse's income or debt will be included when determining discretionary income, regardless of whether taxes are filed jointly or separately	Any outstanding balance will be forgiven after 20 or 25 years
Pay As You Earn Repayment Plan (PAYE)	Borrowed on or after Oct. 1, 2007, and must have received a disbursement of a Direct Loan on or after Oct. 1, 2011 Borrower has high debt relative to income	Direct Loans Direct PLUS loans made to students Direct Consolidation Loans that do not include Parent PLUS loans	10% of discretionary income Spouse's income or debt will only be included when calculating discretionary income if borrower and spouse file a joint tax return	Any outstanding balance will be forgiven after 20 years

⁶⁰ The plans described here are all described on the U.S. Department of Education's website. *Repayment Plans*, FED. STUDENT AID: AN OFFICE OF THE U.S. DEP'T OF EDUC. <https://studentaid.ed.gov/sa/repay-loans/understand/plans> (last visited May 4, 2018). As of the date of this publication (May 2018), the federal government has expressed a desire to change how IDR operates, so borrowers should check the Department of Education's website to make sure the information is still accurate.

Plan	Eligible Borrowers	Eligible Loans	Payment	Duration
Income-Based Repayment Plan (IBR)	Borrower has high debt relative to income Only plan available to borrowers with FFEL loans	Direct Loans Stafford Loans Direct PLUS loans made to students. Direct Consolidation Loans that do not include Parent PLUS Loans	Either 10% or 15% of discretionary income Spouse's income or debt will only be included when calculating discretionary income if borrower and spouse file a joint tax return	Any outstanding balance will be forgiven after 20 or 25 years
Income-Contingent Repayment Plan (ICR)	Any Direct Loan borrower with an eligible loan type Parent borrowers who have consolidated their Parent PLUS Loans into a Direct Consolidation Loan	Direct Loans Direct PLUS Loans, including those made to parents if they are in a Direct Consolidation Loan Direct Consolidation Loans	The lesser of (1) 20% of discretionary income or (2) the amount a borrower would pay on a repayment plan with a fixed payment over 12 years, adjusted according to income Spouse's income or loan debt will only be included when calculating discretionary income if borrower and spouse file a joint tax return or borrower chooses to repay Direct Loans jointly with spouse	Any outstanding balance will be forgiven after 25 years

In addition to the four IDR plans listed above, there also is the Income-Sensitive Repayment Plan for borrowers with Federal Family Education Loans (FFEL). This repayment plan will not count toward Public Service Loan Forgiveness. A chart listing eligibility for this plan is below:

Plan	Eligible Borrowers	Eligible Loans	Payment	Duration
Income-Sensitive Repayment Plan	Low-income borrowers with FFEL loans who are not pursuing PSLF	Subsidized and Unsubsidized Federal Stafford Loans FFEL PLUS Loans FFEL Consolidation Loans	Based on annual income, although the formula can vary from lender to lender	Up to 10 years

Once a borrower has selected his/her preferred IDR plan, the easiest way to enroll is by filling out an application at <https://studentloans.gov/myDirectLoan/ibrInstructions.action>. Borrowers also can enroll through their loan servicer. A borrower can use the form found in **Appendix A**, pg. [65](#), to enroll in an IDR plan.

Once approved for an IDR plan, it is very important that the borrower **recertifies his or her income and family size every year**. If the borrower fails to recertify each year, the borrower will be “kicked out” of the IDR plan and monthly payments will go back to whatever amount would be paid under the Standard Repayment Plan. To recertify, the borrower can visit www.studentloans.gov, the same website used to apply for the IDR plan. Borrowers should keep copies of the records submitted to recertify income and family size to avoid any issues with loan servicers who may later claim not to have received recertification documentation.

Certification and recertification of income and family size is crucial because payments in IDR plans are based on **discretionary income**. Discretionary income for all IDR plans (except Income-Contingent Repayment) is defined as “the difference between annual income and 150 percent of the poverty guideline for the borrower’s family size and state of residence.”⁶¹ If a borrower does not submit this information, discretionary income cannot be determined, and income-driven monthly payments cannot be calculated.

⁶¹ See *supra* note 2.

SPECIAL LOAN DISCHARGE OPTIONS

Some borrowers may qualify for certain loan discharge options, namely Public Service Loan Forgiveness (PSLF) or Total and Permanent Disability Loan Discharge (TPD), which forgive the borrower's remaining debt. PSLF is meant to alleviate the debt burden for borrowers who enter public service jobs, which are generally lower paying than private sector jobs but provide valuable services to the community. TPD is meant to alleviate the debt burden for borrowers who become disabled and can no longer earn an income to pay off student loan debt.

Public Service Loan Forgiveness

The College Cost Reduction and Access Act of 2007 (CCRAA) amended the Higher Education Act of 1965 with the goal of making college more affordable for students and families⁶². One of the provisions included in the CCRAA is known as Public Service Loan Forgiveness (PSLF).

PSLF is intended to encourage individuals with student loans to work in full-time public service jobs. The government will forgive the borrower's remaining balance of student loans after certain requirements have been met. To qualify, an individual must (1) work full-time for a qualifying employer (including federal government or military service), (2) hold Federal Direct Loans, (3) enroll in an income-driven repayment plan, and (4) make 120 qualifying monthly payments (10 years total) under that repayment plan.

Components of Public Service Loan Forgiveness

Qualifying Employment	Qualifying Loans	Qualifying Repayment Plan	120 Qualifying Payments	PSLF Application
<ul style="list-style-type: none"> • Federal, state, local, or tribal government • 501(c)(3) organizations • Qualifying public services like emergency management, military service, public safety, law enforcement, public interest law services, early childhood education, elder care, disability services, public health, public education, and public or school library services • Peace Corps and AmeriCorps service 	<ul style="list-style-type: none"> • William D. Ford Federal Direct Loans (Direct Loans, also sometimes known as Direct Stafford Loans) <input type="checkbox"/> Direct Consolidation Loans <input type="checkbox"/> Direct Stafford Loans <input type="checkbox"/> Direct PLUS Loans made directly to the student borrower 	<ul style="list-style-type: none"> • Must be an Income Driven Repayment Plan (listed above) • Direct Consolidation Loans which contain a Direct PLUS Loan made to a parent on behalf of a child's education is ONLY eligible for the Income-Contingent Repayment (ICR) plan 	<ul style="list-style-type: none"> • Made while employed with a qualified employer AND under a qualifying payment plan • Made for the full monthly amount (can be multiple payments which add up to the full monthly payment) • Made within 15 days of due date • Made after October 1, 2007 	<ul style="list-style-type: none"> • Submitted after 120 qualifying monthly payments are made • Submitted while working at qualifying employment • If approved, remaining balance of loan forgiven • Forgiven balance is NOT considered taxable income

The subsections below explore each component of PSLF in more detail.

A. Qualifying Public Service Loan Forgiveness Employment

The chart above details the kind of employers that count for qualifying employment for PSLF.⁶³ Working for the federal government and military service are qualifying employment for PSLF.

⁶² College Cost Reduction and Access Act of 2007, 20 U.S.C. § 1087e(m) (2016).

⁶³ *Id.*

Employment with labor unions, partisan political organizations, for-profit organizations, and as a for-profit government contractor do NOT qualify a borrower for PSLF.⁶⁴

A borrower must work as a full-time employee for monthly loan payments to qualify for PSLF.⁶⁵ A borrower is generally considered to be a full-time employee if he or she meets his or her employer's definition of full-time or works at least 30 hours per week, whichever is greater.⁶⁶ An employee also can meet the full-time requirement by working at least 30 hours per week total in two or more part-time qualifying jobs at the same time.⁶⁷ Time spent on religious instruction, worship services, or any form of proselytizing may NOT be counted towards the full-time employment requirement.⁶⁸

Employment Certification Form

Borrowers seeking PSLF are advised to complete and submit the Employment Certification for Public Service Loan Forgiveness form, located in **Appendix B**, pg. [77](#), every year and whenever the borrower changes employers. Completing this form regularly will help ensure employment qualifies for PSLF. Because the Department of Education (ED) is currently entitled to change its mind regarding whether certain jobs count as "qualifying public services"⁶⁹, annual certification can confirm a current or new employer is a PSLF qualified employer, and that it remains qualified throughout the years.

Any borrower seeking PSLF will be transferred to FedLoan Servicing (PHEAA) for loan servicing. This happens when a borrower submits an Employment Certification form, which informs ED that the borrower is pursuing PSLF.

FedLoan Servicing will review the Employment Certification form and will tell the borrower if the form is incomplete or if it cannot determine whether the borrower's employment qualifies. If FedLoan determines the borrower's employment does not qualify for PSLF, FedLoan will tell the borrower and give the borrower a chance to provide any information needed to establish the eligibility of his or her employer. ED does not specify the time by which a borrower could expect to hear back from FedLoan regarding employment eligibility. If a borrower is concerned FedLoan has not received the Employment Certification, he or she should contact FedLoan by phone or email to inquire whether the form has been received.

While the Employment Certification form technically can be submitted as part of the application for PSLF after the borrower has already made 120 monthly payments, submitting it as part of the PSLF application can be complicated and risky. A borrower who submits the form along with the PSLF application has to complete and submit an Employment Certification form for each qualifying employer for whom he or she worked during all of the 120 qualifying payments. This process can become more troublesome over time as employers move or close and as information fades from memory. Further, a borrower who submits the form along with the PSLF application also risks ED determining that some or all of the 120 monthly payments did not qualify for PSLF.

⁶⁴ *Id.*

⁶⁵ 20 U.S.C. § 1087e(m) (2016)

⁶⁶ 34 C.F.R. § 685.219(b) (2017).

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *They Thought They Qualified for Student Loan Forgiveness. Years Later, the Government Changes its Mind.* N.Y. TIMES (Dec. 2016), <https://www.nytimes.com/2016/12/20/your-money/student-loans/they-thought-they-qualified-for-loan-forgiveness-years-later-the-answer-is-no.html>.

A borrower must work at a qualifying employer at the time he or she makes *each* qualifying payment. A borrower must also work at a qualifying employer at the time the borrower applies for PSLF, although the borrower can work at different qualifying employers over all 120 of the payments and when they submit the application.⁷⁰ This means that even if a borrower has made all 120 of his or her PSLF qualified monthly payments, the borrower still must work in a qualifying job when he or she applies for PSLF and until his or her PSLF application has been approved. A borrower who leaves for an unqualified position before his or her PSLF application has been approved will be denied PSLF. In order to be approved, a borrower would need to return to a qualified position (either the position he or she left or another qualifying position) before he or she will be eligible to submit a successful application for PSLF.

B. Qualifying Public Service Loan Forgiveness Loans

Not all types of loans are eligible for PSLF. A breakdown of loan eligibility is in the chart below:

Loans Qualified for PSLF	Loans NOT Qualified for PSLF
William D. Ford Federal Direct Loans (Direct Loans) Direct Consolidation Loans Direct Stafford Loans Direct PLUS Loans made in the student borrower’s name	Federal Family Education Loans (FFEL) Federal Perkins Loans Direct PLUS loans made in parent(s)’ name on behalf of a student borrower (Parent PLUS)

Federal Family Education Loans and Federal Perkins Loans are not qualifying loans. Those loans, however, can be consolidated into a Direct Consolidation Loan, which then will be eligible for PSLF. Consolidation essentially creates a new loan, so a new Direct Consolidation Loan qualifies for PSLF.

Parent PLUS Loans that are consolidated into a Direct Consolidation Loan will also be eligible for PSLF. However, if a Parent PLUS Loan has been consolidated into a Direct Consolidation Loan, the only PSLF eligible repayment plan available is Income-Contingent Repayment.

Borrowers should be aware that consolidating their loans will create a new loan. Therefore, consolidation also “resets” any payments that would have counted towards PSLF on a qualifying loan that is part of the consolidation.

Example 1: Allen has a Graduate PLUS Loan in his name and a Federal Perkins Loan. He is employed in a public service job that qualifies for PSLF, is in an IDR for his PLUS Loan, and a Standard Repayment Plan for his Federal Perkins Loan. He has made 10 payments on the Direct PLUS Loan that would go toward the 120 payments necessary for PSLF. Allen then consolidates the Direct PLUS loan and the Federal Perkins Loan, creating one new Direct Consolidation Loan. The 10 payments on the Direct PLUS Loan will no longer count towards PSLF, since that loan no longer exists. Allen will have to make 120 payments on the new Direct Consolidation Loan under a qualifying repayment plan to successfully apply for PSLF.

Example 2: Barb has a Direct Stafford Loan she took out to pay for her own schooling, and a Parent PLUS Loan, which she took out to help pay for her daughter’s college. She is employed in a public service job that qualifies for PSLF and would like to make sure her payments qualify

⁷⁰ 20 U.S.C. § 1087e(m) (2016).

for PSLF. She consolidates both loans into a Direct Consolidation Loan. Because her new Direct Consolidation Loan was made with a Direct PLUS loan made in her name as a parent, she must enroll in an Income-Contingent Repayment Plan and make 120 qualifying payments on her new Direct Consolidation Loan before she may successfully apply for PSLF. She cannot enroll in REPAYE, PAYE, or Income-Based Repayment to qualify for PSLF.

A borrower will not be eligible for PSLF if the loans are in default. A defaulted loan can become eligible for PSLF if the borrower cures the default. For more information on default, see the Default and Debt Collection Chapter, beginning at pg. [97](#).

C. Qualifying Public Service Loan Forgiveness Payments

A borrower must make 120 monthly payments to qualify for PSLF.⁷¹ No benefits are given until all 120 monthly payments are made. The 120 monthly payments do not have to be made consecutively, so borrowers can change jobs or spend time in the private sector without resetting the number of payments they have to make. While the payments do not have to be made consecutively, the payments must meet the requirements outlined below.

Each qualifying payment must be:

1. Made while the borrower is enrolled in a qualifying repayment plan:
 - Income Based Repayment (IBR)
 - Pay As You Earn (PAYE)
 - Revised Pay As You Earn (REPAYE)
 - Income-Contingent Repayment (ICR)
 - NOTE: ICR is the **only** PSLF qualifying plan available to borrowers who have a Direct PLUS Loan taken out as a parent. Those loans can be forgiven under PSLF if they have been consolidated into a Direct Consolidation Loan.
 - Standard 10 Year Repayment Plan, if the borrower enrolls in either IBR, PAYE, REPAYE, or ICR at a later date (contact servicer for details)
2. Made for the full amount due within 15 days of the due date **and** after October 1, 2007.
 - NOTE: Multiple payments within a single month can count as a qualifying payment as long as they add up to the total monthly amount that is due.

Qualifying payments **cannot** be made while the loans:

- Have in-school status;
- Are in the grace period between graduation and when the first payment must be made;
- Are in deferment; OR
- Are in forbearance.

A borrower currently in deferment or forbearance who wishes to make a qualifying payment can contact his or her federal loan servicer to waive the deferment or forbearance if the borrower wants. This is especially important for military servicemembers who are often advised to place their loans in deferment for an extended period while on active duty. For more information on the SCRA, see the SCRA Chapter, beginning at pg. [12](#).

D. Applying for Public Service Loan Forgiveness

After a borrower has made 120 qualifying monthly payments, he or she can apply for PSLF. A borrower must work for a qualified employer at the time he or she submits the application for

⁷¹ *Id.*

PSLF (even if 120 qualifying payments have already been made) and must continue to work in qualified employment until the PSLF application is approved.

Additionally, the borrower's loans must not be in default at the time of his or her application. If the borrower's loan is in default, the borrower can regain eligibility for PSLF by working with his or her servicer to get on a plan to "cure" the default, and get payments back on track. For more information on default, see the Default and Debt Collection Chapter, beginning at pg. [97](#).

If the borrower has been submitting his or her Employment Certification form annually, the borrower's online account with FedLoan servicing will have kept count of how many qualified payments the borrower has made. Because servicers sometimes make mistakes, borrowers should contact FedLoan Servicing if any questions come up about the number of qualified payments FedLoan Servicing has recorded or the Employment Certification approval.

When the borrower submits his or her PSLF application, he or she has the option to have his or her loans placed in forbearance while the PSLF application is being processed. This means that the borrower will not have to make payments while the application is being processed, but that interest will continue to accrue. If the application is approved, the accrued interest will be forgiven along with the rest of the loan as part of the PSLF discharge. If, however, the PSLF application is denied, the borrower is responsible for paying the interest that accrued while the loan was placed in forbearance during review of the PSLF Application.

If FedLoan Servicing determines that the borrower is not eligible for PSLF after receiving the application, it will tell the borrower about its determination and state why the application for PSLF was denied. If the application is denied, a borrower can submit additional information showing that his or her loans, employment, or payments do in fact qualify for PSLF and FedLoan Servicing will reconsider its decision based on that additional information. If the PSLF application is again denied and the loans had been placed in forbearance while FedLoan Servicing was determining whether the borrower qualified for PSLF, the forbearance will end and any unpaid interest that accrued may be capitalized and added to the loan's principal balance.

Current Policy Debate over Public Service Loan Forgiveness

As of today, very few borrowers have received loan forgiveness through PSLF because the first eligible borrowers made their last payments in October 2017.⁷² PSLF has also recently come under political scrutiny. An estimated 25% of the United States workforce meets the PSLF definition of public service⁷³, creating controversy over whether the government is able to forgive so much debt. According to the Department of Education, the number of borrowers who registered an intent to apply for PSLF grew from 25,683 in 2012 to 669,426 in 2017, a nearly 2500% increase in just 5 years.⁷⁴ The Congressional Budget Office has doubled its cost projection for the program to almost \$24 billion over the next decade. This increase is one of the

⁷² *Public Service Loan Forgiveness Questions and Answers*, FED. STUDENT AID: AN OFFICE OF THE U.S. DEP'T OF EDUC.

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service/questions> (last visited May 4, 2018); *Topic Number 431 - Canceled Debt – Is It Taxable or Not?*, INTERNAL REVENUE SERV. <https://www.irs.gov/taxtopics/tc431> (last visited May 4, 2018).

⁷³ Farran Powell, *The Fate of Public Service Loan Forgiveness*, U.S. NEWS (Oct. 3, 2017), <https://www.usnews.com/education/best-colleges/paying-for-college/articles/2017-10-03/the-fate-of-public-service-loan-forgiveness>.

⁷⁴ *Id.*

reasons that President Trump called for eliminating PSLF for future borrowers in his 2018 fiscal budget.⁷⁵ The future of PSLF remains uncertain as of publication of this guidebook. Congress is currently deliberating whether to include PSLF in its reauthorization for the Higher Education Act of 1965. Proposals include reducing the amount that a student can have forgiven to \$57,500 or eliminating PSLF for future borrowers. The PROSPER Act, introduced in the House of Representatives in December 2017, also proposes to eliminate PSLF for future borrowers.

TOTAL AND PERMANENT DISABILITY DISCHARGE

Under the Higher Education Act of 1965, borrowers who become permanently and totally disabled are eligible to have their federal student loans discharged. The Total and Permanent Disability (TPD) discharge relieves the borrower of his or her obligation to repay any Direct Loans, FFEL Loans, or Perkins Loans and relieves the borrower from the need to complete a Teacher Education Assistance for College and Higher Education (TEACH) Grant service obligation, if applicable. Nelnet, a loan servicer, processes all TPD discharge applications and communicates with borrowers on behalf of ED.

Although private student loan providers are not obligated to provide TPD discharges, some will cancel a borrower’s debt in cases of total and permanent disability. These private lenders do not follow a uniform process, so private student loan borrowers should contact their lender if they become totally and permanently disabled to see if the private loan servicer offers a TPD discharge and the process for applying for the TPD discharge.

To get a TPD discharge from a federal loan, a borrower must submit a Total and Permanent Disability Discharge Application, located in **Appendix D**, pg. [89](#). Borrowers can get the application three different ways:

Option 1: Online Application	Option 2: Download and Print Blank Application	Option 3: Request Application
<p>Find TPD Discharge application at https://secure.disabilitydischarge.com/registration</p> <p>Answer questions online, which are automatically put into a partially completed TPD application</p> <p>Print application and complete remaining portion of application based on personal circumstances</p>	<p>Download and print blank application at https://www.disabilitydischarge.com/Application-Process.</p> <p>Complete application according to directions and personal circumstances</p>	<p>Request application from Nelnet at (888) 303-7817 between 8 am–8 pm EST</p> <p><i>or</i></p> <p>Request application from Nelnet via email at DisabilityInformation@Nelnet.net</p> <p>Once received, complete application according to personal circumstances</p>

⁷⁵ *Budget of the U.S. Government: A New Foundation for American Greatness*, OFFICE OF MANAGEMENT AND BUDGET (2018), <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/budget.pdf>.

Borrowers who are unable to submit their own TPD discharge application are allowed to get help from a representative. An Applicant Representative Designation form must be submitted before Nelnet can work with the representative, even if the borrower already has a valid acting power of attorney for other matters. The Applicant Representative Designation form is available online at <https://secure.disabilitydischarge.com/Forms/PrintRepresentative>.

Supporting Documentation

All TPD applications require supporting documents showing total and permanent disability. There are three types of documentation that the borrower can attach to his or her TPD discharge application to prove total and permanent disability.

A. VA Determination

A borrower can submit documentation from the U.S. Department of Veteran Affairs (VA) showing a VA determination that the borrower is unemployable due to a service-connected disability. The borrower must provide documentation from the VA that states the VA has determined the borrower has a service-connected disability or disabilities that are 100% disabling, or that the borrower is totally disabled based on an individual unemployability determination. A borrower who gets a VA determination does not have to complete section four of the TPD discharge application.

B. Social Security Administration Documentation

A borrower who gets Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) may submit a Social Security Administration (SSA) notice of award for SSDI or SSI benefits. The notice of award must state the borrower's next scheduled disability review is scheduled five to seven years from the date of the most recent SSA disability determination.

Some SSA notices of award do not indicate when the next scheduled disability review will occur. If a borrower has an SSA notice of award that does not state when the next scheduled disability review will occur, the borrower can call his or her local SSA office or call (800) 772-1213 and request a Benefits Planning Query to get that information. A borrower who gets an SSA notice of award or a Benefits Planning Query does not have to complete section four of the TPD discharge application.

C. Physician Certification

A borrower can submit certification from a licensed physician (MD) or doctor of osteopathy (DO) that states the borrower is totally and permanently disabled. The physician must certify the borrower is unable to engage "in substantial gainful activity" because of a medically determinable physical or mental impairment that can be expected to ultimately lead to death, has lasted for a continuous period of at least 60 months, or can be expected to last for a continuous period of at least 60 months. Substantial gainful activity is defined as a level of work performed for pay or profit that involves doing significant physical and/or mental activities. The physician must fill out section four of the TPD discharge application with the nature of the borrower's disability, how long it is expected to last, and whether the physician believes that the borrower is unable to engage in gainful activity due to his or her disability. The TPD discharge application must be submitted to Nelnet within 90 days of the physician certifying that the borrower is totally and permanently disabled.

Submitting TPD Discharge Application and Documentation

The TPD discharge application and supporting documentation can be submitted to Nelnet in one of three ways:

1. Email to DisabilityInformation@Nelnet.net
2. Fax Nelnet (303) 696-5250
3. Mail it to Nelnet at:
U.S. Department of Education
P.O. Box 87130
Lincoln, NE 68501-7130

After Nelnet Receives the TPD Discharge Application

After Nelnet receives the TPD discharge application, it will contact the borrower's federal loan servicers and tell them to suspend collection activity on the borrower's loans for up to 120 days. Nelnet will then review the TPD discharge application to ensure: (1) the application is complete; and (2) the application includes information that indicates the borrower may qualify for a discharge. Nelnet then determines whether the borrower qualifies for a TPD discharge. The entire review of the TPD discharge application typically takes less than 30 days. Nelnet's application review will not stop or delay a wage offset or garnishment already in place to collect on defaulted loans. For more information on default, see the Default and Debt Collection Chapter, beginning at pg. [97](#).

What happens after Nelnet approves the TPD discharge application differs depending on what evidence the borrower used to support the TPD application.

A. Discharge Based on VA Determination

If Nelnet approves a borrower's application based on a VA determination, Nelnet will tell the borrower and the holders of the loans or TEACH Grant service obligation that the TPD discharge has been approved. Nelnet will tell the loan holders to return any loan payments received on or after the disability date to the borrower. The disability date is the effective date of the VA's determination that the borrower was unemployable due to a service-connected disability. After Nelnet performs those steps, the servicers will discharge the borrower's loans. There are no further steps for a TPD discharge based on a VA determination.

B. Discharge Based on Social Security Administration Documentation or Physician Certification

If Nelnet approves a borrower's application submitted with SSA documentation or a physician certification, Nelnet will tell the borrower and the holders of the loans or TEACH Grant service obligation that the TPD discharge has been approved. Nelnet will tell the loan holders to return any loan payments received after the date when Nelnet originally received the documentation used to approve the TPD discharge request. The loan holders will then transfer the borrower's loans and/or TEACH Grant service obligation to Nelnet for a discharge.

Unlike borrowers who submit applications with VA determinations, borrowers who submit applications with SSA documentation or physician certifications will be subject to a three-year post-discharge monitoring period beginning on the date of discharge approval.

ED will reinstate any discharged loans and/or any discharged TEACH Grant service obligation if at any time during the three-year monitoring period the borrower:

- Has annual employment earnings over the Poverty Guideline amount for a family of two in the borrower's home state;⁷⁶
- Receives a new federal loan or TEACH Grant;
- Receives a disbursement of a Federal Loan or TEACH Grant received before the discharge date is made if the borrower does not return the money within 120 days of the disbursement date;
- Receives notice from the SSA that the borrower is no longer considered totally and permanently disabled; or
- Receives notice from the SSA that the next disability review will no longer occur during the five- or seven-year review period indicated on the borrower's most recent SSA notice of award.

During the three-year post-discharge monitoring period the borrower must promptly notify or respond to ED if:

- The borrower receives annual earnings from employment that exceed the Poverty Guideline amount for a family of two in the borrower's home state;
- There is a change in the borrower's address or telephone number;
- The borrower receives a request to provide ED with documentation of annual earnings from employment;
- The borrower receives notice from the SSA that the borrower is no longer considered totally and permanently disabled; or
- The borrower receives notice from the SSA that the next disability review will no longer occur during the five- or seven-year review period indicated on the borrower's most recent SSA notice of award.

If the borrower's loans or TEACH Grant service obligations are reinstated during the three-year post-discharge monitoring period, Nelnet will tell the borrower of the reinstatement by mail and will return the loans to the status the loans were in at the time the borrower applied for a TPD discharge. The notice of reinstatement will include (1) the reasons for the reinstatement, (2) a note explaining that the first payment due date on the reinstated loans will be no earlier than 60 days after the date of the notification of reinstatement, and (3) information on how the borrower can contact ED if he or she has questions about the reinstatement or if the borrower believes that the reinstatement determination was based on incorrect information. The borrower will not be responsible for paying the interest that would have accrued on the loans during the time when the loans were discharged.

If Nelnet denies the borrower's TPD discharge request, it will notify the borrower of the denial by mail. After sending the notification letter, Nelnet will instruct the loan holders to restart collection on the loans. The notification will include the reason for the application denial and steps to take if the borrower believes Nelnet should consider additional information. The borrower can also call Nelnet with questions seven days a week from 8:00 a.m. to 8:00 p.m. EST at (888) 303-7818 or email Nelnet at DisabilityInformation@Nelnet.net. If the borrower provides Nelnet with additional information that supports eligibility for a discharge within one year of the date of the denial letter, Nelnet will reevaluate the application for a TPD discharge without requiring the borrower to submit a new application. If the borrower does not provide Nelnet with additional

⁷⁶ For reference, the Poverty Guideline for a family of two in 2017 was \$16,240 in the 48 contiguous states and Washington D.C., \$20,290 in Alaska, and \$18,670 in Hawaii.

information, but still wants Nelnet to reevaluate his or her eligibility for a TPD discharge, the borrower must submit a new TPD discharge application.

Tax Implications of TPD Discharge

Unlike PSLF, TPD discharges have tax consequences. Nelnet will report the discharge of any loan debt totaling \$600 or more to the Internal Revenue Service (IRS) for the year that the loan was discharged if the discharge was based on a VA determination. Nelnet will report the discharge of any loan debt totaling \$600 or more to the IRS for the year in which the borrower completes the three-year monitoring period if the discharge was based on SSA documentation or a physician's certification. If Nelnet reports a discharge to the IRS, it will send the borrower a 1099-C with the amount of debt forgiven for the tax year that Nelnet reported the discharge to the IRS. The amount of the discharged debt will be considered income for federal tax purposes and possibly for state tax purposes. Borrowers will want to consult with a tax professional to determine how the discharge may affect his or her personal taxes.

Returning to School After Receiving a TPD Discharge

Borrowers who have received a TPD discharge must take certain steps before they will be eligible to receive federal student loans or a TEACH Grant service obligation again. First, the borrower must get a certification from a physician that he or she is able to engage in substantial gainful activity. Substantial gainful activity is defined as a level of work performed for pay or profit that involves doing significant physical and/or mental activities. Second, the borrower must sign a statement acknowledging that the new loan or TEACH Grant service obligation cannot be discharged in the future on the basis of any presently occurring injury or illness unless the borrower's condition substantially deteriorates so that the borrower is again totally and permanently disabled.

A borrower should not request a new federal loan or TEACH Grant during the three-year post-discharge monitoring period for TPD discharge applications submitted with SSA documentation or physician certification. Requesting a new loan during the three-year post-discharge monitoring period will cause the original discharge to be voided and the previously discharged loans to be reinstated.

Possible Credit Rating Impacts

Borrowers who have had their TPD discharge applications approved should be aware that some borrowers have had trouble with their credit reports after receiving a TPD discharge. In some circumstances, student loans servicers have provided incorrect information to credit bureaus regarding TPD discharges that have led loans to remain on borrower's credit reports even though the loans had been discharged. This error has caused credit scores to drastically fall, in some cases by as much as 150 points.

Borrowers who get a TPD discharge should check their credit report to ensure that it does not state that the borrower still owes the debt. If something seems incorrect, the borrower should contact Nelnet and the credit bureau to attempt to have the error fixed. If contacting Nelnet and the credit bureau is unsuccessful, the borrower should submit a complaint to the CFPB by going online at <https://www.consumerfinance.gov/complaint> or by calling at (855) 411-2372.

OTHER WAYS TO DISCHARGE FEDERAL STUDENT LOANS WITHOUT PAYMENT

In addition to the Total and Permanent Disability discharge, borrowers also can discharge their federal student loans by claiming a borrower defense to repayment or by requesting a closed

school discharge. The borrower defense to repayment usually requires the borrower to demonstrate that his/her school committed fraud or some other crime. The closed school discharge is available for borrowers who were enrolled at schools that closed during their attendance and for borrowers who withdrew from a school less than 120 days before that school closed. For more information on the borrower defense to repayment and closed school discharge, see the For-Profit Schools Chapter, beginning at pg. [35](#).

APPENDIX A: IDR REQUEST FORM



IDR

INCOME-DRIVEN REPAYMENT PLAN REQUEST:

For the Revised Pay As You Earn (REPAYE), Pay As You Earn (PAYE), Income-Based (IBR), and Income-Contingent (ICR) repayment plans under the William D. Ford Federal Direct Loan (Direct Loan) and Federal Family Education Loan (FFEL) Programs

OMB No. 1845-0102
Form Approved
Exp. Date 10/31/2018

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying document is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

SECTION 1: BORROWER IDENTIFICATION

Please enter or correct the following information.

Check this box if any of your information has changed.

SSN _____ - _____ - _____
Name _____
Address _____
City, State, Zip Code _____
Telephone - Primary (_____) _____ - _____
Telephone - Alternate (_____) _____ - _____
Email (Optional) _____

SECTION 2: REPAYMENT PLAN OR RECERTIFICATION REQUEST

READ BEFORE COMPLETING THIS FORM:

- You can apply online at StudentLoans.gov. It is faster and easier to complete this form online.
- Income-driven repayment plans offer many benefits, but may not be right for everyone.
- You can learn more about these plans at StudentAid.gov/IDR and by reading Sections 9 and 10.
- It's simple to explore all of your repayment options at StudentAid.gov/repayment-estimator.
- You can find out which types of loans you have and who your loan holder or servicer is at nslds.ed.gov.
- If you need help completing this request, contact your loan holder or servicer for free assistance.
- You may have to pay income tax on any loan amount forgiven under an income-driven plan.

1. Select the reason you are submitting this form (Check only one):

- I am not in an income-driven repayment plan, but want to enter one - [Continue to Item 2.](#)
- I am already in an income-driven repayment plan and am submitting documentation for the annual recalculation of my payment - [Skip to Item 5.](#)
- I am already in an income-driven repayment plan and am submitting documentation early because I want my loan holder to recalculate my payment immediately - [Skip to Item 5.](#)
- I am already in an income-driven repayment plan, but want to change to a different income-driven repayment plan - [Continue to Item 2.](#)

2. Choose a plan and then continue to Item 3.

- (Recommended) I want my loan holder to place me on the plan with the lowest monthly payment.
- REPAYE IBR
 PAYE ICR

3. Do you have multiple loan holders or servicers?

- Yes - Submit a separate request to each loan holder or servicer. [Continue to Item 4.](#)
- No - [Continue to Item 4.](#)

4. Are you currently in a deferment or forbearance?

- No - [Continue to Item 5.](#)
- Yes, but I want to start making payments under my plan immediately - [Continue to Item 5.](#)
- Yes, but I do not want to start repaying my loans until the deferment or forbearance ends - [Continue to Item 5.](#)

If you have FFEL Program loans, they may only be repaid under IBR. If you request a different plan, your loan holder will consider you for IBR on your FFEL Program loans. You may be able to consolidate your FFEL Program loans into a Direct Consolidation Loan to take advantage of other income-driven plans by visiting StudentLoans.gov.

Borrower Name: _____

Borrower SSN: _____ - _____ - _____

SECTION 3: FAMILY SIZE INFORMATION

5. How many children, including unborn children, are in your family and receive more than half of their support from you?

_____. Continue to Item 6.

A definition of "family size" is available in Section 9. Do not enter a value for you or your spouse. Those values are automatically included, if appropriate.

6. How many people, excluding your spouse and children, live with you, and receive more than half of their support from you?

_____. Continue to Item 7.

7. What is your marital status?

Single - Continue to Item 8.

Married - Skip to Item 11.

SECTION 4A: INCOME INFORMATION FOR SINGLE BORROWERS

8. Did you file a federal income tax return for either of the past two tax years?

Yes - Continue to Item 9.

No - Skip to Item 10.

9. Has your income significantly changed since you filed your last federal income tax return? For example, have you lost your job, gotten divorced, or experienced a drop in income?

Yes - Continue to Item 10.

No - Provide your most recent federal income tax return or transcript. Skip to Section 6.

10. Do you currently have taxable income? Check "No" if you do not have any income or receive only untaxed income.

Yes - Skip to Section 5.

No - Skip to Section 6.

Remember, any person who makes a knowingly false statement or misrepresentation on this form may be subject to fines, imprisonment, or both.

SECTION 4B: LOAN AND INCOME INFORMATION FOR MARRIED BORROWERS

11. Does your spouse have federal student loans?

Yes - Continue to Item 12.

No - Skip to Item 14.

12. Provide the following information about your spouse and then continue to Item 13:

a. Spouse's SSN:

____ - ____ - _____

b. Spouse's Name

c. Spouse's Date of Birth

13. If you are placed on the ICR plan, do you want to repay your Direct Loans jointly with your spouse?

Yes - Continue to Item 14.

No - Continue to Item 14.

14. When you filed your last federal income tax return, did you file jointly with your spouse?

Yes - Continue to Item 15.

No - Skip to Item 20.

15. Did you and your spouse file a federal income tax return for either of the past two tax years?

Yes - Continue to Item 16.

No - Skip to Item 18.

16. Has your income significantly changed since you filed your last federal income tax return? For example, have you lost your job or experienced a drop in income?

Yes - Skip to Item 18.

No - Continue to Item 17.

17. Has your spouse's income significantly changed since your spouse filed his or her last federal income tax return? For example, has your spouse lost his or her job or experienced a drop in income?

Yes - Continue to Item 18.

No - Provide your and your spouse's most recent federal income tax return or transcript. Skip to Section 6.

18. Do you currently have taxable income? Check "No" if you do not have any income or receive only untaxed income.

Yes - Provide documentation of your income as instructed in Section 5. Continue to Item 19.

No - Continue to Item 19.

Remember, any person who makes a knowingly false statement or misrepresentation on this form may be subject to fines, imprisonment, or both.

Borrower Name: _____

Borrower SSN: _____ - _____ - _____

SECTION 4B: LOAN AND INCOME INFORMATION FOR MARRIED BORROWERS (CONTINUED)

19. **Does your spouse currently have taxable income?**
Check "No" if your spouse has no taxable income or receives only untaxed income.
 Yes - Provide documentation of your spouse's income as instructed in [Section 5](#).
 No - [Skip to Section 6](#).
20. **Did you file a federal income tax return for either of the past two years?**
 Yes - [Continue to Item 21](#).
 No - [Skip to Item 22](#).
21. **Has your income significantly changed since you filed your last federal income tax return?** For example, have you lost your job or experienced a drop in income?
 Yes - [Continue to Item 22](#).
 No - Provide your most recent federal income tax return or transcript. [Skip to Item 23](#).
22. **Do you currently have taxable income?** Check "No" if you have no taxable income or receive only untaxed income.
 Yes - Provide documentation of your income as instructed in [Section 5](#). [Continue to Item 23](#).
 No - [Continue to Item 23](#).
23. **Are you separated from your spouse?**
 Yes - Provide documentation of only your income as instructed in [Item 21 or 22](#) and then [skip to Section 6](#).
 No - [Continue to Item 24](#).
24. **Are you reasonably able to access information about your spouse's income and able to have your spouse sign this application?**
 Yes - [Continue to Item 25](#).
 No - Provide documentation of only your income as instructed in [Item 21 or 22](#) and then [skip to Section 6](#).
25. **Did your spouse file a federal income tax return for either of the past two tax years?**
 Yes - [Continue to Item 26](#).
 No - [Skip to Item 27](#).
26. **Has your spouse's income significantly changed since your spouse filed his or her last federal income tax return?** For example, has your spouse lost a job or experienced a drop in income?
 Yes - [Continue to Item 27](#).
 No - Provide your spouse's most recent federal income tax return or transcript. This information will only be used for the REPAYE Plan. [Skip to Section 6](#).
27. **Does your spouse currently have taxable income?** Check "No" if your spouse has no taxable income or received only untaxed income.
 Yes - Provide documentation of your spouse's income as instructed in [Section 5](#). This information will only be used for the REPAYE Plan.
 No - [Skip to Section 6](#).

Remember, any person who makes a knowingly false statement or misrepresentation on this form may be subject to fines, imprisonment, or both.

SECTION 5: INSTRUCTIONS FOR DOCUMENTING CURRENT INCOME

You only need to follow these instructions if, based on your answers in Section 4, you and your spouse (if applicable) are required to provide documentation of your current income instead of a tax return or tax transcript. After gathering the appropriate documentation, continue to Section 6.

- You must provide documentation of **all taxable income** you and your spouse currently receive.
- **Documentation will usually include** a pay stub or letter from your employer listing your gross pay.
- You must provide at least **one piece** of documentation for each source of taxable income.
- **Taxable income includes**, for example, income from employment, unemployment income, dividend income, dividend income, interest income, tips, and alimony.
- Do not provide documentation of **untaxed income** such as Supplemental Security Income, child support, or federal or state public assistance.
- **If documentation is not available or you want to explain your income**, attach a signed statement explaining each source of income and giving the name and the address of each source of income.
- Write on your documentation **how often you receive the income**, for example, "twice per month" or "every other week."
- The **date** on any supporting documentation you provide must be **no older than 90 days** from the date you sign this form.
- Copies of documentation are acceptable.

Borrower Name: _____

Borrower SSN: _____ - _____ - _____

SECTION 6: BORROWER REQUESTS, UNDERSTANDINGS, AUTHORIZATION, AND CERTIFICATION

If I am requesting an income-driven repayment plan or seeking to change between income-driven repayment plans, I request:

- That my loan holder place me on the plan I selected in Section 2 to repay my eligible Direct Loan or FFEL Program loans held by the holder to which I submit this form.
- If I do not qualify for the plan or plans I requested, that my loan holder place me on the plan with the lowest monthly payment amount.
- If I selected more than one plan, that my loan holder place me on the plan with the lowest monthly payment amount from the plans that I requested.
- If more than one of the plans that I selected provides the same initial payment amount, or if my loan holder is determining which income-driven plans I qualify for and I qualify for more than one of those plans, my loan holder will use the following order in choosing my plan: REPAYE (if my repayment period is 20 years), PAYE, REPAYE (if my repayment period is 25 years), IBR and then ICR.

If I am currently repaying my Direct Loans under the IBR plan and am requesting to change to another income-driven plan, I must be placed on the Standard Repayment Plan, and cannot change to the plan that I requested until I make a payment under the Standard Repayment Plan or make a payment under a reduced-payment forbearance.

If I check the box below, I request that my loan holder grant me a reduced-payment forbearance for one month so that I can move from the IBR plan to my new income-driven repayment plan.

I want a one-month reduced-payment forbearance in the amount of _____ (must be at least \$5).

I understand that:

- If I do not provide my loan holder with this completed form and any other required documentation, I will not be placed on the plan that I requested.
- I may choose a different repayment plan for any student loans that are not eligible for income-driven repayment.
- If I requested a reduced-payment forbearance of less than \$5 above, my loan holder will grant my forbearance request in the amount of \$5.
- If I am requesting the ICR plan, my initial payment amount will be the amount of interest that accrues each month on my loan until my loan holder receives the income documentation needed to calculate my payment amount. If I cannot afford the initial payment amount, I may request a forbearance by contacting my loan holder.
- If I have FFEL Program loans, my spouse may be required to give my loan holder access to his or her loan information in the National Student Loan Data System (NSLDS). My loan holder will contact me with further instructions.
- My loan holder may grant me a forbearance while processing my application or to cover any period of delinquency that exists when I submit my application.

I authorize the loan holder to which I submit this request (and its agents or contractors) to contact me regarding my request or my loan(s), including repayment of my loan(s), at any number that I provide on this form or any future number that I provide for my cellular telephone or other wireless device using automated telephone dialing equipment or artificial or prerecorded voice or text messages.

I certify that all of the information I have provided on this form and in any accompanying documentation is true, complete, and correct to the best of my knowledge and belief.

Borrower's Signature _____

Date: _____

Spouse's Signature _____

Date: _____

If you are married, your spouse is required to sign this form unless you answered "yes" to Item 23 or "no" to Item 24.

SECTION 7: WHERE TO SEND THE COMPLETED AGREEMENT

Return the completed form and any documentation to:
(if no address is shown, return to your loan holder or
servicer.)

If you need help completing this form, call:
(if no telephone number is shown, call your loan holder
or servicer.)

SECTION 8: INSTRUCTIONS FOR COMPLETING THE FORM

Type or print using dark ink. Enter dates as month-day-year (mm-dd-yyyy). Use only numbers. Example: March 14, 2015 = 03-14-2015. Include your name and account number on any documentation that you are required to submit with this form. **Return the completed form and any required documentation to the address shown in Section 7.**

SECTION 9: DEFINITIONS

COMMON DEFINITIONS FOR ALL INCOME-DRIVEN REPAYMENT PLANS:

The **William D. Ford Federal Direct Loan (Direct Loan) Program** includes Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans.

The **Federal Family Education Loan (FFEL) Program** includes Federal Stafford Loans (both subsidized and unsubsidized), Federal PLUS Loans, Federal Consolidation Loans, and Federal Supplemental Loans for Students (SLS).

The **poverty guideline amount** is the figure for your state and family size from the poverty guidelines published annually by the U.S. Department of Health and Human Services (HHS). The HHS poverty guidelines are used for purposes such as determining eligibility for certain federal benefit programs. If you are not a resident of a state identified in the poverty guidelines, your poverty guideline amount is the amount used for the 48 contiguous states.

Family size always includes you and your children (including unborn children who will be born during the year for which you certify your family size), if the children will receive more than half their support from you.

For the PAYE, IBR, and ICR Plans, family size also always includes your spouse. For the REPAYE plan, family size includes your spouse unless your spouse's income is excluded from the calculation of your payment amount because you are (1) separated from your spouse or (2) unable to access your spouse's income information.

For all plans, family size also includes other people only if they live with you now, receive more than half their support from you now, and will continue to receive this support for the year that you certify your family size. Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.

For the purposes of these repayment plans, your family size may be different from the number of exemptions you claim on your federal income tax return.

Capitalization is the addition of unpaid interest to the principal balance of your loan. This will increase the principal balance and the total cost of your loan.

A **deferment** is a period during which you are entitled to postpone repayment of your loans. Interest is not generally charged to you during a deferment on your subsidized loans. Interest is always charged to you during a deferment on your unsubsidized loans.

A **forbearance** is a period during which you are permitted to postpone making payments temporarily, allowed an extension of time for making payments, or temporarily allowed to make smaller payments than scheduled.

The **holder** of your Direct Loans is the U.S. Department of Education (the Department). The holder of your FFEL Program loans may be a lender, secondary market, guaranty agency, or the Department. Your loan holder may use a servicer to handle billing, payment, repayment options, and other communications on your loans. References to "your loan holder" on this form mean either your loan holder or your servicer.

SECTION 9: DEFINITIONS (CONTINUED)

A **partial financial hardship** is an eligibility requirement for the IBR and PAYE plans. You have a partial financial hardship when the annual amount due on all of your eligible loans (or, if you are also required to provide documentation of your spouse's income, the annual amount due on all of your eligible loans and your spouse's eligible loans) exceeds 10% (for the PAYE plan and for new borrowers under the IBR plan) or 15% (for those who are not new borrowers under the IBR plan) of the amount by which your adjusted gross income (AGI) exceeds 150% of the annual poverty guideline amount for your family size and state of residence. The annual amount due is calculated based on the greater of (1) the total amount owed on eligible loans at the time those loans initially entered repayment, or (2) the total amount owed on eligible loans at the time you initially request the PAYE or IBR plan. The annual amount due is calculated using a standard repayment plan with a 10-year repayment period, regardless of loan type. When determining whether you have a partial financial hardship for the PAYE plan, the Department will include any FFEL Program loans that you have into account even though those loans are not eligible to be repaid under the PAYE plan, except for: (1) a FFEL Program loan that is in default, (2) a Federal PLUS Loan made to a parent borrower, or (3) a Federal Consolidation Loan that repaid a Federal or Direct PLUS Loan made to a parent borrower.

The **standard repayment plan** has a fixed monthly payment amount over a repayment period of up to 10 years for loans other than Direct or Federal Consolidation Loans, or up to 30 years for Direct and Federal Consolidation Loans.

DEFINITIONS FOR THE REPAYE PLAN:

The **Revised Pay As You Earn (REPAYE) plan** is a repayment plan with monthly payments that are generally equal to 10% of your discretionary income, divided by 12.

Discretionary income for the REPAYE plan is the amount by which your adjusted gross income exceeds 150% of the poverty guideline amount for your state of residence and family size. If you are married, your AGI generally includes your spouse's income regardless of how you file your federal income tax return.

Eligible loans for the REPAYE plan are Direct Loan Program loans other than: (1) a loan that is in default, (2) a Direct PLUS Loan made to a parent borrower, or (3) a Direct Consolidation Loan that repaid a Direct or Federal PLUS Loan made to a parent borrower. FFEL Program Loans, Federal Perkins Loans, HEAL loans or other health education loans, and private education loans are not eligible to be repaid under the REPAYE plan.

DEFINITIONS FOR THE PAYE PLAN:

The **Pay As You Earn (PAYE) plan** is a repayment plan with monthly payments that are generally equal to 10% of your discretionary income, divided by 12, but will never be more than what you would have paid under the standard repayment plan with a 10-year repayment period based on what you owed when you entered the PAYE plan.

Discretionary income for the PAYE plan is the amount by which your adjusted gross income exceeds 150% of the poverty guideline amount for your state of residence and family size. To initially qualify for PAYE and to continue making payments based on your income under this plan, you must have a partial financial hardship (see definition). If you are married and file a joint federal income tax return, your AGI includes your spouse's income.

Eligible loans for the PAYE plan are Direct Loan Program loans received by a new borrower other than: (1) a loan that is in default, (2) a Direct PLUS Loan made to a parent borrower, or (3) a Direct Consolidation Loan that repaid a Direct or Federal PLUS Loan made to a parent borrower. FFEL Program Loans, Federal Perkins Loans, HEAL loans or other health education loans, and private education loans are not eligible to be repaid under the PAYE plan.

You are a **new borrower for the PAYE plan** if: (1) you have no outstanding balance on a Direct Loan or FFEL Program loan as of October 1, 2007 or have no outstanding balance on a Direct Loan or FFEL Program loan when you obtain a new loan on or after October 1, 2007, and (2) you receive a disbursement of a Direct Subsidized Loan, Direct Unsubsidized Loan, or a Direct PLUS Loan made to a student borrower on or after October 1, 2011, or you receive a Direct Consolidation Loan based on an application received on or after October 1, 2011. However, you are **not** considered a new borrower if the Direct Consolidation Loan you receive repays loans that would make you ineligible under part (1) of this definition.

SECTION 9: DEFINITIONS (CONTINUED)

DEFINITIONS FOR THE IBR PLAN:

The **Income-Based Repayment (IBR) plan** is a repayment plan with monthly payments that are generally equal to 15% (10% if you are a new borrower) of your discretionary income, divided by 12, but will never be more than what you would have paid under the standard repayment plan with a 10-year repayment period based on what you owed when you entered the IBR plan.

Discretionary income for the IBR plan is the amount by which your adjusted gross income exceeds 150% of the poverty guideline amount for your state of residence and family size. To initially qualify for IBR and to continue making payments based on your income under this plan, you must have a partial financial hardship (see definition). If you are married and file a joint federal income tax return, your AGI includes your spouse's income.

Eligible loans for the IBR plan are Direct Loan and FFEL Program loans other than: (1) a loan that is in default, (2) a Direct or Federal PLUS Loan made to a parent borrower, or (3) a Direct or Federal Consolidation Loan that repaid a Direct or Federal PLUS Loan made to a parent borrower. Federal Perkins Loans, HEAL loans or other health education loans, and private education loans are not eligible to be repaid under the IBR plan.

You are a **new borrower for the IBR plan** if (1) you have no outstanding balance on a Direct Loan or FFEL Program loan as of July 1, 2014 or (2) have no outstanding balance on a Direct Loan or FFEL Program loan when you obtain a new loan on or after July 1, 2014.

DEFINITIONS FOR THE ICR PLAN:

The **Income-Contingent Repayment (ICR) plan** is a repayment plan with monthly payments that are the lesser of (1) what you would pay on a repayment plan with a fixed monthly payment over 12 years, adjusted based on your income or (2) 20% of your discretionary income divided by 12.

Discretionary income for the ICR plan is the amount by which your adjusted gross income exceeds the poverty guideline amount for your state of residence and family size. If you are married and file a joint federal income tax return or if you choose to repay your Direct Loans jointly with your spouse, your AGI includes your spouse's income.

Eligible loans for the ICR plan are Direct Loan Program loans other than: (1) a loan that is in default, (2) a Direct PLUS Loan made to a parent borrower, or (3) a Direct PLUS Consolidation Loan (these are Direct Consolidation Loans made based on an application received prior to July 1, 2006 that repaid Direct or Federal PLUS Loans made to a parent borrower). However, a Direct Consolidation Loan made based on an application received on or after July 1, 2006 that repaid a Direct or Federal PLUS Loan made to a parent borrower is eligible for the ICR plan. FFEL Program Loans, Federal Perkins Loans, HEAL loans or other health education loans, and private education loans are not eligible to be repaid under the ICR plan.

SECTION 10: INCOME-DRIVEN PLAN ELIGIBILITY REQUIREMENTS AND GENERAL INFORMATION

Table 1: Income-driven repayment plan eligibility requirements and general information.

Plan Feature	REPAYE	PAYE	IBR	IBR for New Borrowers	ICR
Payment Amount	Generally, 10% of discretionary income.	Generally, 10% of discretionary income.	Generally, 15% of discretionary income.	Generally, 10% of discretionary income.	Lesser of 20% of discretionary income or what you would pay under a repayment plan with fixed payments over 12 years, adjusted based on your income.
Cap on Payment Amount	None. Your payment may exceed what you would have paid under the standard repayment plan with a 10-year repayment period.	What you would have paid under the standard repayment plan with a 10-year repayment period when you entered the plan.	What you would have paid under the standard repayment plan with a 10-year repayment period when you entered the plan.	What you would have paid under the standard repayment plan with a 10-year repayment period when you entered the plan.	None. Your payment may exceed what you would have paid under the standard repayment plan with a 10-year repayment period.
Married Borrowers	You must provide income documentation for yourself and your spouse regardless of whether you file a joint or separate Federal income tax return unless you and your spouse (1) are separated or (2) you are unable to reasonably access your spouse's income information.	You must provide income documentation for you and your spouse only if you file a joint Federal income tax return.	You must provide income documentation for you and your spouse only if you file a joint Federal income tax return.	You must provide income documentation for you and your spouse only if you file a joint Federal income tax return.	You must provide income documentation for you and your spouse only if you file a joint Federal income tax return or if you and your spouse choose to jointly repay under the plan.
Borrower Responsibility for Interest if Payment Does Not Cover All Interest that Accrues	<ul style="list-style-type: none"> On subsidized loans, you do not have to pay the difference between your monthly payment amount and the remaining interest that accrues for your first 3 consecutive years of repayment under the plan. On subsidized loans after the first consecutive 3 years and on unsubsidized loans during all periods, you are only responsible for paying half of the difference between your monthly payment amount and the remaining interest that accrues. 	On subsidized loans, you do not have to pay the difference between your monthly payment amount and the remaining interest that accrues for your first 3 consecutive years of repayment under the plan.	On subsidized loans, you do not have to pay the difference between your monthly payment amount and the remaining interest that accrues for your first 3 consecutive years of repayment under the plan.	On subsidized loans, you do not have to pay the difference between your monthly payment amount and the remaining interest that accrues for your first 3 consecutive years of repayment under the plan.	You are responsible for paying all of the interest that accrues.

SECTION 10: INCOME-DRIVEN PLAN ELIGIBILITY REQUIREMENTS AND GENERAL INFORMATION (CONTINUED)

Plan Feature	REPAYE	PAYE	IBR	IBR for New Borrowers	ICR
Forgiveness Period	<ul style="list-style-type: none"> If you only have eligible Direct Loans that you received for undergraduate study, any remaining balance is forgiven after 20 years of qualifying repayment on all of your loans. If you have any eligible Direct Loans that you received for graduate or professional study, any remaining balance is forgiven after 25 years of qualifying repayment on all of your loans. <p>Forgiveness may be taxable.</p> <p>Any months when you received an economic hardship deferment are considered the equivalent of qualifying payments, but not any months you received any other type of deferment or months you received any type of forbearance.</p>	<p>Any remaining balance is forgiven after 20 years of qualifying repayment, and may be taxable.</p> <p>Any months when you received an economic hardship deferment are considered the equivalent of qualifying payments, but not any months you received any other type of deferment or months you received any type of forbearance.</p>	<p>Any remaining balance is forgiven after 25 years of qualifying repayment, and may be taxable.</p> <p>Any months when you received an economic hardship deferment are considered the equivalent of qualifying payments, but not any months you received any other type of deferment or months you received any type of forbearance.</p>	<p>Any remaining balance is forgiven after 20 years of qualifying repayment, and may be taxable.</p> <p>Any months when you received an economic hardship deferment are considered the equivalent of qualifying payments, but not any months you received any other type of deferment or months you received any type of forbearance.</p>	<p>Any remaining balance is forgiven after 25 years of qualifying repayment, and may be taxable.</p> <p>Any months when you received an economic hardship deferment are considered the equivalent of qualifying payments, but not any months you received any other type of deferment or months you received any type of forbearance.</p>
Income Requirement to Enter Plan	None.	You must have a "partial financial hardship".	You must have a "partial financial hardship".	You must have a "partial financial hardship".	None.
Borrower Eligibility Requirement	You must be a Direct Loan borrower with eligible loans.	You must be a "new borrower" with eligible Direct Loans.	You must be a Direct Loan or FFEL Program borrower with eligible loans.	You must be a "new borrower" with eligible Direct Loans.	You must be a Direct Loan borrower with eligible loans.
Requirement to Recertify Income and Family Size	Annually. Failure to submit documentation by the deadline will result in capitalization of interest and being placed on the alternative repayment plan with a payment that will ensure that your loan is paid in full over a period that is the lesser of 10 years or the remainder of 20 or 25 years.	Annually. Failure to submit documentation by the deadline may result in the capitalization of interest and will increase the payment amount to the 10-year standard payment amount.	Annually. Failure to submit documentation by the deadline will result in the capitalization of interest and increase in payment amount to the 10-year standard payment amount.	Annually. Failure to submit documentation by the deadline will result in the capitalization of interest and increase in payment amount to the 10-year standard payment amount.	Annually. Failure to submit documentation by the deadline will result in the recalculation of your payment amount to be the 10-year standard payment amount.

SECTION 10: INCOME-DRIVEN PLAN ELIGIBILITY REQUIREMENTS AND GENERAL INFORMATION (CONTINUED)

Plan Feature	REPAYE	PAYE	IBR	IBR for New Borrowers	ICR
Leaving the Plan	At any time, you may change to any other repayment plan for which you are eligible.	At any time, you may change to any other repayment plan for which you are eligible.	If you want to leave the plan, you will be placed on the standard repayment plan. You may not change to a different plan until you have made at least one payment under the standard repayment plan or a payment under a reduced-payment forbearance.	If you want to leave the plan, you will be placed on the standard repayment plan. You may not change to a different plan until you have made at least one payment under the standard repayment plan or a payment under a reduced-payment forbearance.	At any time, you may change to any other repayment plan for which you are eligible.
Interest Capitalization	Interest is capitalized when you are removed from the plan for failing to recertify your income by the deadline or when you voluntarily leave the plan. Otherwise, interest capitalizes at the expiration of a deferment or forbearance.	If you are determined to no longer have a "partial financial hardship" or if you fail to recertify your income by the deadline, interest is capitalized until the outstanding principal balance on your loans is 10% greater than it was when you entered the plan. Interest is also capitalized when you leave the plan.	If you are determined to no longer have a "partial financial hardship", fail to recertify your income by the deadline, or leave the plan, interest is capitalized.	If you are determined to no longer have a "partial financial hardship", fail to recertify your income by the deadline, or leave the plan, interest is capitalized.	Interest that accrues when your payment amount is less than accruing interest on your loans is capitalized annually until the outstanding principal balance on your loans is 10% greater than it was when your loans entered repayment.
Re-Entering the Plan	You must provide income documentation for the period when you were not on the REPAYE plan. Your loan holder will calculate the amount you would have been required to pay under the REPAYE plan during that period and compare that to the amount you were required to pay under a different plan over the same period. If the amount you would have been required to pay under the REPAYE plan is more than what you actually paid during this period, your new payment amount under the REPAYE plan will be increased. The increased amount is equal to the difference between what you were required to pay while not on the REPAYE plan and what you would have been required to pay if you had been on the REPAYE plan, divided by the number of months remaining in your 20- or 25-year forgiveness period.	You must again show that you have a "partial financial hardship".	You must again show that you have a "partial financial hardship".	You must again show that you have a "partial financial hardship".	No restrictions.

SECTION 11: SAMPLE PAYMENT AMOUNTS

The tables below provide repayment estimates under the traditional and income-driven repayment plans. These figures are estimates based on an interest rate of 6%, the average Direct Loan interest rate for undergraduate and graduate borrowers. The figures also assume a family size of 1, that you live in the continental U.S., and that your income increases 5% each year. Various factors, including your interest rate, your loan debt, your income, and if and how quickly your income rises, may cause your repayment to differ from the estimates shown in these tables. These figures use the 2015 Poverty Guidelines and Income Percentage Factors.

Table 2. Non-Consolidation, Undergraduate Loan Debt of \$30,000 in Direct Unsubsidized Loans and Starting Income of \$25,000

Repayment Plan	Initial Payment	Final Payment	Time in Repayment	Total Paid	Loan Forgiveness
Standard	\$333	\$333	10 years	\$39,967	N/A
Graduated	\$190	\$571	10 years	\$42,636	N/A
Extended-Fixed	Ineligible	-	-	-	-
Extended-Graduated	Ineligible	-	-	-	-
PAYE & IBR (new borrowers)	\$61	\$299	20 years	\$38,714	\$27,164
REPAYE	\$61	\$299	20 years	\$38,714	\$23,672
IBR	\$92	\$333	21 years, 6 months	\$60,441	\$0
ICR	\$197	\$255	19 years, 2 months	\$51,838	\$0

Table 3. Non-Consolidation, Undergraduate/Graduate Loan Debt of \$60,000 in Direct Unsubsidized Loans and Starting Income of \$40,000

Repayment Plan	Initial Payment	Final Payment	Time in Repayment	Total Paid	Loan Forgiveness
Standard	\$666	\$666	10 years	\$79,935	N/A
Graduated	\$381	\$1,143	10 years	\$85,272	N/A
Extended-Fixed	\$387	\$387	25 years	\$115,974	N/A
Extended-Graduated	\$300	\$582	25 years	\$126,173	N/A
PAYE & IBR (new borrowers)	\$186	\$615	20 years	\$88,314	\$41,008
REPAYE	\$186	\$819	24 years, 11 months	\$131,061	\$0
IBR	\$279	\$666	18 years, 1 month	\$107,385	\$0
ICR	\$471	\$586	13 years, 8 months	\$89,152	\$0

SECTION 12: IMPORTANT NOTICES

Privacy Act Notice. The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authorities for collecting the requested information from and about you are §421 et seq. and §451 et seq. of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 et seq. and 20 U.S.C. 1087a et seq.), and the authorities for collecting and using your Social Security Number (SSN) are §§428B(f) and 484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the Federal Family Education Loan (FFEL) Program or the William D. Ford Federal Direct Loan (Direct Loan) Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the FFEL and/or Direct Loan Programs, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) becomes delinquent or defaults. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment status, disclosures,

may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

Paperwork Reduction Notice. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1845-0102. Public reporting burden for this collection of information is estimated to average 20 minutes (0.33 hours) per response, including the time for reviewing instructions, searching existing data resources, gathering and maintaining the data needed, and completing and reviewing the information collection. Individuals are obligated to respond to this collection to obtain a benefit in accordance with 34 CFR 682.215, 685.209, or 685.221.

If you have questions regarding the status of your individual submission of this form, contact your loan holder (see Section 7).

APPENDIX B: PSLF EMPLOYMENT CERTIFICATION FORM



PUBLIC SERVICE LOAN FORGIVENESS (PSLF): EMPLOYMENT CERTIFICATION FORM

William D. Ford Federal Direct Loan (Direct Loan) Program

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying document is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

OMB No. 1845-0110
Form Approved
Exp. Date 5/31/2020
PSECF - XBCR

SECTION 1: BORROWER INFORMATION

Please enter or correct the following information.

Check this box if any of your information has changed.

SSN _____
Date of Birth _____
Name _____
Address _____
City _____ State _____ Zip Code _____
Telephone - Primary _____
Telephone - Alternate _____
Email (Optional) _____

SECTION 2: BORROWER AUTHORIZATIONS, UNDERSTANDINGS, AND CERTIFICATION

Before signing, carefully read the entire form. For more information on PSLF, visit StudentAid.gov/publicservice.

I authorize:

1. My employer or other entity having records about the employment that is the basis of my request to make information from those records available to the U. S. Department of Education (the Department) or its agents or contractors.
2. The entity to which I submit this request and its agents to contact me regarding my request or my loans at any cellular telephone number that I provide now or in the future using automated telephone dialing equipment or artificial or prerecorded voice or text messages.

I understand that:

1. To qualify for PSLF, I must make 120 qualifying payments on my Direct Loans while employed full-time by a qualifying employer or employers. Neither the 120 qualifying payments nor the employment have to be consecutive.
2. To qualify for PSLF, I must be employed full-time by a qualifying employer when I apply for and receive PSLF.
3. If I qualify for forgiveness, only the remaining balance on my Direct Loans will be forgiven.
4. By submitting this form, my student loan(s) held by the Department will be transferred to FedLoan Servicing.
5. The Department may request supplemental documentation substantiating my employment.
6. The Department will notify me in writing or electronically of the number of qualifying payments I have made while employed full-time by a qualifying employer and how many more I must make before I am eligible to apply for PSLF.
7. I will be notified if the form that I submit is incomplete, or if my employment or payments do not qualify for PSLF, why the determination was made, and the steps I need to take to correct the form or make qualifying payments.
8. The Department will retain this certification form until I submit my application for forgiveness.

I certify that all of the information I have provided on this form and in any accompanying document is true, complete, and correct to the best of my knowledge and belief.

Check this box if you cannot obtain certification from your employer because the organization is closed or because the organization has refused to certify your employment. The Department will follow up to assist you in getting documentation of your employment. **Complete Section 3, but do not complete Section 4.**

Borrower's Signature _____

Date _____

Borrower Name _____

Borrower SSN _____

SECTION 3: EMPLOYER INFORMATION (TO BE COMPLETED BY THE BORROWER OR EMPLOYER)

- 1. Employer Name: _____
- 2. Federal Employer Identification Number (FEIN) _____
Your employer's Federal EIN may be found on your Wage and Tax Statement (W-2).
- 3. Employer Address:
- 4. Employer Website (if any): _____
- 5. Employment Begin Date: _____
- 6. Employment End Date: _____ **OR** Still Employed
- 7. Employment Status: Full-Time Part-Time
- 8. Hours Per Week (Average) _____
Include vacation, leave time, or any leave taken under the Family Medical Leave Act of 1993. If your employer is a 501(c)(3) or a not-for-profit organization, do not include any hours you spent on **religious instruction, worship services, or proselytizing.**
- 9. Is your employer a **governmental** organization?
A governmental organization is a Federal, State, local, or Tribal government organization, agency, or entity, a public child or family service agency, a Tribal college or university, or the Peace Corps or AmeriCorps.
 Yes - Skip to Section 4.
 No - Continue to Item 10.

- 10. Is your employer tax-exempt under Section **501(c)(3)** of the Internal Revenue Code (IRC)?
If your employer is tax-exempt under another subsection of 501(c) of the IRC, such as 501(c)(4) or 501(c)(6), check "No" to this question.
 Yes - Skip to Section 4.
 No - Continue to Item 11.
- 11. Is your employer a **not-for-profit** organization that is **not** tax-exempt under Section 501(c)(3) of the Internal Revenue Code?
 Yes - Continue to Item 12.
 No - Your employer does not qualify.
- 12. Is your employer a partisan political organization or a labor union?
 Yes - Your employer does not qualify.
 No - Continue to Item 13.
- 13. Which of the following services does your employer provide as its primary purpose? Check all that apply and then continue to Section 4. If you check "None of the above", do not submit this form.
 Emergency management
 Military service (See Section 6)
 Public safety
 Law enforcement
 Public interest legal services (See Section 6)
 Early childhood education (See Section 6)
 Public service for individuals with disabilities
 Public service for the elderly
 Public health (See Section 6)
 Public education (See Section 6)
 Public library services
 School library services
 Other school-based services
 None of the above - the employer does not qualify.

SECTION 4: EMPLOYER CERTIFICATION (TO BE COMPLETED BY THE EMPLOYER)

By signing, I **certify (1)** that the information in Section 3 is true, complete, and correct to the best of my knowledge and belief, **(2)** that I am an authorized official (see Section 6) of the organization named in Section 3, and **(3)** that the borrower named in Section 1 is or was an employee of the organization named in Section 3.

Note: If any of the information is crossed out or altered in Section 3, you must initial those changes.

Official's Name _____ Official's Phone _____

Official's Title _____ Official's Email _____

Authorized Official's Signature _____

Date _____

SECTION 5: INSTRUCTIONS FOR COMPLETING THE FORM

If you have made 120 qualifying payments and the certification in Sections 3 and 4 does not cover all of those payments, you must provide information about other employers by submitting one copy of Sections 1 and 2 (Page 1), and one copy of Sections 3 and 4 (Page 2) per employer. When completing this form, type or print using dark ink. Enter dates as month-day-year (mm-dd-yyyy). Use only numbers. Example: March 14, 2016 = 03-14-2016. For more information about PSLF and how to use this form, visit StudentAid.gov/publicservice. **Return the completed form to the address shown in Section 7.**

SECTION 6: DEFINITIONS

QUALIFYING PAYMENT DEFINITIONS

Qualifying payments are separate, on-time, full monthly payments made on an eligible loan after October 1, 2007 under a qualifying repayment plan while employed full-time by a qualifying employer.

An **on-time payment** is a payment made no more than 15 days after the due date for the payment.

Eligible loans are loans made under the William D. Ford Federal Direct Loan (Direct Loan) Program that are not in default.

Qualifying repayment plans include the Revised Pay As You Earn (REPAYE) plan, the Pay As You Earn (PAYE) plan, the Income-Based Repayment (IBR) plan, the Income-Contingent Repayment (ICR) plan, the Standard Repayment plan with a maximum 10-year repayment period, and any other Direct Loan repayment plan if payments are at least equal to the monthly payment amount that would be required under the Standard Repayment plan with a 10-year repayment period.

QUALIFYING EMPLOYMENT DEFINITIONS

A **Qualifying employer** includes the government, a not-for-profit organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, or a private not-for-profit organization that provides certain public services. Serving in an AmeriCorps or Peace Corps position is also qualifying employment.

Government includes a Federal, State, local or Tribal government organization, agency or entity; a public child or family service agency; or a Tribal college or university.

A **private not-for-profit organization** is an organization that is not organized for profit, is not a labor union, is not a partisan political organization, and provides at least one of the following public services as its primary purpose: **(1)** emergency management, **(2)** military service, **(3)** public safety, **(4)** law enforcement, **(5)** public interest legal services, **(6)** early childhood education, **(7)** public service for individuals with disabilities and the elderly, **(8)** public health, **(9)** public education, **(10)** public library services, **(11)** school library services, or **(12)** other school-based services.

AmeriCorps position means a position approved by the Corporation for National and Community Service under Section 123 of the National and Community Service Act of 1990 (42 U.S.C. 12573).

Peace Corps position means a full-time assignment under the Peace Corps Act as provided for under 22 U.S.C. 2504.

QUALIFYING EMPLOYMENT DEFINITIONS (CONTINUED)

An **employee** means an individual who is hired and paid by the qualifying employer.

Full-time means working for one or more qualifying employers for the greater of: **(1)** An annual average of at least 30 hours per week or, for a contractual or employment period of at least 8 months, an average of 30 hours per week; or **(2)** Unless the qualifying employment is with two or more employers, the number of hours the employer considers full time.

An **authorized official** is an official of a qualifying employer who has access to the borrower's employment or service records and is authorized by the employer to certify the employment status of the organization's employees or former employees, or the service of AmeriCorps or Peace Corps volunteers.

Early childhood education includes licensed or regulated child care, Head Start, and State funded pre-kindergarten.

Law enforcement means crime prevention, control or reduction of crime, or the enforcement of criminal law.

Military service means service on behalf of the U. S. Armed Forces or the National Guard.

Public education includes services that provide educational enrichment or support directly to students or their families in a school or a school-like setting.

Public interest legal services refers to legal services that are funded in whole or in part by a local, State, Federal, or Tribal government.

Public health includes nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in [health care practitioner occupations](#) and [health support occupations](#), as such terms are defined by the Bureau of Labor Statistics.

OTHER DEFINITIONS

A **forbearance** is a period during which you are allowed to postpone making payments temporarily, allowed an extension of time for making payments, or temporarily allowed to make smaller payments than scheduled. A forbearance can be a mandatory forbearance, meaning that your loan holder must grant the forbearance if you qualify for the forbearance and supply all supporting documentation. A forbearance can also be a discretionary forbearance, meaning that your loan holder may grant the forbearance, but is not required to do so.

SECTION 7: WHERE TO SEND THE COMPLETED FORM

Return the completed form and any documentation to:

Mail to: U.S. Department of Education, FedLoan Servicing,
P.O. Box 69184, Harrisburg, PA 17106-9184.

Fax to: 717-720-1628.

Upload to: MyFedLoan.org/FileUpload, if FedLoan Servicing is already your servicer.

SECTION 8: IMPORTANT INFORMATION ABOUT PSLF

You may receive loan forgiveness under this program only after you have made 120 qualifying payments (see "Payment Eligibility") on eligible loans (see "Loan Eligibility" on page 5) while working full-time in qualifying employment (see "Employment Eligibility" on page 5).

PAYMENT ELIGIBILITY

To receive PSLF, you must make 120 on-time, full, scheduled, separate monthly payments on your Direct Loans under a qualifying repayment plan after October 1, 2007.

On-time payments are those that are received by your servicer no later than 15 days after the scheduled payment due date.

Full payments are payments on your Direct Loan in an amount that equals or exceeds the amount you are required to pay each month under your repayment schedule. If you make a payment that is less than what you are required to pay for that month, that month's payment will not count as one of the required 120 qualifying payments. If you make multiple, partial payments in a month and the total of those partial payments equals or exceeds the required full monthly payment amount, those payments will count as one qualifying payment.

Scheduled payments are those that are made while you are in repayment. They do not include payments made while your loans are in an in-school or grace status, or in a deferment or forbearance period.

You must make separate monthly payments. Except as explained below, lump sum payments or payments you make as advance payments for future months do not count as more than one qualifying payment. If you want to pay more than your scheduled monthly payment amount, follow the instructions on your bill to let your servicer know that your payment is not intended to cover future installments. Otherwise, you may not receive credit for future qualifying payments.

If you were an AmeriCorps or Peace Corps volunteer, you may receive credit for making qualifying payments if you make a lump sum payment by using all or part of a Segal Education Award or Peace Corps transition payment.

You may also receive credit for qualifying payments if a lump sum payment is made on your behalf through a student loan repayment program administered by the U.S. Department of Defense (DOD).

If you need help completing this form, call:

Domestic: 855-265-4038.

International: 717-720-1985.

TTY: dial 711, then enter 800-699-2908.

Website: MyFedLoan.org.

PAYMENT ELIGIBILITY (CONTINUED)

If you make a lump sum payment by using an AmeriCorps Segal Education Award or a Peace Corps transition payment, or if a lump sum payment is made on your behalf through a DOD student loan repayment program, the Department will give you credit for qualifying payments equal to the lesser of **(1)** the number of payments resulting after dividing the amount of the lump sum payment by the monthly payment amount you would have made under one of the qualifying repayment plans listed below; or **(2)** 12 payments.

If you make an eligible lump sum payment using a Peace Corps transition payment, you must do so within 6 months of the Employment End Date, as reported in Section 3.

You may only use an AmeriCorps Segal Education Award or Peace Corps transition payment one time to receive credit for more than one qualifying payment towards PSLF. However, lump sum payments made on your behalf under a DOD student loan repayment program may be counted as up to 12 qualifying payments for each year that a lump sum payment is made.

Your payments must be made under a qualifying repayment plan. Qualifying repayment plans include the REPAYE plan, the PAYE plan, the IBR plan, the ICR plan, the 10-Year Standard Repayment plan, or any other Direct Loan repayment plan, but only payments that are at least equal to the monthly payment amount that would be required under the 10-Year Standard Repayment plan.

Though repayment plans other than the REPAYE, PAYE, IBR, and ICR plans are qualifying repayment plans for PSLF, you must enter REPAYE, PAYE, IBR, or ICR to have a remaining balance to forgive after becoming eligible for PSLF. Otherwise, your loans will be fully repaid within 10 years. To apply for these plans, visit StudentLoans.gov.

IMPORTANT: The Standard Repayment Plan for Direct Consolidation Loans made on or after July 1, 2006 has repayment periods that range from 10 to 30 years. Monthly payments you make under this plan are qualifying payments only if the repayment period is 10 years, which would be the case only if the total amount of the consolidation loan and your other eligible student loans is less than \$7,500.

SECTION 8: IMPORTANT INFORMATION ABOUT PSLF (CONTINUED)

LOAN ELIGIBILITY

Only Direct Loan Program loans that are not in default are eligible for PSLF. Loans you received under the Federal Family Education Loan (FFEL) Program, the Federal Perkins Loan (Perkins Loan) Program, or any other student loan program are not eligible for PSLF.

If you have FFEL Program or Perkins Loan Program loans, you may consolidate them into a Direct Consolidation Loan to take advantage of PSLF. However, payments made on your FFEL Program or Perkins Loan Program loans before you consolidated them, even if they were made under a qualifying repayment plan, do not count as qualifying PSLF payments. In addition, if you made qualifying payments on a Direct Loan and then consolidate it into a Direct Consolidation Loan, you must start over making qualifying payments on the new Direct Consolidation Loan.

If you are planning to consolidate your FFEL Program or Perkins Loan Program loans into a Direct Consolidation Loan to take advantage of PSLF and do not have any Direct Loans, do not submit this form until you have consolidated your loans. The online application for Direct Consolidation Loans contains a section that allows you to indicate that you are consolidating your loans for PSLF. If you plan to consolidate Perkins Loan Program loans, first understand that Perkins Loan Program loans may be cancelled for certain types of public service. If you consolidate a Perkins Loan Program loan, you will no longer be eligible for Perkins cancellation. The online application is available at StudentLoans.gov. If you don't know whether you have Direct Loans, go to StudentAid.gov/login.

EMPLOYMENT ELIGIBILITY

To qualify for PSLF, you must be an employee of a qualifying employer. An employee is someone who is hired and paid by the employer. You may physically perform your work at a qualifying or non-qualifying organization, as long as you are an employee of a qualifying employer. If you are working at the location of or with an organization under contract with your employer, the organization that hired and pays you must be a qualifying employer, not the organization where you perform your work.

A qualifying organization is a government organization, a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, or a private not-for-profit organization that provides certain public services. Service in an AmeriCorps or Peace Corps position is also qualifying employment.

EMPLOYMENT ELIGIBILITY (CONTINUED)

A private not-for-profit organization that is not a tax-exempt organization under Section 501(c)(3) of the IRC may be a qualifying organization if it provides certain specified public services. These services include emergency management, military service, public safety, or law enforcement services; public health services; public education or public library services; school library and other school-based services; public interest legal services; early childhood education; public service for individuals with disabilities and the elderly. The organization must not be a business organized for profit, a labor union, or a partisan political organization.

Employment as a member of the U.S. Congress is not qualifying employment.

You must be employed full-time by your employer.

Generally, you must meet your employer's definition of full-time. However, for PSLF purposes, that definition must be at least an annual average of 30 hours per week. For purposes of the full-time requirement, your qualifying employment at a 501(c)(3) organization or a not-for-profit organization does not include time spent participating in religious instruction, worship services, or any form of proselytizing.

If you are a teacher or in another position under contract for at least eight out of 12 months, you meet the full-time standard if you work an average of at least 30 hours per week during the contractual period and receive credit by your employer for a full year's worth of employment.

If you are employed in more than one qualifying part-time job simultaneously, you may meet the full-time employment requirement if you work a combined average of at least 30 hours per week with your employers.

Vacation or leave time provided by the employer or leave taken for a condition that is a qualifying reason for leave under the Family and Medical Leave Act of 1993, 29, U.S.C. 2612(a)(1) and (3) is equivalent to hours worked in qualifying employment.

OTHER IMPORTANT INFORMATION

If you submit this form and your employer qualifies, all of your loans held by the Department will be transferred to FedLoan Servicing. FedLoan Servicing will then determine how many qualifying payments you made during the period of qualifying employment within the dates provided in Section 3.

You are not permitted to apply the same period of service to receive PSLF and the Teacher Loan Forgiveness and Civil Legal Assistance Attorney Student Loan Repayment programs.

SECTION 9: IMPORTANT NOTICES

Privacy Act Notice. The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authorities for collecting the requested information from and about you are §421 et seq., §451 et seq., or §461 of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 et seq., 20 U.S.C. 1087a et seq., or 20 U.S.C. 1087aa et seq.) and the authorities for collecting and using your Social Security Number (SSN) are §§428B(f) and 484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program, Federal Family Education Loan (FFEL) Program, or Federal Perkins Loan (Perkins Loan) Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan, FFEL, or Federal Perkins Loan Programs, to permit the servicing of your loans, and, if it becomes necessary, to locate you and to collect and report on your loans if your loans become delinquent or default. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loans, to enforce the terms of the loans, to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions.

To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment statuses, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

Paperwork Reduction Notice. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0110. Public reporting burden for this collection of information is estimated to average 30 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain a benefit in accordance with 34 CFR 685.219. If you have comments or concerns regarding the status of your individual submission of this form, please contact your loan holder directly (see Section 7).

APPENDIX C: PSLF APPLICATION EMPLOYMENT CERTIFICATION FORM



PSLF ECF

PUBLIC SERVICE LOAN FORGIVENESS (PSLF): EMPLOYMENT CERTIFICATION FORM

William D. Ford Federal Direct Loan (Direct Loan) Program

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying document is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

OMB No. 1845-0110
Form Approved
Exp. Date 5/31/2020
PSECF - XBCR

SECTION 1: BORROWER INFORMATION

Please enter or correct the following information.

Check this box if any of your information has changed.

SSN _____
Date of Birth _____
Name _____
Address _____
City _____ State _____ Zip Code _____
Telephone - Primary _____
Telephone - Alternate _____
Email (Optional) _____

SECTION 2: BORROWER AUTHORIZATIONS, UNDERSTANDINGS, AND CERTIFICATION

Before signing, carefully read the entire form. For more information on PSLF, visit StudentAid.gov/publicservice.

I authorize:

1. My employer or other entity having records about the employment that is the basis of my request to make information from those records available to the U. S. Department of Education (the Department) or its agents or contractors.
2. The entity to which I submit this request and its agents to contact me regarding my request or my loans at any cellular telephone number that I provide now or in the future using automated telephone dialing equipment or artificial or prerecorded voice or text messages.

I understand that:

1. To qualify for PSLF, I must make 120 qualifying payments on my Direct Loans while employed full-time by a qualifying employer or employers. Neither the 120 qualifying payments nor the employment have to be consecutive.
2. To qualify for PSLF, I must be employed full-time by a qualifying employer when I apply for and receive PSLF.
3. If I qualify for forgiveness, only the remaining balance on my Direct Loans will be forgiven.
4. By submitting this form, my student loan(s) held by the Department will be transferred to FedLoan Servicing.
5. The Department may request supplemental documentation substantiating my employment.
6. The Department will notify me in writing or electronically of the number of qualifying payments I have made while employed full-time by a qualifying employer and how many more I must make before I am eligible to apply for PSLF.
7. I will be notified if the form that I submit is incomplete, or if my employment or payments do not qualify for PSLF, why the determination was made, and the steps I need to take to correct the form or make qualifying payments.
8. The Department will retain this certification form until I submit my application for forgiveness.

I certify that all of the information I have provided on this form and in any accompanying document is true, complete, and correct to the best of my knowledge and belief.

- Check this box if you cannot obtain certification from your employer because the organization is closed or because the organization has refused to certify your employment. The Department will follow up to assist you in getting documentation of your employment. **Complete Section 3, but do not complete Section 4.**

Borrower's Signature _____

Date _____

Borrower Name _____

Borrower SSN _____

SECTION 3: EMPLOYER INFORMATION (TO BE COMPLETED BY THE BORROWER OR EMPLOYER)

- 1. Employer Name: _____
- 2. Federal Employer Identification Number (FEIN) _____
 Your employer's Federal EIN may be found on your Wage and Tax Statement (W-2).
- 3. Employer Address: _____

- 4. Employer Website (if any): _____
- 5. Employment Begin Date: _____
- 6. Employment End Date: _____ OR Still Employed
- 7. Employment Status: Full-Time Part-Time
- 8. Hours Per Week (Average) _____

Include vacation, leave time, or any leave taken under the Family Medical Leave Act of 1993. If your employer is a 501(c)(3) or a not-for-profit organization, do not include any hours you spent on **religious instruction, worship services, or proselytizing.**

- 9. Is your employer a **governmental** organization?
 A governmental organization is a Federal, State, local, or Tribal government organization, agency, or entity, a public child or family service agency, a Tribal college or university, or the Peace Corps or AmeriCorps.
 Yes - Skip to Section 4.
 No - Continue to Item 10.

- 10. Is your employer tax-exempt under Section **501(c)(3)** of the Internal Revenue Code (IRC)?
 If your employer is tax-exempt under another subsection of 501(c) of the IRC, such as 501(c)(4) or 501(c)(6), check "No" to this question.
 Yes - Skip to Section 4.
 No - Continue to Item 11.
- 11. Is your employer a **not-for-profit** organization that is **not** tax-exempt under Section 501(c)(3) of the Internal Revenue Code?
 Yes - Continue to Item 12.
 No - Your employer does not qualify.
- 12. Is your employer a partisan political organization or a labor union?
 Yes - Your employer does not qualify.
 No - Continue to Item 13.
- 13. Which of the following services does your employer provide as its primary purpose? Check all that apply and then continue to Section 4. If you check "None of the above", do not submit this form.
 Emergency management
 Military service (See Section 6)
 Public safety
 Law enforcement
 Public interest legal services (See Section 6)
 Early childhood education (See Section 6)
 Public service for individuals with disabilities
 Public service for the elderly
 Public health (See Section 6)
 Public education (See Section 6)
 Public library services
 School library services
 Other school-based services
 None of the above - the employer does not qualify.

SECTION 4: EMPLOYER CERTIFICATION (TO BE COMPLETED BY THE EMPLOYER)

By signing, I **certify** (1) that the information in Section 3 is true, complete, and correct to the best of my knowledge and belief, (2) that I am an authorized official (see Section 6) of the organization named in Section 3, and (3) that the borrower named in Section 1 is or was an employee of the organization named in Section 3.

Note: If any of the information is crossed out or altered in Section 3, you must initial those changes.

Official's Name _____ Official's Phone _____

Official's Title _____ Official's Email _____

Authorized Official's Signature _____

Date _____

SECTION 5: INSTRUCTIONS FOR COMPLETING THE FORM

If you have made 120 qualifying payments and the certification in Sections 3 and 4 does not cover all of those payments, you must provide information about other employers by submitting one copy of Sections 1 and 2 (Page 1), and one copy of Sections 3 and 4 (Page 2) per employer. When completing this form, type or print using dark ink. Enter dates as month-day-year (mm-dd-yyyy). Use only numbers. Example: March 14, 2016 = 03-14-2016. For more information about PSLF and how to use this form, visit StudentAid.gov/publicservice. **Return the completed form to the address shown in Section 7.**

SECTION 6: DEFINITIONS

QUALIFYING PAYMENT DEFINITIONS

Qualifying payments are separate, on-time, full monthly payments made on an eligible loan after October 1, 2007 under a qualifying repayment plan while employed full-time by a qualifying employer.

An **on-time payment** is a payment made no more than 15 days after the due date for the payment.

Eligible loans are loans made under the William D. Ford Federal Direct Loan (Direct Loan) Program that are not in default.

Qualifying repayment plans include the Revised Pay As You Earn (REPAYE) plan, the Pay As You Earn (PAYE) plan, the Income-Based Repayment (IBR) plan, the Income-Contingent Repayment (ICR) plan, the Standard Repayment plan with a maximum 10-year repayment period, and any other Direct Loan repayment plan if payments are at least equal to the monthly payment amount that would be required under the Standard Repayment plan with a 10-year repayment period.

QUALIFYING EMPLOYMENT DEFINITIONS

A **Qualifying employer** includes the government, a not-for-profit organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, or a private not-for-profit organization that provides certain public services. Serving in an AmeriCorps or Peace Corps position is also qualifying employment.

Government includes a Federal, State, local or Tribal government organization, agency or entity; a public child or family service agency; or a Tribal college or university.

A **private not-for-profit organization** is an organization that is not organized for profit, is not a labor union, is not a partisan political organization, and provides at least one of the following public services as its primary purpose: (1) emergency management, (2) military service, (3) public safety, (4) law enforcement, (5) public interest legal services, (6) early childhood education, (7) public service for individuals with disabilities and the elderly, (8) public health, (9) public education, (10) public library services, (11) school library services, or (12) other school-based services.

AmeriCorps position means a position approved by the Corporation for National and Community Service under Section 123 of the National and Community Service Act of 1990 (42 U.S.C. 12573).

Peace Corps position means a full-time assignment under the Peace Corps Act as provided for under 22 U.S.C. 2504.

QUALIFYING EMPLOYMENT DEFINITIONS (CONTINUED)

An **employee** means an individual who is hired and paid by the qualifying employer.

Full-time means working for one or more qualifying employers for the greater of: (1) An annual average of at least 30 hours per week or, for a contractual or employment period of at least 8 months, an average of 30 hours per week; or (2) Unless the qualifying employment is with two or more employers, the number of hours the employer considers full time.

An **authorized official** is an official of a qualifying employer who has access to the borrower's employment or service records and is authorized by the employer to certify the employment status of the organization's employees or former employees, or the service of AmeriCorps or Peace Corps volunteers.

Early childhood education includes licensed or regulated child care, Head Start, and State funded pre-kindergarten.

Law enforcement means crime prevention, control or reduction of crime, or the enforcement of criminal law.

Military service means service on behalf of the U. S. Armed Forces or the National Guard.

Public education includes services that provide educational enrichment or support directly to students or their families in a school or a school-like setting.

Public interest legal services refers to legal services that are funded in whole or in part by a local, State, Federal, or Tribal government.

Public health includes nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in [health care practitioner occupations](#) and [health support occupations](#), as such terms are defined by the Bureau of Labor Statistics.

OTHER DEFINITIONS

A **forbearance** is a period during which you are allowed to postpone making payments temporarily, allowed an extension of time for making payments, or temporarily allowed to make smaller payments than scheduled. A forbearance can be a mandatory forbearance, meaning that your loan holder must grant the forbearance if you qualify for the forbearance and supply all supporting documentation. A forbearance can also be a discretionary forbearance, meaning that your loan holder may grant the forbearance, but is not required to do so.

SECTION 7: WHERE TO SEND THE COMPLETED FORM

Return the completed form and any documentation to:

Mail to: U.S. Department of Education, FedLoan Servicing,
P.O. Box 69184, Harrisburg, PA 17106-9184.

Fax to: 717-720-1628.

Upload to: MyFedLoan.org/FileUpload, if FedLoan Servicing is already your servicer.

SECTION 8: IMPORTANT INFORMATION ABOUT PSLF

You may receive loan forgiveness under this program only after you have made 120 qualifying payments (see "Payment Eligibility") on eligible loans (see "Loan Eligibility" on page 5) while working full-time in qualifying employment (see "Employment Eligibility" on page 5).

PAYMENT ELIGIBILITY

To receive PSLF, you must make 120 on-time, full, scheduled, separate monthly payments on your Direct Loans under a qualifying repayment plan after October 1, 2007.

On-time payments are those that are received by your servicer no later than 15 days after the scheduled payment due date.

Full payments are payments on your Direct Loan in an amount that equals or exceeds the amount you are required to pay each month under your repayment schedule. If you make a payment that is less than what you are required to pay for that month, that month's payment will not count as one of the required 120 qualifying payments. If you make multiple, partial payments in a month and the total of those partial payments equals or exceeds the required full monthly payment amount, those payments will count as one qualifying payment.

Scheduled payments are those that are made while you are in repayment. They do not include payments made while your loans are in an in-school or grace status, or in a deferment or forbearance period.

You must make separate monthly payments. Except as explained below, lump sum payments or payments you make as advance payments for future months do not count as more than one qualifying payment. If you want to pay more than your scheduled monthly payment amount, follow the instructions on your bill to let your servicer know that your payment is not intended to cover future installments. Otherwise, you may not receive credit for future qualifying payments.

If you were an AmeriCorps or Peace Corps volunteer, you may receive credit for making qualifying payments if you make a lump sum payment by using all or part of a Segal Education Award or Peace Corps transition payment.

You may also receive credit for qualifying payments if a lump sum payment is made on your behalf through a student loan repayment program administered by the U.S. Department of Defense (DOD).

If you need help completing this form, call:

Domestic: 855-265-4038.

International: 717-720-1985.

TTY: dial 711, then enter 800-699-2908.

Website: MyFedLoan.org.

PAYMENT ELIGIBILITY (CONTINUED)

If you make a lump sum payment by using an AmeriCorps Segal Education Award or a Peace Corps transition payment, or if a lump sum payment is made on your behalf through a DOD student loan repayment program, the Department will give you credit for qualifying payments equal to the lesser of **(1)** the number of payments resulting after dividing the amount of the lump sum payment by the monthly payment amount you would have made under one of the qualifying repayment plans listed below; or **(2)** 12 payments.

If you make an eligible lump sum payment using a Peace Corps transition payment, you must do so within 6 months of the Employment End Date, as reported in Section 3.

You may only use an AmeriCorps Segal Education Award or Peace Corps transition payment one time to receive credit for more than one qualifying payment towards PSLF. However, lump sum payments made on your behalf under a DOD student loan repayment program may be counted as up to 12 qualifying payments for each year that a lump sum payment is made.

Your payments must be made under a qualifying repayment plan. Qualifying repayment plans include the REPAYE plan, the PAYE plan, the IBR plan, the ICR plan, the 10-Year Standard Repayment plan, or any other Direct Loan repayment plan, but only payments that are at least equal to the monthly payment amount that would be required under the 10-Year Standard Repayment plan.

Though repayment plans other than the REPAYE, PAYE, IBR, and ICR plans are qualifying repayment plans for PSLF, you must enter REPAYE, PAYE, IBR, or ICR to have a remaining balance to forgive after becoming eligible for PSLF. Otherwise, your loans will be fully repaid within 10 years. To apply for these plans, visit StudentLoans.gov.

IMPORTANT: The Standard Repayment Plan for Direct Consolidation Loans made on or after July 1, 2006 has repayment periods that range from 10 to 30 years. Monthly payments you make under this plan are qualifying payments only if the repayment period is 10 years, which would be the case only if the total amount of the consolidation loan and your other eligible student loans is less than \$7,500.

SECTION 8: IMPORTANT INFORMATION ABOUT PSLF (CONTINUED)

LOAN ELIGIBILITY

Only Direct Loan Program loans that are not in default are eligible for PSLF. Loans you received under the Federal Family Education Loan (FFEL) Program, the Federal Perkins Loan (Perkins Loan) Program, or any other student loan program are not eligible for PSLF.

If you have FFEL Program or Perkins Loan Program loans, you may consolidate them into a Direct Consolidation Loan to take advantage of PSLF. However, payments made on your FFEL Program or Perkins Loan Program loans before you consolidated them, even if they were made under a qualifying repayment plan, do not count as qualifying PSLF payments. In addition, if you made qualifying payments on a Direct Loan and then consolidate it into a Direct Consolidation Loan, you must start over making qualifying payments on the new Direct Consolidation Loan.

If you are planning to consolidate your FFEL Program or Perkins Loan Program loans into a Direct Consolidation Loan to take advantage of PSLF and do not have any Direct Loans, do not submit this form until you have consolidated your loans. The online application for Direct Consolidation Loans contains a section that allows you to indicate that you are consolidating your loans for PSLF. If you plan to consolidate Perkins Loan Program loans, first understand that Perkins Loan Program loans may be cancelled for certain types of public service. If you consolidate a Perkins Loan Program loan, you will no longer be eligible for Perkins cancellation. The online application is available at StudentLoans.gov. If you don't know whether you have Direct Loans, go to StudentAid.gov/login.

EMPLOYMENT ELIGIBILITY

To qualify for PSLF, you must be an employee of a qualifying employer. An employee is someone who is hired and paid by the employer. You may physically perform your work at a qualifying or non-qualifying organization, as long as you are an employee of a qualifying employer. If you are working at the location of or with an organization under contract with your employer, the organization that hired and pays you must be a qualifying employer, not the organization where you perform your work.

A qualifying organization is a government organization, a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, or a private not-for-profit organization that provides certain public services. Service in an AmeriCorps or Peace Corps position is also qualifying employment.

EMPLOYMENT ELIGIBILITY (CONTINUED)

A private not-for-profit organization that is not a tax-exempt organization under Section 501(c)(3) of the IRC may be a qualifying organization if it provides certain specified public services. These services include emergency management, military service, public safety, or law enforcement services; public health services; public education or public library services; school library and other school-based services; public interest legal services; early childhood education; public service for individuals with disabilities and the elderly. The organization must not be a business organized for profit, a labor union, or a partisan political organization.

Employment as a member of the U.S. Congress is not qualifying employment.

You must be employed full-time by your employer.

Generally, you must meet your employer's definition of full-time. However, for PSLF purposes, that definition must be at least an annual average of 30 hours per week. For purposes of the full-time requirement, your qualifying employment at a 501(c)(3) organization or a not-for-profit organization does not include time spent participating in religious instruction, worship services, or any form of proselytizing.

If you are a teacher or in another position under contract for at least eight out of 12 months, you meet the full-time standard if you work an average of at least 30 hours per week during the contractual period and receive credit by your employer for a full year's worth of employment.

If you are employed in more than one qualifying part-time job simultaneously, you may meet the full-time employment requirement if you work a combined average of at least 30 hours per week with your employers.

Vacation or leave time provided by the employer or leave taken for a condition that is a qualifying reason for leave under the Family and Medical Leave Act of 1993, 29, U.S.C. 2612(a)(1) and (3) is equivalent to hours worked in qualifying employment.

OTHER IMPORTANT INFORMATION

If you submit this form and your employer qualifies, all of your loans held by the Department will be transferred to FedLoan Servicing. FedLoan Servicing will then determine how many qualifying payments you made during the period of qualifying employment within the dates provided in Section 3.

You are not permitted to apply the same period of service to receive PSLF and the Teacher Loan Forgiveness and Civil Legal Assistance Attorney Student Loan Repayment programs.

SECTION 9: IMPORTANT NOTICES

Privacy Act Notice. The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authorities for collecting the requested information from and about you are §421 et seq., §451 et seq., or §461 of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 et seq., 20 U.S.C. 1087a et seq., or 20 U.S.C. 1087aa et seq.) and the authorities for collecting and using your Social Security Number (SSN) are §§428B(f) and 484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program, Federal Family Education Loan (FFEL) Program, or Federal Perkins Loan (Perkins Loan) Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan, FFEL, or Federal Perkins Loan Programs, to permit the servicing of your loans, and, if it becomes necessary, to locate you and to collect and report on your loans if your loans become delinquent or default. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loans, to enforce the terms of the loans, to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions.

To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment statuses, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

Paperwork Reduction Notice. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0110. Public reporting burden for this collection of information is estimated to average 30 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain a benefit in accordance with 34 CFR 685.219. If you have comments or concerns regarding the status of your individual submission of this form, please contact your loan holder directly (see Section 7).

APPENDIX D: TPD DISCHARGE APPLICATION



TPD-APP

DISCHARGE APPLICATION: TOTAL AND PERMANENT DISABILITY

William D. Ford Federal Direct Loan (Direct Loan) Program / Federal Family Education Loan (FFEL) Program / Federal Perkins Loan (Perkins Loan) Program / TEACH Grant Program

OMB No. 1845-0065
Form Approved
Exp. Date 09/30/2019

This is an application for a total and permanent disability discharge of your Direct Loan, FFEL, and/or Perkins Loan program loan(s), and/or your Teacher Education Assistance for College and Higher Education (TEACH) Grant Program service obligation.

Throughout this application, the words "we," "us," and "our" refer to the U.S. Department of Education.

Make sure that Section 2, Section 3, and (if required) Section 4 include all requested information. Incomplete or inaccurate information may cause your application to be delayed or rejected.

To qualify for this discharge, you must submit documentation from **one** of the following sources:

1. The U.S. Department of Veterans Affairs (VA) **OR**
2. The Social Security Administration (SSA) **OR**
3. A physician's certification in Section 4 of this form

Except for VA or SSA determinations described below, a disability determination by another federal or state agency does not qualify you for this discharge.

U.S. Department of Veterans Affairs Documentation

If you are a veteran who has been determined by the VA to be unemployable due to a service-connected disability, you may qualify for discharge by providing documentation from the VA showing that you have received one of the following two types of VA disability determinations:

1. A determination that you have a service-connected disability (or disabilities) that is 100% disabling.
2. A determination that you are totally disabled based on an individual unemployability rating.

You do not qualify for discharge based on a VA disability determination if your disability is not service-connected.

Social Security Administration Documentation

If you are eligible for Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI), you may qualify for discharge by providing a copy of your notice of award or Benefits Planning Query (BPQY) from the SSA. You only qualify for a discharge based on this documentation if it shows that your next scheduled disability review will be 5 to 7 years or more from the date of your last SSA disability determination.

If you want to submit a BPQY but do not have one, contact the SSA office that issued your award and request form SSA-2459. You may also request a BPQY by calling 1-800-772-1213 or by visiting www.ssa.gov.

If you are granted a discharge based on SSA documentation, we will monitor your status during a 3-year monitoring period. Your discharged loans or TEACH Grant service obligation may be reinstated if you do not meet certain requirements, as explained in Section 6 of this form.

Physician Certification

You may qualify for discharge by having a physician complete Section 4 of this application. The physician must certify that you are unable to engage in any substantial gainful activity (see definition in Section 5) by reason of a medically determinable physical or mental impairment that:

1. Can be expected to result in death;
2. Has lasted for a continuous period of at least 60 months; or
3. Can be expected to last for a continuous period of at least 60 months.

If you are granted a discharge based on a physician's certification, we will monitor your status during a 3-year monitoring period. Your discharged loans or TEACH Grant service obligation may be reinstated if you do not meet certain requirements, as explained in Section 6 of this form.

Important Tax Information

Loan amounts discharged due to total and permanent disability may be considered taxable income by the Internal Revenue Service (IRS). Contact the IRS for more information.

How to Designate Someone to Represent You

If you wish to designate an individual or organization to represent you in matters related to your total and permanent disability discharge request, you must complete the Applicant Representative Designation: Total and Permanent Disability form. You may obtain this form from our Total and Permanent Disability Discharge Servicer (see below for contact information).

WHERE TO SEND YOUR COMPLETED APPLICATION AND DOCUMENTATION

U.S. Department of Education - TPD Servicing
P.O. Box 87130
Lincoln, NE 68501-7130
Fax: 303-696-5250

IF YOU NEED HELP COMPLETING THE APPLICATION

Phone: 1-888-303-7818 (TTY: dial 711, then phone no.)
Email: disabilityinformation@nelnet.com
Website: www.disabilitydischarge.com



TPD-APP

DISCHARGE APPLICATION: TOTAL AND PERMANENT DISABILITY

OMB No. 1845-0065
Form Approved
Exp. Date 09/30/2019

William D. Ford Federal Direct Loan (Direct Loan) Program / Federal Family Education Loan (FFEL) Program / Federal Perkins Loan (Perkins Loan) Program / TEACH Grant Program

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying document is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

SECTION 1: APPLICANT INFORMATION

Please enter or correct the following information.

Check this box if any of your information has changed.

SSN _____

Date of Birth _____

Name _____

Address _____

City _____ State _____ Zip Code _____

Telephone - Primary _____

Telephone - Alternate _____

Email (Optional) _____

SECTION 2: TOTAL AND PERMANENT DISABILITY INFORMATION

Carefully read the entire application. Type or print in dark ink. Sign and date the application in Section 3.

- Are you a veteran who has received a determination from the U.S. Department of Veterans Affairs (VA) that you are **unemployable due to a service-connected disability**?
 - Yes - Attach documentation of the VA determination and complete Section 3. You do not need to have a physician complete Section 4.
 - No - Continue to Item 2.
- Are you currently receiving SSDI or SSI benefits, and does your most recent notice of award of Benefits Planning Query (BPQY) from the SSA state that **your next scheduled disability review will be 5 to 7 years or more from the date of your last SSA disability determination**?
 - Yes - Attach a copy of your most recent SSA notice of award or BPQY and complete Section 3. You do not need to have a physician complete Section 4.
 - No - Complete Section 3 and have a physician complete and sign Section 4.

SECTION 3: APPLICANT'S REQUEST, AUTHORIZATION, UNDERSTANDINGS, AND CERTIFICATIONS

I request that the U.S. Department of Education discharge my Direct Loan, FFEL, and/or Perkins Loan program loan(s), and/or my TEACH Grant service obligation.

I authorize any physician, hospital, or other institution having records about the disability that is the basis for my request for a discharge to make information from those records available to the U.S. Department of Education.

I understand that:

- If I am applying for a discharge based on a physician's certification in Section 4, **I must submit this application to the U.S. Department of Education within 90 days of the date of my physician's signature in Section 4.**
- If I am a veteran who answered No to Item 1 in Section 2, and I obtained a certification from a physician in Section 4, that certification is only for purposes of determining my eligibility for a discharge of my loan(s) or TEACH Grant service obligation, and is not for purposes of determining my eligibility for, or the extent of my eligibility for, VA benefits.

I certify that: (1) I have a total and permanent disability, as defined in Section 5; and (2) I have read and understand the information in Sections 6 and 7.

Applicant's or Representative's Signature	Date	Representative Name (if applicable)

NOTE: You may designate someone to represent you in matters related to your application. If you wish to designate a representative, you must complete the Applicant Representative Designation: Total and Permanent Disability form.

Applicant Name _____

Applicant SSN _____

SECTION 4: PHYSICIAN'S CERTIFICATION

Print legibly and initial any changes. Return the form to the applicant or representative.

Applicant Identification

1. Provide the below information regarding the individual for whom you are completing this Section:

Name _____

Date of Birth _____

Medically Determinable Physical or Mental Impairment

2. Does the applicant have a medically determinable physical or mental impairment that prevents the applicant from engaging in any substantial gainful activity?

Substantial gainful activity means a level of work performed for pay or profit that involves doing significant physical or mental activities or a combination of both. If the applicant is able to engage in any substantial gainful activity in any field of work, you must answer "No".

Yes - Continue to Item 3.

No - Do not complete this application.

Severity/Duration of Physical or Mental Impairment

3. Is the applicant's impairment expected to result in death?

Yes - Skip to Item 5.

No - Continue to Item 4.

4. Has the applicant's impairment lasted or is it expected to last for a continuous period of at least 60 months?

Yes - Continue to Item 5.

No - Do not complete this application.

Disabling Condition

Do not use insurance codes or abbreviations.

5. Provide your diagnosis of the applicant's impairment:

6. Describe the severity of the applicant's impairment, including, if applicable, the phase of the impairment:

Limitations

Explain how the condition prevents the applicant from engaging in any substantial gainful activity in any field of work. Attach additional pages if needed. Enter "N/A" if not applicable. You may include additional information you believe is helpful in understanding the applicant's condition, such as medications or procedures used to treat the condition.

7. Limitations on sitting, standing, walking, or lifting:

8. Limitations on activities of daily living:

9. Residual functionality:

10. Social/behavioral limitations (if any):

11. Global Assessment Function Score (for psychiatric conditions):

Physician's Certification

I **certify** that, in my best professional judgment, the applicant identified in Item 1 has a medically determinable physical or mental impairment consistent with my responses in Items 2 through 10.

I **understand** that an applicant who is currently able to engage in any substantial gainful activity in any field of work does not have a total and permanent disability as defined on this form.

I am a doctor of: medicine osteopathy/osteopathic medicine

State Where Legally Authorized to Practice* _____ Professional License Number (subject to verification; stamp is acceptable) _____

*If you are licensed to practice in American Samoa, Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands, the Marshall Islands, Micronesia, or Palau, attach a copy of your professional license that clearly shows the expiration date.

Physician's Signature (a stamp is not acceptable) _____

Date (mm-dd-yyyy) _____

Physician Name (First, Middle, Last) _____

Email _____

Telephone _____

Address (a stamp is acceptable) _____

Page 3 of 8

Fax _____

SECTION 5: DEFINITIONS

If you have a **total and permanent disability**, this means that: **(1)** you are unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death, or that has lasted for a continuous period of not less than 60 months, or that can be expected to last for a continuous period of not less than 60 months; **OR (2)** you are a veteran who has been determined by the VA to be unemployable due to a service-connected disability. Except for certain individuals who have received SSA notices of award for SSDI or SSI benefits, or for certain veterans, a disability determination by another federal or state agency does not establish your eligibility for a discharge of your loan(s) and/or TEACH Grant service obligation due to a total and permanent disability.

Substantial gainful activity means a level of work performed for pay or profit that involves doing significant physical or mental activities, or a combination of both.

A **discharge of a loan** due to a total and permanent disability cancels your obligation (and, if applicable, an endorser's obligation) to repay the remaining balance on your Direct Loan, FFEL, and/or Perkins Loan program loans. A **discharge of a TEACH Grant service obligation** cancels your obligation to complete the teaching service that you agreed to perform as a condition for receiving a TEACH Grant.

The **post-discharge monitoring period** begins on the date we grant a discharge of your loan(s) or TEACH Grant service obligation and lasts for three years. If you fail to meet certain conditions at any time during or at the end of the post-discharge monitoring period, we will reinstate your obligation to repay your loan(s) or complete your TEACH Grant service. See Section 6 for more information.

Note to Veterans: The post-discharge monitoring period does not apply if you are a veteran who receives a discharge based on a determination from the VA that you are unemployable due to a service-connected disability.

The **William D. Ford Federal Direct Loan (Direct Loan) Program** includes Federal Direct Stafford/Ford Loans (Direct Subsidized Loans), Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans), Federal Direct PLUS Loans (Direct PLUS Loans), and Federal Direct Consolidation Loans (Direct Consolidation Loans).

The **Federal Family Education Loan (FFEL) Program** includes Federal Stafford Loans (both subsidized and unsubsidized), Federal Supplemental Loans for Students (SLS), Federal PLUS Loans, and Federal Consolidation Loans.

The **Federal Perkins Loan (Perkins Loan) Program** includes Federal Perkins Loans, National Direct Student Loans (NDSL), and National Defense Student Loans (Defense Loans).

The **Teacher Education Assistance for College and Higher Education (TEACH) Grant Program** requires individuals to complete a teaching service obligation as a condition for receiving a TEACH Grant.

The **holder** of your FFEL Program loan(s) may be a lender, a guaranty agency, or the U.S. Department of Education. The holder of your Perkins Loan Program loan(s) may be a school you attended or the U.S. Department of Education. The holder of your Direct Loan Program loan(s) and/or your TEACH Grant Agreement to Serve (if you received a TEACH Grant) is the U.S. Department of Education. Your loan holder may use a servicer to handle billing and other matters related to your loan. The term "holder" as used on this application means either your loan holder or, if applicable, your loan servicer.

The term "**state**" for purposes of the physician's certification in Section 4 (the physician must be licensed to practice in a state) includes the 50 United States, the District of Columbia, American Samoa, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

A **representative** is a member of your family, your attorney, a law firm or legal aid society, or another individual or organization authorized to act on your behalf in connection with your total and permanent disability discharge application.

SECTION 6: DISCHARGE PROCESS / ELIGIBILITY REQUIREMENTS / TERMS AND CONDITIONS FOR DISCHARGE

Applying for discharge (all applicants):

Submission of discharge application. After you submit your completed application and documentation to us, we will send you a notice that will:

- Acknowledge receipt of your application;
- Explain the process for our review of your application; and
- Inform you that you are not required to make any payments on your loans while we review your application for discharge.

Consequences of failure to submit an application. If you do not submit an application to us within 120 days of notifying us that you intend to submit an application, collection activity will resume on your loans, and your loan holder may capitalize any unpaid interest. This means that the unpaid interest will be added to the principal balance of your loans, and interest will then be charged on the increased loan principal amount. However, if you have a FFEL Program loan and the loan holder is a guaranty agency, or if you have a Federal Perkins Loan, unpaid interest will not be capitalized.

SECTION 6: DISCHARGE PROCESS / ELIGIBILITY REQUIREMENTS / TERMS AND CONDITIONS FOR DISCHARGE (CTD.)

Discharge process for veterans who have been determined by the VA to be unemployable due to a service-connected disability:

Our review of your discharge application. We will review the documentation from the VA to determine if you are totally and permanently disabled as described in item (2) of the definition of "total and permanent disability" in Section 5 of this application.

Determination of eligibility or ineligibility for discharge. If we determine that you are totally and permanently disabled, you will be notified that your loans and/or TEACH Grant service obligation has been discharged. The discharge will be reported to nationwide consumer reporting agencies, and any loan payments received on your loan on or after the effective date of the determination by the VA that you are unemployable due to a service-connected disability will be refunded to the person who made the payments.

If we determine that you are **not** totally and permanently disabled, you will be notified of that determination. The notification will include:

- The reason or reasons for the denial of your discharge application;
- An explanation that your loans are due and payable to the loan holder under the terms of the promissory note that you signed and that your loans will return to the status they were in at the time you applied for a total and permanent disability discharge;
- An explanation that your loan holder will notify you of the date you must resume making payments on your loans; and
- An explanation that if you applied for a discharge of a TEACH Grant service obligation, you must comply with all terms and conditions of your TEACH Grant Agreement to Serve.

The notification will also explain your ability to request reconsideration of this determination or to submit a new discharge application:

- You may request that we re-evaluate your discharge application by providing additional documentation from the VA that supports your eligibility for discharge. If you provide this documentation within 12 months of the date of our notification that you are ineligible for discharge, you do not have to submit a new application. After 12 months, a new application is required.
- If the documentation from the VA does not indicate that you are unemployable due to a service-connected disability, you may reapply for discharge under the "Discharge Process For All Other Applicants". You must submit a new application with the required documentation from the SSA or a physician's certification in Section 4.

Discharge process for all other applicants:

Our review of your discharge application. If you submit a discharge application supported by an award of benefits notice from the SSA or an SSA Benefits Planning Query (BPQY), we will review that documentation to determine if it meets the requirements described in Section 2, Item 2 of this form.

If you submit a discharge application supported by a physician's certification in Section 4 of this application, we will review the physician's certification and any accompanying documentation to determine if you are totally and permanently disabled as described in item (1) of the definition of "total and permanent disability" in Section 5 of this application. We may also contact your physician for additional information, or may arrange for an additional review of your condition by an independent physician at our expense. Based on the results of this review, we will determine your eligibility for discharge.

If we determine during our review of your application that you received a Direct Loan or Perkins Loan program loan, or a TEACH Grant before the date we received the SSA notice of award (or BPQY) or before the date the physician certified your application in Section 4, and a disbursement of that loan or grant is made after that date, but before we have granted a discharge, we will suspend processing of your discharge request until you ensure that the full amount of the disbursement is returned to the loan holder or (for a TEACH Grant) to us.

If you apply for a total and permanent disability discharge and we determine as part of our review that a new Direct Loan or Perkins Loan program loan or a new TEACH Grant was made to you on or after the date we received the SSA notice of award (or BPQY) or the date the physician certified your application in Section 4, and before the date we grant a discharge, we will deny your discharge request. Collection will resume on your loans and you will again be responsible for complying with the terms and conditions of your TEACH Grant Agreement to Serve.

Determination of eligibility or ineligibility for discharge. If we determine that you are totally and permanently disabled, we will notify you that a discharge has been approved, and that you will be subject to a post-discharge monitoring period for three years beginning on the discharge date. The notification of discharge will explain the terms and conditions under which we will reinstate your obligation to repay your loan or to complete your TEACH service. The discharge will be reported to nationwide consumer reporting agencies, and any loan payments that were received after the date we received the SSA notice of award (or BPQY) or after the date the physician certified your discharge application will be returned to the person who made the payments.

SECTION 6: DISCHARGE PROCESS / ELIGIBILITY REQUIREMENTS / TERMS AND CONDITIONS FOR DISCHARGE (CTD.)

Discharge process for all other applicants (continued):

Determination of eligibility or ineligibility for discharge (continued).

If we determine that you are **not** totally and permanently disabled, you will be notified of that determination. The notification will include:

- The reason or reasons for the denial of your discharge application;
- An explanation that your loans are due and payable to the loan holder under the terms of the promissory note that you signed and that your loans will return to the status that would have existed if your total and permanent disability discharge application had not been received;
- An explanation that your loan holder will notify you of the date you must resume making payments on your loans;
- An explanation that if you applied for a discharge of a TEACH Grant service obligation, you must comply with all terms and conditions of your TEACH Grant Agreement to Serve;
- An explanation that you are not required to submit a new total and permanent disability discharge application if, within 12 months of the date of our notification to you that you are ineligible for discharge, you provide additional information regarding your disabling condition that supports your eligibility for discharge, and you request that we re-evaluate your discharge application; and
- An explanation that if you do not request re-evaluation of your prior discharge application within 12 months of the date of our notification of ineligibility for discharge, and you still wish to have us re-evaluate your eligibility for a total and permanent disability discharge, you must submit a new total and permanent disability discharge application to us.
- If you request a re-evaluation of your total and permanent disability discharge application or submit a new total and permanent disability discharge application, as described above, your request must include new information regarding your disabling condition that was not provided to us in connection with your prior application for discharge.

Post-discharge monitoring period. If you are granted a discharge, we will monitor your status during the 3-year post-discharge monitoring period that begins on the date the discharge is granted.

We will reinstate the requirement for you to repay your loans and/or complete your TEACH Grant service if, at any time during or at the end of the post-discharge monitoring period, you:

- Receive annual earnings from employment that exceed the poverty guideline amount (see **Note** below) for a family of two in your state, regardless of your actual family size;
- Receive a new loan under the Direct Loan Program or the Perkins Loan Program, or a new TEACH Grant;
- Receive a disbursement of a Direct Loan Program or Perkins Loan Program loan or a TEACH Grant that was initially disbursed prior to your discharge date and you fail to ensure that the disbursement is returned to the loan holder or (for a TEACH Grant) to us within 120 days of the disbursement date; or
- Receive a notice from the SSA indicating that you are no longer disabled or that your continuing disability review will no longer be the 5- to 7-year period indicated in the SSA notice of award or BPQY.

During the 3-year post-discharge monitoring period, you (or your representative) must:

- Promptly notify us of any changes in your address or telephone number;
- Promptly notify us if your annual earnings from employment exceed the poverty guideline amount for a family of two in your state (see **Note** below), regardless of your actual family size;
- Upon request, provide us with documentation of your annual earnings from employment, on a form that we will provide; and
- Promptly notify us if you receive a notice from the SSA indicating that you are no longer disabled or that your continuing disability review will no longer be the 5- to 7-year period indicated in the SSA notice of award or BPQY (after you had been previously determined to be disabled by the SSA, were receiving SSDI or SSI benefits, and had a continuing disability review period of 5 to 7 years or more from the date of your last SSA disability determination).

Note: The poverty guideline amounts are updated annually and may be obtained at <http://aspe.hhs.gov/poverty>. We will notify you of the current poverty guideline amounts during each year of the post-discharge monitoring period.

SECTION 6: DISCHARGE PROCESS / ELIGIBILITY REQUIREMENTS / TERMS AND CONDITIONS FOR DISCHARGE (CTD.)

Discharge process for all other applicants (continued):

Reinstatement of obligation to repay discharged loans or complete discharged TEACH Grant service obligation. If you do not meet the requirements described above at any time during or at the end of the post-discharge monitoring period, we will reinstate your obligation to repay your loans and/or to complete your TEACH Grant service. If your loans are reinstated, you will be responsible for repaying your loans to us in accordance with the terms of your promissory note(s). Your loans will be returned to the status that would have existed if we had not received your total and permanent disability discharge application. However, you will not be required to pay interest on your loans for the period from the date of the discharge until the date your repayment obligation was reinstated. We will be your loan holder. If your TEACH Grant service obligation is reinstated, you will again be subject to the requirements of your TEACH Grant Agreement to Serve. If you do not meet the terms of that agreement and the TEACH Grant funds you received are converted to a Direct Unsubsidized Loan, you must repay that loan in full, and interest will be charged from the date(s) that the TEACH Grant funds were disbursed.

If your obligation to repay your loans or to complete your TEACH Grant service is reinstated, we will notify you of the reinstatement. This notification will include:

- The reason or reasons for the reinstatement;
- For loans, an explanation that the first payment due date on the loan following the reinstatement will be no earlier than 60 days following the date of the notification of reinstatement; and
- Information on how you may contact us if you have questions about the reinstatement, or if you believe that your obligation to repay a loan or complete TEACH Grant service was reinstated based on incorrect information.

SECTION 7: ELIGIBILITY REQUIREMENTS TO RECEIVE FUTURE LOANS OR TEACH GRANTS

For veterans who receive a total and permanent disability discharge based on a determination by the VA that they are unemployable due to a service-connected disability:

If you are a veteran who is granted a **discharge** based on a determination that you are totally and permanently disabled as described in item (2) of the definition of "total and permanent disability" in Section 5 of this application, you are not eligible to receive future loans under the Direct Loan Program or the Perkins Loan Program, or future TEACH Grants, unless:

- You obtain a certification from a physician that you are able to engage in substantial gainful activity; and
- You sign a statement acknowledging that the new loan or TEACH Grant service obligation cannot be discharged in the future on the basis of any injury or illness present at the time the new loan or TEACH Grant is made, unless your condition substantially deteriorates so that you are again totally and permanently disabled.

For all other individuals who receive a total and permanent disability discharge:

If you are granted a **discharge** based on a determination that you are totally and permanently disabled in accordance with item (1) of the definition of "total and permanent disability" in Section 5 of this application, you are not eligible to receive future loans under the Direct Loan Program or the Perkins Loan Program, or future TEACH Grants, unless:

- You obtain a certification from a physician that you are able to engage in substantial gainful activity;
- You sign a statement acknowledging that the new loan or TEACH Grant service obligation cannot be discharged in the future on the basis of any injury or illness present at the time the new loan or TEACH Grant is made, unless your condition substantially deteriorates so that you are again totally and permanently disabled; and
- If you request a Direct Loan Program or Perkins Loan Program loan, or a new TEACH Grant, within three years of the date that a previous loan or TEACH Grant was discharged, you resume payment on the previously discharged loan or acknowledge that you are once again subject to the terms of the TEACH Grant Agreement to Serve before receiving the new loan.

SECTION 8: WHERE TO SEND THE COMPLETED DISCHARGE APPLICATION

Return the completed form and any documentation to:

U.S. Department of Education - TPD Servicing
P.O. Box 87130
Lincoln, NE 68501-7130
Fax to: 303-696-5250
Email to: disabilityinformation@ednet.com

If you need help completing this form, contact us:

Phone: 1-888-303-7818 (TTY: dial 771, then phone no.)
Email: disabilityinformation@ednet.com
Website: www.disabilitydischarge.com

SECTION 9: IMPORTANT NOTICES

Privacy Act Notice. The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authorities for collecting the requested information from and about you are §421 et seq., §451 et seq., §461, or §420L of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 et seq., 20 U.S.C. 1087a et seq., 20 U.S.C. 1087aa et seq., or 20 U.S.C. 1070g et seq.) and the authorities for collecting and using your Social Security Number (SSN) are §§428B(f) and 484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the Direct Loan, FFEL, Perkins Loan, or TEACH Grant program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan, FFEL, Federal Perkins Loan or TEACH Grant Programs, to permit the servicing of your loans, and, if it becomes necessary, to locate you and to collect and report on your loans if your loans become delinquent or default. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loans, to enforce the terms of the loans, to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions.

To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment statuses, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

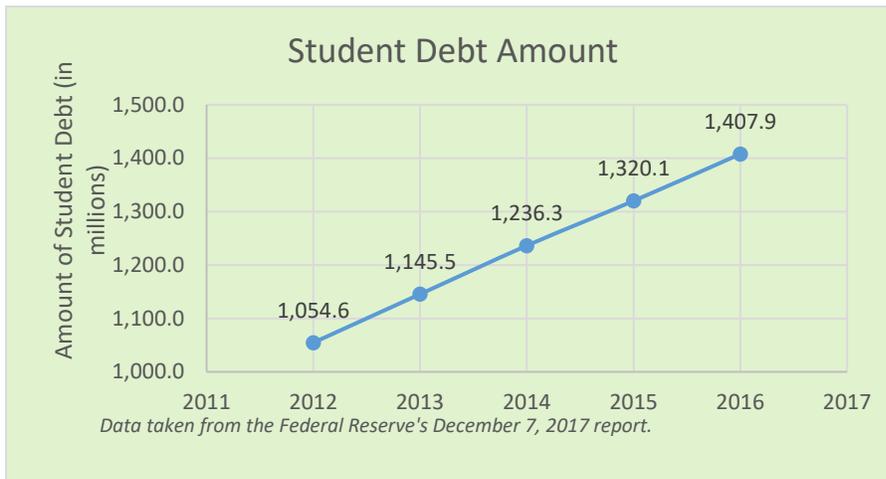
In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

Paperwork Reduction Notice. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0065. Public reporting burden for this collection of information is estimated to average 30 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain a benefit in accordance with 34 CFR 674.61 (b) or (c), 34 CFR 682.402(c)(2) or (c)(9), 34 CFR 685.213(b) or (c), and 34 CFR 686.42(b). If you have comments or concerns regarding the status of your individual submission of this form, please contact the U.S. Department of Education directly (see Section 6).

5. Default and Debt Collection

This chapter focuses on the consequences of default on federal and private student loans the different collection tools available to federal and private lenders; and legal protections borrowers have against certain debt collection practices.

Once a borrower takes out a student loan, it must be paid back. Borrowers should choose the repayment plan which works best for their financial situation. For more information on loan repayment, see the Repayment Options Chapter, beginning at pg. 49. The general rule is that the loan needs to be paid back in accordance with the terms of the loan. In some cases involving federal student loans, borrowers may be eligible for plans that alter the repayment schedule and amounts. In very rare cases, a borrower may even be eligible for partial or



complete discharge of the federal loan debt; e.g., 100% disabled veteran. Private, commercial loans generally do not contain such options; lenders may (or may not) choose to offer borrowers other options. However, some borrowers are not able to make consistent payments, and wind up **delinquent** or in

default. A loan becomes delinquent after the first day a borrower misses a payment, and remains delinquent until the borrower “pays the past due amount or makes other arrangements, such as deferment or forbearance, or change[s] repayment plans.”⁷⁷ A loan goes into default if it remains delinquent for a certain period of time. Federal loans are considered to be in default after 270 days of delinquency. Private loans can be much harsher, and some private loans are in default just one day after a missed payment.⁷⁸

Default is not uncommon. According to the Consumer Federation of America, 1.1 million Federal Direct Loan borrowers defaulted in 2016, bringing the total number of federal borrowers in default to 8.5 million.⁷⁹ One in ten federal student loan dollars is in default, with the total balance of defaulted federal loans having increased 14% from 2015 to reach \$137.4 billion.⁸⁰

When a borrower defaults on a federal or private student loan, private and federal lenders have various tools to collect on the debt. This is called debt collection. Some lenders contract with a debt collection agency to collect on the delinquent loan. A debt collection agency is paid a fee to

⁷⁷ *What is Delinquency?* U.S. DEP'T OF EDUC. <https://studentaid.ed.gov/sa/repay-loans/default> (last visited May 4, 2018).

⁷⁸ *Private Student Loans*, CONSUMER FIN. PROT. BUREAU (Aug. 29, 2012), https://files.consumerfinance.gov/f/201207_cfpb_Reports_Private-Student-Loans.pdf.

⁷⁹ *New Data: More Than 1.1 Million Federal Student Loan Defaults in 2016*, CONSUMER FIN. PROT. BUREAU (March 14, 2017), https://consumerfed.org/press_release/new-data-1-1-million-federal-student-loan-defaults-2016/

⁸⁰ *Id.*

pursue and collect on debts the loan holder has not been able to collect. Private lenders can contract with any number of private collection agencies. For federal loans, the Department of Education (“ED”) contracts with specific agencies. For a list of those agencies (current as of May 2018), see **Appendix A**, pg. [110](#).

CONSEQUENCES OF STUDENT LOAN DEFAULT

Default can have many negative consequences for student loan borrowers. Because of different collection tools available to the federal government, the consequences of default vary between private and federal student loans.

CONSEQUENCES OF FEDERAL LOAN DEFAULT	CONSEQUENCES OF PRIVATE LOAN DEFAULT
<ul style="list-style-type: none"> • “Acceleration” of federal student loan payments, meaning the entire balance of the loan (including interest) is due immediately⁸¹ • Borrower no longer eligible for forbearance or deferment, and loses flexibility in choosing a repayment plan⁸² • Borrower no longer eligible for additional federal student aid⁸³ • Any lawful fees charged by federally authorized debt collectors will be added to the student loan balance • Debt collectors may sue to collect on defaulted federal student loans • Defaulted loans are reported to credit agencies, which will result in damage to credit scores and can take years to repair • The federal government has the ability to utilize debt collection tools such as treasury offset and administrative wage garnishment, which are not available to private lenders (federal debt collection tools are detailed later in the chapter) 	<ul style="list-style-type: none"> • Potential acceleration student loan payments, meaning the entire balance of the loan (including interest) is due immediately.⁸⁴ Because private loans are not federally regulated, whether or not a loan will be accelerated depends on the lender • Any lawful fees charged by debt collectors may be added to the student loan balance • Debt collectors may sue to collect on defaulted federal student loans • Defaulted loans are reported to credit agencies, which will result in damage to credit scores and can take years to repair

⁸¹ *Federal Student Aid: Understanding Delinquency and Default*, U.S. DEP’T OF EDUC. <https://studentaid.ed.gov/sa/repay-loans/default/> (last visited May 4, 2018).

⁸² *Id.*

⁸³ *Id.*

⁸⁴ *Id.*

Because a credit score affects whether lenders will make future loans, and at what interest rate a lender is willing to make future loans, low credit scores can have long-lasting effects on whether borrowers will be able to take out future loans of any type, including mortgages, and how much they will ultimately pay on those loans due to heightened interest rates.

Private student loans have many of the same default consequences as federal student loans, and have different protections for borrowers. Default is defined specifically within the private student loan contract and promissory note and will vary depending on the loan and lender. Private borrowers should check their private loan contracts for details on what actions may constitute default. On average, private lenders consider a loan to be in default 120 days after a missed payment, although some lenders may consider a loan to be in default as soon as one day after a missed payment.⁸⁵ It is important for borrowers to understand their particular private lender's policies on default.

Federal loans have some very important programs that can help struggling borrowers fight their way out of default and in some cases, avoid default in the first place. On the other hand, collectors for federal loan have some special tools (discussed below) to extract funds from defaulting borrowers, including the ability to seize various benefit payments without even going to court. Private lenders do not have these potent collection tools and will generally hire third party debt collectors to force borrowers to pay, or sue for payment in court.⁸⁶

Both federal and private loan holders can take borrowers to court to force repayment. Declaring bankruptcy will not help a borrower. While possible, student loan debt is very difficult to discharge during a bankruptcy.

Servicemembers and Default: Special Considerations

Special issues arise concerning military servicemembers. As a practical matter, servicemembers often do not receive the notices from lenders, debt collectors, or others warning of impending problems or providing critical information. Lack of notice is particularly likely when deployed. Even if the servicemember receives notice, the constant moves and the rigors of military duty may make it difficult to respond adequately, or even in a timely manner.

In general, service members have the right to delay civil proceedings if their military duties materially interfere with their ability to appear and defend the lawsuit. In certain circumstances, servicemembers have the right to reopen default judgements and to re-litigate the issues. Additionally, service members may reduce pre-service obligations to 6% APR. For more information on the SCRA, see the SCRA Chapter, beginning at pg. [12](#).

Information concerning defaults, late payments, and other adverse matters will likely make its way to the borrower's credit report. These documents may be reviewed to determine security clearance eligibility.⁸⁷ For officers and many military specialties, a security clearance of secret or higher is required. Lack of the requisite security clearance can therefore limit a servicemember's professional progression and have negative consequences for advancement and retention in

⁸⁵ See *supra* note 78.

⁸⁶ National Consumer Law Center, Student Loan Law Ch. 6.1.3.2 (Consequences of Default on Private Student Loans) (4d ed. 2017), updated at www.nclc.org/library.

⁸⁷ *I'm a Servicemember and I'm Being Contacted by a Debt Collector About a Debt. What are my Rights and Where Can I get Help?*, CONSUMER FIN. PROT. BUREAU <https://www.consumerfinance.gov/ask-cfpb/im-a-servicemember-and-im-being-contacted-by-a-debt-collector-about-a-debt-what-are-my-rights-and-where-can-i-get-help-en-1495/> (last visited May 4, 2018).

the armed forces. Additionally, military superiors may consider personal matters, like financial issues, when rating subordinates' performance. In rare circumstances, if the borrower's failure to pay the debt is "dishonorable," failure to pay may rise to the level of criminal offense.⁸⁸

GETTING OUT OF DEFAULT

The best way to avoid default is for a borrower to make sure they are making timely payments. For more information, see the Repayment Options Chapter, beginning at pg. 49. If default does occur, there may be ways to get out of it. The largest difference between federal loan and private loan default are the mechanisms for getting out. Private lenders may differ on whether and how borrowers can get back on track and remove student loans for default. Federal loans, on the other hand, have programs that borrowers are entitled to participate in if they are eligible.

For federal Direct and FFEL loans, ED offers three ways for borrowers to get out of default: (1) rehabilitation, (2) consolidation (grouping multiple loans into one new loan), and (3) paying off the loan in full.⁸⁹ A chart comparing these three options for getting out of default is below.

	REHABILITATION	CONSOLIDATION	PAYMENT IN FULL
Basics	<p>Borrower enters rehabilitation agreement with loan holder⁹⁰</p> <p>Loan holder calculates a new monthly payment, equal to 15% of annual discretionary income (any amount of income above 150% of poverty level) divided by 12⁹¹</p> <p>Borrower makes 9 monthly payments in 10 months to remove default</p>	<p>Borrower consolidates eligible defaulted loans into a Direct Consolidation Loan and enters into an income-driven repayment plan. See Repayment Options Chapter, beginning at pg. 49.</p> <p>Borrower also may make 3 consecutive on-time payments on the defaulted loan and consolidate into a Direct Consolidation Loan under any repayment plan</p>	<p>Borrower pays remaining loan balance in full</p>

⁸⁸ Manual for Courts-Martial United States, Article 134, paragraph 71c. "More than negligence in nonpayment is necessary. The failure to pay must be characterized by deceit, evasion, false promises, or other distinctly culpable circumstances indicating a deliberate nonpayment or grossly indifferent attitude toward one's just obligations. For a debt to form the basis of this offense, the accused must not have had a defense, or an equivalent offset or counterclaim, either in fact or according to the accused's belief, at the time alleged. The offense should not be charged if there was a genuine dispute between the parties as to the facts or law relating to the debt which would affect the obligation of the accused to pay. The offense is not committed if the creditor or creditors involved are satisfied with the conduct of the debtor with respect to payment. The length of the period of nonpayment and any denial of indebtedness which the accused may have made may tend to prove that the accused's conduct was dishonorable, but the court-martial may convict only if it finds from all of the evidence that the conduct as in fact dishonorable."

⁸⁹ *Getting Out of Default*, FED. STUDENT AID: AN OFFICE OF THE U.S. DEP'T OF EDUC. <https://studentaid.ed.gov/sa/repay-loans/default/get-out#loan-rehab> (last visited May 4, 2018).

⁹⁰ A loan holder is the entity who holds a borrower's promissory note and is legally owed payment. Borrowers unsure of their loan holder's identity should check by logging into their FSA account at <https://studentaid.ed.gov/sa/>.

⁹¹ A loan holder may also calculate a lower monthly payment depending on borrower hardship.

	REHABILITATION	CONSOLIDATION	PAYMENT IN FULL
Pros	Record of default will be removed from credit record after rehabilitation Borrower will be eligible for deferment, forbearance, and loan forgiveness, and additional federal student aid	Borrower will be eligible for deferment, forbearance, and loan forgiveness, and additional federal student aid	Borrower will be eligible for additional federal student aid
Cons	Any wage garnishment or treasury offset will continue during rehabilitation payments Reported late payments will not be removed from credit record Takes 9 months to get out of default	If a loan is subject to administrative wage garnishment, the garnishment must be lifted prior to consolidation Consolidation does not remove record of default or pre-default late payments from credit history Direct Consolidation Loans in default must be consolidated with a different loan Any right to 6% APR for pre-service loan will be lost if consolidation is undertaken after commencement of military service	May be very difficult to pay loan balance in full Payment in full does not remove record of default or pre-default late payments from credit history

DEBT COLLECTION TOOLS AVAILABLE TO PRIVATE AND FEDERAL LENDERS

Contacting the Borrower

Lenders or debt collectors might begin a debt collection process by contacting the borrower to let the borrower know the debt is past due. Often, direct contact beyond a letter will encourage payment, or at least spur a borrower to attempt to work out a new repayment plan with their lender. However, direct contact which crosses the line into harassment or abuse is illegal, and there are limits on the kinds of contact debt collectors can make under the Fair Debt Collection Practices Act and state laws, which are discussed below.

It is important that in all communications with a debt collector, borrowers are careful not to admit to any debt, even if it is owed. In some cases, such admission can revive debt that is so old that the statute of limitations is a defense to a lawsuit for collection. In general, borrowers should ask debt collectors to validate the debt (provide documentary evidence that it is owed and prove the amount thereof).

Lawsuit

Lenders or debt collectors may also sue a borrower to collect on an unpaid debt in state court. In North Carolina if a lender wins a lawsuit, the court will then enter what is called a **judgment** against the borrower, which states the amount of money the court has determined the borrower owes. After obtaining a judgment, the lender may ask the court for a **garnishment order** or **writ of execution**.

A garnishment order is a court order that directs an employer to withhold wages from an employee and pay those wages directly to the lender. North Carolina has more strict wage garnishment laws than the federal government, but under the 1989 Defaulted Student Loan Recovery Act, garnishment orders can be issued for student loans.⁹²

A writ of execution begins a process by which a sheriff may seize and sell a borrower's property in order to pay off the judgment. This process requires notice to the borrower and an opportunity for the borrower to "exempt" certain types of property from seizure and sale.

A lawsuit for debt collection can be a stressful process with harsh consequences. If a borrower receives a court summons or notice that they are being sued on their student loan debt, it is very important that the borrower pay careful attention to the notice, seek counsel of an attorney, and show up to court on the date specified with any relevant documentation, including information about the loan, payments made, and current amount due. In certain cases, an attorney or public enforcement agency can negotiate a dismissal either outright or under circumstances, meaning a borrower does not need to appear in court.

Debt buyers purchase the right to collect on various debts from debt collectors. Often, debt buyers purchase a large number of such debts, for pennies on the dollar. Because of the extreme high volume, debt buyers are sometimes careless in initiating lawsuits.⁹³ A borrower may even be contacted, or sued, about a debt that is not owed. It is important to respond to such communications and lawsuits. A borrower will lose such a lawsuit if they, or their attorney does not show up, even if the suit is completely without merit. When a borrower appears in court, it is possible that they will win the case against the debt buyer, even if the money is owed, because the debt buyer is not likely to have the documents necessary to prove the case.

SPECIAL TOOLS AVAILABLE FOR FEDERAL STUDENT LOAN COLLECTION

In addition to the collection tools listed above, the federal government also has unique tools to collect payment on federal student loans that are not available to private lenders. If a borrower does not pay the amount of a federal student loan owed, the government is allowed to withhold money from tax refunds and other federal payments, or from wages, without the need for a lawsuit and court order.⁹⁴

⁹² *Garnishments in North Carolina*, N.C. DEP'T OF LABOR <https://www.labor.nc.gov/workplace-rights/employee-rights-regarding-time-worked-and-wages-earned/garnishments-north-carolina> (last visited May 4, 2018).

⁹³ For example, the Consumer Finance Protection Bureau took enforcement action against Encore Capital, one of the nation's biggest debt buyers, alleging illegal debt collection practices, consumer deceit, and robo-signing court documents without meaningful review. Encore entered into a consent order on September 9, 2015, agreeing to pay \$42 million refunds and a \$10 million fine. 2015-CFPB-0022,

⁹⁴ *Federal Student Aid: Collections*, U.S. DEP'T OF EDUC. <https://studentaid.ed.gov/sa/repay-loans/default/collections> (last visited May 4, 2018),

Treasury Offset

Withholding money from a tax refund or other federal payments is known as treasury offset. If a debt is owed to the government (like a federal student loan), the agency to which the debt is owed will forward the borrower's information to the U.S. Department of Treasury. The Department of Treasury will withhold money and redirect it to pay off the defaulted student loan.

The types of federal payments subject to treasury offset are:

- tax refunds (including Earned Income Tax Credit)
- federal wages, including military pay
- federal retirement benefits, including military retirement pay
- federal contractor/vendor payments
- certain federal benefit payments, including Social Security benefits (other than Supplemental Security Income), Railroad Retirement benefits (other than tier 2), and Black Lung (part B benefits)
- other federal payments that not exempt by law or Secretary of the Treasury action.⁹⁵

A notice of pending offset must be sent to the borrower sixty-five days prior to the offset.⁹⁶ The borrower has the right to request a review of his or her account to challenge the offset. The standards for challenging a treasury offset are tough. Economic hardship is generally not considered a valid defense to a treasury offset of a tax refund (including Earned Income Tax Credit) unless a borrower is facing imminent eviction or foreclosure.⁹⁷

However, ED does allow borrowers to request full or partial financial hardship offset reductions for other treasury offsets that do not involve tax refunds. "The Department requires borrowers to submit the following documents before they will review a claim of hardship:

- The notification of offset.
- The notification letter showing the amount of benefit.
- Proof of yearly income.
- A completed financial disclosure statement returned to the Department within ten days. For Social Security benefits offsets, the Department is no longer accepting the Financial Disclosure Statement posted on its website for wage garnishments. Instead, the Department now requires the use of a different form, called a [Statement of Financial Status](#). If the situation is an emergency, a borrower may submit equivalent information such as an eviction notice or a court order of foreclosure in writing with the completed financial statement.
- A letter explaining the exceptional circumstances that caused the financial hardship along with any other supporting documents. It is a good idea to send not only the completed financial statement but also a side-by-side comparison of the borrower's expenses with the I.R.S. national standards."⁹⁸

⁹⁵ *Frequently Asked Questions: Treasury Offset Program (TOP)*, BUREAU OF THE FISCAL SERV. (Oct. 25, 2017), https://fiscal.treasury.gov/fsservices/gov/debtColl/faqs/debt_questions_top_pub.htm.

⁹⁶ *Id.*

⁹⁷ *Frequently Asked Questions for Consumer Advocates and Counselors*, U.S. DEP'T OF EDUC. <https://ifap.ed.gov/eannouncements/attachments/ConsumerAdvocateFAQs.pdf> (last visited May 4, 2018).

⁹⁸ National Consumer Law Center, Student Loan Law Ch. 9.4.3.2 (Hardship Reductions) (4d ed. 2017), updated at www.nclc.org/library.

Administrative Wage Garnishment

Withholding money from wages is known as “administrative wage garnishment.” The Higher Education Act authorizes ED, and third-party debt collectors working on behalf of ED, to withhold up to 15% of “disposable pay” (the pay left after tax and social security withholdings) until a defaulted loan is paid in full or rehabilitated.⁹⁹ Borrowers have rights related to administrative wage garnishment (see chart¹⁰⁰). Borrowers can avoid wage garnishment by negotiating repayment terms with ED, or with the private collection agency seeking garnishment on behalf of ED. Borrowers can also request a hearing from ED to challenge the garnishment or garnishment amount, after which a decision about garnishment will be made.

Both offset and wage garnishment are complex processes in their own right. If a servicemember is given notice of impending offset or wage garnishment, it would be a good idea to contact a local Marine Corps legal assistance office for support and guidance.

Rights Regarding Wage Garnishment

The borrower has the right to:

- 30 days’ notice that explains ED’s intention to garnish your wages, the nature and amount of your debt, your opportunity to inspect and copy records relating to your debt, your right to object to garnishment, and your option to avoid garnishment by voluntary repayment;
- An opportunity to enter into a written agreement under terms agreeable to ED to establish a voluntary repayment agreement;
- An opportunity for a hearing to challenge:
 - the existence, amount, or enforceability of the debt;
 - garnishment of 15 percent of your disposable pay because it would create extreme financial hardship; or
 - garnishment at this time because you’ve been employed for less than 12 months after having previously been involuntarily separated from employment;
- A stay of the garnishment until a timely-requested hearing is completed and a decision issued;
- Not be discharged from employment, refused employment, or subjected to disciplinary action due to the garnishment, and to seek redress in federal or state court if such action occurs;
- Initiate any legal action against your employer if the employer discharges, refuses to hire, or takes disciplinary action against you based on the garnishment action; and
- Not have any information provided to your employer regarding the garnishment other than what is necessary for the employer to comply with the withholding order.

LEGAL PROTECTIONS RELATED TO DEBT COLLECTION

Debt collectors are subject to a number of laws that restrict their behavior. Despite these laws, some debt collection agencies employ unlawful practices to collect on debt. In 2015 and 2016, the Federal Trade Commission’s number one consumer complaint category was “Debt Collection,” and debt collection has been the number one complaint with the Consumer Financial Protection Bureau since 2011.¹⁰¹ Borrowers should be aware of the laws in place which set limits on debt collector actions. If a borrower feels a debt collector is in violation of the

⁹⁹ *Id.*

¹⁰⁰ *How to Repay Your Loans-Understanding Delinquency and Default-Collections*, FED. STUDENT AID: AN OFFICE OF THE U.S. DEP’T OF EDUC.

https://studentaidhelp.ed.gov/app/answers/detail/a_id/209/~/how-to-repay-your-loans-%C2%BB-understanding-delinquency-and-default-%C2%BB-collections (last visited May 4, 2018),

¹⁰¹ *FTC Releases Annual Summary of Consumer Complaints*, FED. TRADE COMM’N (Mar. 3, 2017), <https://www.ftc.gov/news-events/press-releases/2017/03/ftc-releases-annual-summary-consumer-complaints>; *FTC Releases Annual Summary of Consumer Complaints*, FED. TRADE COMM’N (Mar. 1, 2016), <https://www.ftc.gov/news-events/press-releases/2016/03/ftc-releases-annual-summary-consumer-complaints>.

law, or wishes to contact a debt collector for other reasons, he or she should refer to **Appendix B**, pg. [113](#) and **Appendix C**, pg. [115](#), for sample response letters developed by the CFPB, and seek counsel from either the local Marine Corps Legal Assistance office or a local consumer law attorney.

Fair Debt Collection Practices Act

The Fair Debt Collection Practices Act (“FDCPA”), passed in 1977, is a federal law that protects borrowers from abusive debt collection practices.¹⁰² The FDCPA applies to a variety of personal debts (like auto loans and medical bills), and includes student loans. It sets limits on what debt collectors can do in collection and provides requirements for debt collectors as well. The FDCPA only applies to debt collectors, not the original creditor. For the purposes of the FDCPA, debt collectors are those people or businesses who regularly collect debts on behalf of another business. This definition includes third-party debt collection agencies, debt buyers (businesses who buy debts for the sole purpose of attempting to collect on those debts), and attorneys attempting to collect debts on behalf of clients.¹⁰³

Debt collectors are prohibited from engaging in conduct that is **harassing, oppressive, or abusive**. Actions that are harassing, oppressive, or abusive include:

- Threats of violence,
- Use of profane language, and
- Repeated telephone calls that are intended to annoy (such as calling a borrower many times in a row).

Debt collectors are prohibited from making any **false or misleading representations** to collect on a debt. False or misleading representations can include:

- Statements that lie about or exaggerate the amount or legal status of a debt,
- Threats to sue the borrower when the debt collector is not legally able to sue, and
- Threats to sue or take other legal action when the debt collector does not plan to actually sue or take other legal action.

Finally, debt collectors are prohibited from engaging in practices that are **unfair or unconscionable**, practices which include collecting money the debt collector is not expressly authorized to collect.

The FDCPA also regulates communications by debt collectors. If a debt collector discovers the borrower is represented by an attorney, the debt collector must cease all communications with the borrower and communicate only through the borrower’s attorney. Failure to do so is a violation of the FDCPA. While debt collectors are allowed to acquire information about a borrower by speaking with people other than the debtor, a debt collector is prohibited from indicating that the borrower owes a debt. Debt collectors are also prohibited from communicating with a borrower “at any unusual time or place known or which should be known inconvenient,” which has been interpreted to mean between the hours of 9 pm and 8 am. Collectors are also prohibited from contacting a borrower at his or her place of work if the collector “knows or as reason to know” that such communications are unlawful. This includes servicemembers and their military superiors – a commonly arising problem for military borrowers is threats to call, or actually calling, military superiors about nonpayment of debt.

¹⁰² 15 U.S.C. §§ 1692-1692p.

¹⁰³ 15 U.S.C. §§ 1692a(6); National Consumer Law Center, Fair Debt Collection Ch. 5 (Protections and Rights Under the Fair Debt Collection Practices Act) (4d ed. 2017), *updated at* www.nclc.org/library.

Such communication by a debt collector is prohibited absent the written consent of the borrower, and debt collectors almost never have such consent.¹⁰⁴

Debt collectors are required to provide verification of the debt they are trying to collect if a borrower asks for it in writing. If the debt collector is unable to provide verification of the debt (or a copy of a judgment), the debt collector must cease actions against a borrower.¹⁰⁵

If a servicemember borrower feels harassed or threatened by an entity attempting to collect on a debt, the borrower should consider contacting the local military Legal Assistance office for further guidance and advice. The borrower should also report any violations to the CFPB and the state Attorney General.

State Debt Collection Laws

Some states have laws governing debt collection. North Carolina has two debt collection statutes. North Carolina law defines a “debt collector” as “any person engaging, directly or indirectly, in debt collection from a consumer,” meaning that North Carolina state fair debt collection practice laws apply to both original creditors and debt collection agencies.¹⁰⁶ In North Carolina, debt collectors are prohibited from engaging in many of the same acts that are unlawful under the FDCPA, including making false threats; harassing; using abusive language; unreasonably publicizing a borrower’s debt; making false representations to a borrower; or engaging in unconscionable practices to attempt to collect on a debt. Other states’ debt collection statutes may vary.

If a servicemember borrower feels harassed or threatened by an entity attempting to collect on a debt, the borrower should consider contacting the local military Legal Assistance office for further guidance and advice.

SCRA

The Servicemember Civil Relief Act (SCRA) offers protections to servicemembers who have faced lawsuits about debts. For more information, see the SCRA Chapter, beginning at pg. [12](#).

OPTIONS FOR BORROWERS FACING DEBT COLLECTION ISSUES

Borrowers who have issues with debt collectors have options available to them.

Disputing Debt

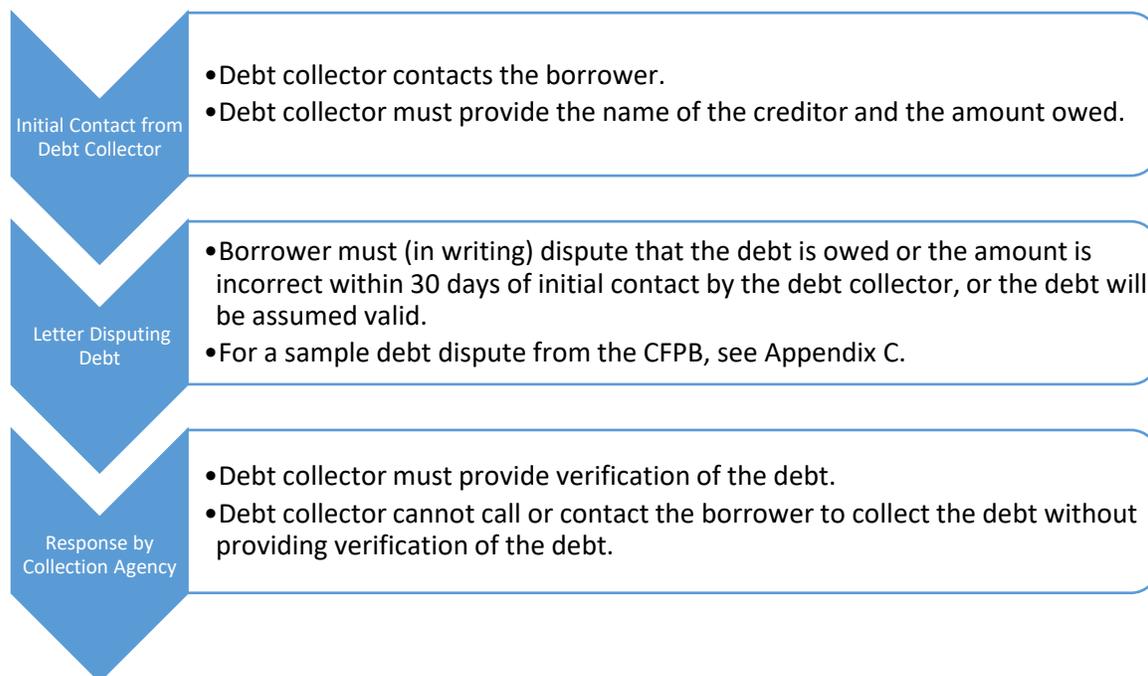
For borrowers who do not believe they owe the debt stated, or that they owe any debt at all, disputing the debt is an option. To do this, a borrower must first send a dispute letter in writing to the debt collector. For a sample letter from the CFPB, see **Appendix C**, pg. [115](#). It’s important that this letter is sent within 30 days of the debt collector first making contact, or the debt will be assumed valid.¹⁰⁷ After receiving the letter, a debt collector must provide documentation establishing the validity of the debt or cease contract with the borrower. The following graphic depicts the order of action for a borrower who wishes to dispute a debt:

¹⁰⁴ Creditors may have such “consent,” baked into the loan contract, but such “consent” is questionable, especially is buried deep in the fine print, and in any event it does not authorize the debt collector to make such contact.

¹⁰⁵ 15 U.S. 41 § 1692(g).

¹⁰⁶ N.C. Gen. Stat. 75-50.

¹⁰⁷ *What if I Believe I Do Not Owe the Debt or I Want More Information About the Debt?*, CONSUMER FIN. PROT. BUREAU (Feb. 2, 2017), <https://www.consumerfinance.gov/ask-cfpb/what-if-i-believe-i-do-not-owe-the-debt-or-i-want-more-information-about-the-debt-en-1403/>.



Report Violations of FDCPA and State Debt Collection Laws

Despite the various laws protecting borrowers from unfair practices by debt collectors, problems persist (see Tables 1 and 2 for a breakdown of the type of complaints against debt collectors reported to the CFPB in 2016).¹⁰⁸

Borrowers who believe a person or entity currently attempting to collect on a debt from the borrower is violating the FDCPA or other state laws have options. The first is to complain to public enforcement agencies. This includes the CFPB¹⁰⁹, the Federal Student Aid website¹¹⁰, and/or the borrower’s state Attorney General¹¹¹. These enforcement agencies can then take action against debt collectors for their illegal actions.

TABLE 1: DEBT COLLECTION COMPLAINTS BY ISSUE

Primary issue	%
Continued attempts to collect debt not owed	40%
Communication tactics	18%
Disclosure verification of debt	15%
Taking or threatening an illegal action	11%
False statements or representation	9%
Improper contact or sharing of information	7%
Total debt collection complaints	100%

¹⁰⁸ *Fair Debt Collection Practices Act: CFPB Annual Report 2016*, CONSUMER FIN. PROT. BUREAU (March 2016), http://files.consumerfinance.gov/f/201603_cfpb-fair-debt-collection-practices-act.pdf.

¹⁰⁹ *Submit a Complaint*, CONSUMER FIN. PROT. BUREAU <https://www.consumerfinance.gov/complaint/> (last visited May 4, 2018).

¹¹⁰ *FSA Feedback System*, FED. STUDENT AID: AN OFFICE OF THE U.S. DEP’T OF EDUC. https://feedback.studentaid.ed.gov/s/?language=en_US (last visited May 4, 2018).

¹¹¹ North Carolina complaints can be made at <http://www.ncdoj.gov/getdoc/59be4357-41f3-4377-b10f-3e8bd532da5f/Complaint-Form.aspx>.

TABLE 2: CHANGE IN COMPLAINT VOLUME BY ISSUE

	% change	2014 complaints	2015 complaints
Disclosure verification of debt	10%	11,700	12,900
Continued attempts to collect debt not owed	6%	32,600	34,500
False statements or representation	-7%	8,700	8,100
Communication tactics	-14%	17,700	15,200
Improper contact or sharing of info	-16%	6,600	5,600
Taking or threatening an illegal action	-18%	11,000	9,000
Grand Total	-4%	88,300	85,200

For example, the CFPB sued National Collegiate Student Loan Trusts and their debt collector, Transworld Systems, Inc. in 2017.¹¹² The suit alleged Transworld System was suing borrowers for private student loan debt that they did not have the proper documentation for and could not prove was owed.¹¹³ The action resulted in an independent audit of all student loans held by National Collegiate Student Loan Trusts, as well as a \$3.5 million settlement to be paid to harmed consumers.¹¹⁴

Legal Action

Individuals who feel their rights have been violated have the right to sue a debt collector under the FDCPA and/or most state fair debt collection laws. Under the FDCPA, individuals may recover up to \$1000 even if the individual has not been financially harmed by the proven FDCPA violation. If a violation is proven, individuals can also recover court costs and legal fees. Individuals may also file class action lawsuits under the FDCPA. Individual servicemembers considering legal action against a debt collection agency should consult their local military Legal Assistance Office or state bar office for assistance, including assistance finding an attorney (For instance, the North Carolina State Bar runs the Find A Lawyer service online at <https://www.ncbar.org/public-resources/lawyer-referral-service/find-a-lawyer/>).

¹¹² CFPB Takes Action Against National Collegiate Student Loan Trusts, Transworld Systems for Illegal Student Loan Debt Collection Lawsuits, CONSUMER FIN. PROT. BUREAU (Sept. 18, 2017), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-national-collegiate-student-loan-trusts-transworld-systems-illegal-student-loan-debt-collection-lawsuits/>.

¹¹³ *Id.*

¹¹⁴ *Id.*

GENERAL TIPS FOR DEALING WITH DEBT COLLECTORS

While not all communication from debt collectors will result in violation of state or federal law, borrowers may want to follow these general tips when dealing with debt collectors.

- 1. Gather as much information as possible. When contacted by a debt collector, find out:**
 - information about the debt collector, including company name and contract information
 - what debt they are attempting to collect, including the amount
 - when the debt was incurred and what it is for
 - who the original creditor was

- 2. Document everything**
 - Every time a debt collector calls or contacts you, make a note of the time, place, and who called. This information is helpful for proving harassment.

- 3. Keep copies**
 - Any time you send something to a debt collector (including payments), make a copy for your records
 - If you are able, keep copies of documents related to your original loans and payments made

APPENDIX A: LIST OF COLLECTION AGENCIES CONTRACTING WITH ED¹¹⁵

Below is a list of collection agencies currently contracted with ED to collect on defaulted federal student loan debt as of May 5, 2018. If a federal student loan borrower is contacted by a debt collector not on this list, the borrower should verify the legitimacy of the debt collector with the borrower's loan servicer.

<p>Account Control Technology, Inc. P.O. Box 11750 Bakersfield, CA 93389-1750 1-866-887-2800</p>	<p>Action Financial Services P.O. Box 3250 Central Point, OR 97502 1-888-253-4239</p>
<p>Allied Interstate, LLC. P.O. Box 26190 Minneapolis, MN 55426 1-800-715-0395</p>	<p>Alltran Education P.O. Box 9088 Woodridge, IL 60517 1-888-377-5000</p>
<p>Bass & Associates P.O. Box 66080 Tucson, AZ 85728-5478 1-855-533-1107</p>	<p>Central Research P.O. Box 1460 Lowell, AR 72745-1460 1-844-804-8467</p>
<p>Coast Professional Inc. P.O. Box 2899 West Monroe, LA 71294 1-800-964-0881</p>	<p>Collection Technology, Inc. P.O. Box 2300 Rancho Cucamonga, CA 91730 1-800-620-4284</p>
<p>Collecto. Inc.dba EOS CCA P.O. Box 5369 Norwell, MA 02061-5369 1-800-896-4539</p>	<p>ConServe P.O. Box 457 Fairport, NY 14450-0457 1-866-633-7945</p>

¹¹⁵ *Federal Student Aid: Collections*, U.S. DEP'T OF EDUC., <https://studentaid.ed.gov/sa/repay-loans/default/collections> (last visited May 4, 2018).

<p>Credit Adjustments Inc. P.O. Box 5640 Manchester, NH 03108 1-800-347-9623</p>	<p>Delta Management Associates, Inc. P.O. Box 18001 Bedford, NH 03110-8001 1-866-441-1957</p>
<p>FH Cann & Associates P.O. Box 877 North Andover, MA 01845 1-877-677-9126</p>	<p>Financial Asset Management Systems, INC. (FAMS) P.O. Box 451437 Atlanta, GA 31145-1437 1-888-680-4326</p>
<p>FMS Investment Corp. P.O. Box 1423 Elk Grove Village, IL 60009-1423 1-877-291-8405</p>	<p>GC Services P.O. Box 27346 Knoxville, TN 37927 1-877-244-7901</p>
<p>Global Receivable Solutions, Inc. 2120 Barrett Park Drive, Suite D Kennesaw, GA 30144 1-888-327-2305</p>	<p>Immediate Credit Recovery Inc. P.O. Box 965156 Marietta, GA 30066 1-866-401-7190</p>
<p>National Credit Services P.O. Box 766 Bothell, WA 98041-0766 1-800-445-9346</p>	<p>National Recoveries, Inc. P.O. Box 120666 St. Paul, MN 55112 1-877-221-9729</p>
<p>Performant Financial Corporation 333 North Canyons Pkwy, Suite 100 Livermore, CA 94551 1-866-256-0057</p>	<p>Pioneer Credit Recovery, Inc. P.O. Box 228 Arcade, NY 14009 1-888-287-0317</p>

<p>Premiere Credit of North America, LLC. P.O. Box 19901 Indianapolis, IN 46219 1-855-217-0914</p>	<p>Professional Bureau of Collections of Maryland P.O. Box 3725 Englewood, CO 80155 1-844-225-5501</p>
<p>Progressive Financial Services P.O. Box 24098 Tempe, AZ 85285 1-800-745-2345</p>	<p>Reliant Capital Solutions P.O. Box 307290 Gahanna, OH 43230 1-877-404-8853</p>
<p>The CBE Group, Inc. P.O. Box 930 Waterloo, IA 50704-0930 1-800-410-8089</p>	<p>Transworld Systems, Inc. 507 Prudential Road Horsham, PA 19044 215-441-3000</p>
<p>U.S. Department of Treasury Debt Management Services P.O. Box 786 Birmingham, AL 35201 1-855-837-2984</p>	<p>Van Ru Credit Corporation P.O. Box 1027 Skokie, IL 60076-8027 1-888-337-8331</p>
<p>Windham Professionals, Inc. P.O. Box 400 East Aurora, NY 14052 1-877-719-4440</p>	

APPENDIX B: SAMPLE “IT’S NOT MY DEBT” RESPONSE LETTER¹¹⁶

Use this sample letter if you want to tell a debt collector that you aren’t responsible for this debt, and that you don’t want to be contacted again.

How to use this sample letter:

1. Read the background below.
2. Fill in your information on the sample letter and edit it as needed to fit your situation.
3. Print and mail the letter. Keep a copy for your records. You should consider sending the letter by certified mail or another method by which you can establish when the letter is received by the intended recipient.

Background

This letter tells the debt collector to stop contacting you unless they can show evidence that you are responsible for this debt. **Stopping contact does not cancel the debt.** So, if a debt collector still believes you really are responsible for the debt, they could still take other action. For example, you still might be sued or have the status of the debt reported to a credit bureau.

¹¹⁶ *Debt Collection*, CONSUMER FIN. PROT. BUREAU, <https://www.consumerfinance.gov/ask-cfpb/what-should-i-do-when-a-debt-collector-contacts-me-en-1695/>. The following letter is wholly the product of the CFPB and not the makers of this handbook, with formatting changes to match the font and format of this handbook

[Your name]
[Your return address]
[Date]

[Debt collector name]
[Debt collector address]
Re: [Account number for the debt, if you have it]

Dear [Debt collector name],

I am responding to your contact about collecting a debt. You contacted me by [**phone/mail**], on [**date**] and identified the debt as [**any information they gave you about the debt**]. I do not have any responsibility for the debt you're trying to collect.

If you have good reason to believe that I am responsible for this debt, mail me the documents that make you believe that. Stop all other communication with me and with this address, and record that I dispute having any obligation for this debt. If you stop your collection of this debt, and forward or return it to another company, please indicate to them that it is disputed. If you report it to a credit bureau (or have already done so), also report that the debt is disputed.

Thank you for your cooperation.

Sincerely,

[Your name]

APPENDIX C: SAMPLE “TELL ME MORE ABOUT THIS DEBT” RESPONSE LETTER¹¹⁷

Use this sample letter to ask for more information about this debt.

How to use this sample letter:

1. Read the background below.
2. Fill in your information on the sample letter and edit it as needed to fit your situation. Delete any parts that don't apply to you.
3. Print and send the letter as soon as you can. Keep a copy for your records. You should consider sending the letter by certified mail or another method by which you can establish when the letter is received by the intended recipient.

Background

Send this letter as soon as you can -- if at all possible, within 30 days of when a debt collector contacts you the first time about a debt. This is important because, under the Federal Fair Debt Collection Practices Act, your legal rights to obtain verification information from a debt collector are greater during the 30-day period.

When a debt collector is asking you to pay money, you're entitled to ask for details. The sample letter below will help you to get details on the following:

- Why a debt collector thinks you owe this debt.
- The amount of the debt and how old it is.
- Details about the debt collector's authority to collect this money.

A debt collector may not have a legal obligation to provide some or all of the information you seek, even if you request it within the 30-day period. If the collector doesn't give you what you request, that doesn't necessarily mean the debt collector has broken any laws or has given up a legal right to collect from you.

After you send your letter:

- If the debt collector makes vague statements about what will happen if you do not pay, read their response to your letter carefully. If they tell you that they intend to sue you, you should take that seriously. Federal law prohibits a debt collector from threatening to take any action they can't take or that they don't intend to take.

If you have specific questions, you may want to contact a lawyer. If you need a lawyer, you can:

- Review this list of [state legal services](#).
- Find lawyer referrals in your county and state by visiting the websites for your local or county bar association, or [legal aid](#).

State laws, have statutes of limitations, or limited time periods when creditors or debt collectors can file a lawsuit to collect a debt.

- These periods of time can be two years or longer.
- The period of time varies by state and by the type of debt.

¹¹⁷ *Debt Collection*, CONSUMER FIN. PROT. BUREAU, <https://www.consumerfinance.gov/ask-cfpb/what-should-i-do-when-a-debt-collector-contacts-me-en-1695/>. The following letter is wholly the product of the CFPB and not the makers of this handbook.

- In some states, even a partial payment on the debt will restart the time period.

If you suspect that the debt may be beyond the statute of limitations, you may want to consult a lawyer before making any payment on a debt.

Not all states require debt collectors to be licensed. Where a license is required, knowing whether or not a debt collector is licensed may be useful. If the debt collector isn't conducting itself properly, you can contact the state licensing agency.

[Your name]
[Your return address]
[Date]

[Debt collector name]
[Debt collector address]
Re: [Account number for the debt, if you have it]

Dear [Debt collector name]:

I am responding to your contact about a debt you are trying to collect. You contacted me by [phone/mail], on [date] and identified the debt as [**any information they gave you about the debt**]. Please supply the information below so that I can be fully informed:

Why you think I owe the debt and to whom I owe it, including:

- The name and address of the creditor to whom the debt is currently owed, the account number used by that creditor, and the amount owed.
- If this debt started with a different creditor, provide the name and address of the original creditor, the account number used by that creditor, and the amount owed to that creditor at the time it was transferred. When you identify the original creditor, please provide any other name by which I might know them, if that is different from the official name. In addition, tell me when the current creditor obtained the debt and who the current creditor obtained it from.
- Provide verification and documentation that there is a valid basis for claiming that I am required to pay the debt to the current creditor. For example, can you provide a copy of the written agreement that created my original requirement to pay?
- If you are asking that I pay a debt that somebody else is or was required to pay, identify that person. Provide verification and documentation about why this is a debt that I am required to pay.

The amount and age of the debt, including:

- A copy of the last billing statement sent to me by the original creditor.
- State the amount of the debt when you obtained it, and when that was.
- If there has been any additional interest, fees or charges added since the last billing statement from the original creditor, provide an itemization showing the dates and amount of each added amount. In addition, explain how the added interest, fees or other charges are expressly authorized by the agreement creating the debt or are permitted by law.
- If there have been any payments or other reductions since the last billing statement from the original creditor, provide an itemization showing the dates and amount of each of them.

- If there have been any other changes or adjustments since the last billing statement from the original creditor, please provide full verification and documentation of the amount you are trying to collect. Explain how that amount was calculated. In addition, explain how the other changes or adjustments are expressly authorized by the agreement creating the debt or permitted by law.
- Tell me when the creditor claims this debt became due and when it became delinquent.
- Identify the date of the last payment made on this account.
- Have you made a determination that this debt is within the statute of limitations applicable to it? Tell me when you think the statute of limitations expires for this debt, and how you determined that.

Details about your authority to collect this debt.

- I would like more information about your firm before I discuss the debt with you. Does your firm have a debt collection license from my state? If not, say why not. If so, provide the date of the license, the name on the license, the license number, and the name, address and telephone number of the state agency issuing the license.
- If you are contacting me from a place outside my state, does your firm have a debt collection license from that place? If so, provide the date of the license, the name on the license, the license number, and the name, address and telephone number of the state agency issuing the license.

I have asked for this information because I have some questions. I need to hear from you to make an informed decision about your claim that I owe this money. I am open to communicating with you for this purpose. In order to make sure that I am not put at any disadvantage, in the meantime please treat this debt as being in dispute and under discussion between us.

In addition to providing the information requested above, please let me know whether you are prepared to accept less than the balance you are claiming is owed. If so, please tell me in writing your offer with the amount you will accept to fully resolve the account.

Thank you for your cooperation.

Sincerely,

[**Your name**]

APPENDIX D: SAMPLE “STOP CONTACTING ME” RESPONSE LETTER¹¹⁸

Use this sample letter if you want to tell the debt collector to stop contacting you.

How to use this sample letter:

1. Read the background below.
2. Fill in your information on the sample letter and edit it as needed to fit your situation.
3. Print and mail the letter. Keep a copy for your records. You should consider sending the letter by certified mail or another method by which you can establish when the letter is received by the intended recipient.

Background

Generally speaking, federal law says that debt collectors must stop contacting you after they get a written request to stop contacting you. Debt collectors can, however, contact you to tell you that they won't contact you again, or to notify you that they or the creditor could take other action (for example, filing a lawsuit against you).

Stopping a debt collector from contacting you does not cancel the debt. You still might be sued or have debt reported to a credit bureau.

You can ask debt collectors to stop contacting you at any time, so keep in mind that you could ask them for more information before deciding whether to tell them to stop contacting you.

¹¹⁸ *Debt Collection*, CONSUMER FIN. PROT. BUREAU, <https://www.consumerfinance.gov/ask-cfpb/what-should-i-do-when-a-debt-collector-contacts-me-en-1695/>. The following letter is wholly the product of the CFPB and not the makers of this handbook.

[Your name]
[Your return address]
[Date]

[Debt collector name]
[Debt collector address]
Re: [Account number for the debt, if you have it]

Dear [Debt collector name],

I am responding to your contact about a debt you are attempting to collect. You contacted me by **[phone/mail]**, on **[date]**. You identified the debt as **[any information they gave you about the debt]**.

Please stop all communication with me and with this address about this debt.

[If you dispute the debt, include the following:] Record that I dispute having any obligation for this debt. If you forward or return this debt to another company, please indicate to them that it is disputed. If you report it to a credit bureau (or have already done so), also report that the debt is disputed.

Thank you for your cooperation.

Sincerely,

[Your name]

APPENDIX E: SAMPLE “ONLY CONTACT MY LAWYER” RESPONSE LETTER¹¹⁹

Use this sample letter if you want to instruct a debt collector to only contact your lawyer.

How to use this sample letter:

1. Read the background below.
2. Fill in your information on the sample letter and edit it as needed to fit your situation.
3. Print the letter and mail it. Keep a copy for your records. You should consider sending the letter by certified mail or another method by which you can establish when the letter is received by the intended recipient.

Background

If a lawyer is representing you about the debt, then the debt collector should generally contact the lawyer instead of you. Use this template letter to tell the debt collector to contact your lawyer.

After you have given the debt collector your lawyer’s contact information, the debt collector should not contact you directly unless the lawyer doesn’t respond.

¹¹⁹ *Debt Collection*, CONSUMER FIN. PROT. BUREAU, <https://www.consumerfinance.gov/ask-cfpb/what-should-i-do-when-a-debt-collector-contacts-me-en-1695/>. The following letter is wholly the product of the CFPB and not the makers of this handbook.

[Your name]
[Your return address]
[Date]

[Debt collector name]
[Debt collector address]
Re: [Account number for the debt, if you have it]

Dear debt collector:

I am responding to your contact about collecting a debt. You contacted me by [**phone/mail**], on [**date**] and identified the debt as [**any information they gave you about the debt**].

Please contact my lawyer about this debt, and do not contact me directly again. My lawyer's contact information is:

[**Contact information for your lawyer**].

Thank you for your cooperation.

Sincerely,

[**Your name**]

APPENDIX F: SAMPLE “HERE IS HOW TO CONTACT ME” RESPONSE LETTER¹²⁰

Use the sample letter on the next page if you want to tell a debt collector how they can contact you and instruct them not to contact you any other way.

How to use this sample letter:

1. Read the background below.
2. Fill in your information on the sample letter and edit it as needed to fit your situation.
3. Print and send the letter. Keep a copy for your records. You should consider sending the letter by certified mail or another method by which you can establish when the letter is received by the intended recipient.

Background

Debt collectors are prohibited by federal law from contacting you about a debt at a time or place they know is inconvenient for you. They also can't contact you at your place of employment if you let them know that your employer prohibits it. Use this letter if you want to restrict how a debt collector can contact you. But be careful about over-doing it: **If you want to work something out, you don't want to make it too hard for the debt collector to reach you.**

Keep in mind that in some cases, phone calls could be the best way to deal with a debt collector. If you have questions you want answered, or want to make a deal, it is often easiest to do that by phone. If you tell a debt collector not to call you, they could report the debt to a credit bureau or try to sue you to collect the debt.

¹²⁰ *Debt Collection*, CONSUMER FIN. PROT. BUREAU, <https://www.consumerfinance.gov/ask-cfpb/what-should-i-do-when-a-debt-collector-contacts-me-en-1695/>. The following letter is wholly the product of the CFPB and not the makers of this handbook.

[Your name]
[Your return address]
[Date]

[Debt collector name]
[Debt collector address]
Re: [Account number for the debt, if you have it]

Dear [Debt collector name]:

I am responding to your contact about collecting a debt. You contacted me by [**phone/mail**], on [**date**] and identified the debt as [**any information they gave you about the debt**].

You can contact me about this debt, but only in the way I say below. Don't contact me about this debt in other way, or at any other place or time. It is inconvenient to me to be contacted except as I authorize below.

You can only contact me at:

[**Mailing address if you want to get mail**]
[**Phone number and convenient times if you want to be contacted by phone**]

[**If correct, include the following**] My employer prohibits me from receiving communications like this at work.

Thank you for your cooperation.

Sincerely,

[**Your name**]

6. Student Loan Lenders, Servicers, Scams and Bad Deals

Student loan problems come in many different forms and arise at different times during the loan process. This chapter focuses primarily on the relationship between borrowers, servicers, and debt relief scammers. Servicers are companies “that collect payments, respond to customer service inquiries, and perform other administrative tasks associated with maintaining a federal student loan on behalf of a lender.”¹²¹ Federal loan servicers provide information concerning repayment plan options. Private lenders may conduct these functions themselves or may contract with a servicer to provide such services for them.

There is an information gap between lenders, servicers, and borrowers. Borrowers rely on their main point of contact (servicers) for information about payments, repayment plans, deferment and forbearance options, and basic information about their loans. Servicers, however, have not always provided the necessary information to borrowers. The lack of consistent, accurate information from servicers is a serious problem in itself, and also opens the door for scam companies to exploit the information gap to target uninformed and overwhelmed borrowers.

Debt relief scams target borrowers after they have attended school and are in repayment, delinquency, or default. The scammers promise quick and easy debt relief for borrowers in need. However, the scammers either do nothing or provide a basic service at an exorbitant fee that the borrower can do for free. For example, companies may offer to consolidate a borrower’s loans, something that the borrower can do relatively quickly and for free through the Department of Education site or through their loan servicer.

As the student loan crisis has intensified, problems with servicers have increased and debt relief scams have grown more popular. Millions of Americans hold student loan debt, creating a large market for scam companies to target. Despite increased attention from law enforcement, scams continue to operate and pose substantial risks to consumers.

The Failures of Student Loan Servicers

Loan servicers play a vital role in student loan borrowing. There are nine student loan servicers that handle repayment of all federal student loans.¹²² Borrowers rely on servicers to process payments, change repayment plans, and provide information. As the “Repayment Options” chapter showed, the repayment process can be complicated and overwhelming for a borrower. This complexity makes the relationship between borrower and servicer extremely important; the borrower interacts with the servicer directly for repayment and information. Student loan servicers, however, have faced scrutiny for their failure to act in consumers’ best interests. Navient, for example, has faced allegations of servicer misconduct.

As the largest student loan servicer, by far, Navient is responsible for servicing over 12 million public and private loans.¹²³ In 2014, the CFPB sued Navient, alleging that the giant servicer systematically failed to honor servicemembers’ rights to reduce the interest on pre-service obligations to 6% APR. That case was settled on May 13, 2014, with Navient agreeing to

¹²¹ See *supra* note 2.

¹²² The nine are: CornerStone, FedLoan Servicing (PHEAA), Granite State – GSMR, Great Lakes Educational Loan Services, Inc., HESC/Edfinancial, MOHELA, Navient, Nelnet, and OSLA Servicing.

¹²³ *CFPB Sues Nation’s Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment*, CONSUMER FIN. PROT. BUREAU (Jan. 18, 2017), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/>.

provide \$60 million compensation, to properly train its employees, and to pay a \$55,000 fine. The CFPB and multiple State Attorneys General sued Navient again in 2017¹²⁴ alleging that Navient:

- Failed to correctly apply or allocate borrower payments to their accounts;
- Steered struggling borrowers toward paying more than they had to on loans;
- Obscured information consumers needed to maintain their lower payments;
- Deceived private student loan borrowers about requirements to release co-signers from loans; and
- Harmed the credit of disabled borrowers, including severely injured veterans.¹²⁵

The last point is important to certain military borrowers. Veterans with a disability connected to their military service have a right to seek loan forgiveness under the federal Total and Permanent Disability discharge program. For more information on Total and Permanent Disability discharge, see the Repayment Options Chapter, pg. 59. The CFPB alleges that Navient wrongly reported to credit reporting agencies that loans discharged under this program were in default, thereby harming servicemembers' credit scores.¹²⁶

Although Navient is the highest profile case of alleged servicer misconduct, the problem isn't limited to them, especially as related to military borrowers. In 2015, the CFPB released the report "Overseas & Underserved: Student Loan Servicing and the Cost to Our Men and Women in Uniform".¹²⁷ This report detailed numerous issues across all student loan servicers. The CFPB summarized the prominent issues:

- Military deferments are denied without adequate explanation, applied in a haphazard way, and, in some cases, are approved verbally but never applied to military borrowers' accounts, resulting in late fees, defaults and debt collection.
- Application of SCRA protections continues to be an unnecessary struggle for servicemembers. Servicers still do not appear to understand the elements of the SCRA.
- Military families struggle with disability discharge, including potential negative credit reporting consequences. They also are unsure whether the benefit is available for private student loans as well as for federal student loans. The uncertainty extends to co-signers looking for the same protections after the disability or death of a primary borrower.
- In addition to the loss of protections specific to military borrowers, complaints also demonstrate how servicing breakdowns can impact financial and military readiness.¹²⁸

Borrowers with private loans have also experienced problems with loan servicers. In 2015, Discover Bank was fined over \$18 million for failures in their loan servicing practices.¹²⁹ The CFPB found that Discover overstated the minimum amount due in billing statements and misled consumers about the total interest they had paid. They also engaged in illegal debt collection

¹²⁴ *Id.*

¹²⁵ *Id.*

¹²⁶ *Complaint for Permanent Injunction and Other Relief: CFPB v. Navient Corporation*, CONSUMER FIN. PROT. BUREAU (Jan. 18, 2017), https://files.consumerfinance.gov/f/documents/201701_cfpb_Navient-Pioneer-Credit-Recovery-complaint.pdf.

¹²⁷ Hollister Petraeus & Seth Frotman, *Overseas and Underserved*, CONSUMER FIN. PROT. BUREAU (2015), https://files.consumerfinance.gov/f/201507_cfpb_overseas-underserved-student-loan-servicing-and-the-cost-to-our-men-and-women-in-uniform.pdf.

¹²⁸ *Id.*

¹²⁹ *CFPB Orders Discover Bank to Pay \$18.5 Million for Illegal Student Loan Servicing Practices*, CONSUMER FIN. PROT. BUREAU (Jul. 22, 2015), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-discover-bank-to-pay-18-5-million-for-illegal-student-loan-servicing-practices/>.

practices, like making excessive calls and failing to properly provide notice to borrowers in default.

In 2017, the CFPB brought an action against Citibank¹³⁰ alleging that the defendant incorrectly cancelled in-school deferments, resulting in late fees and interest accrued on consumers' loans. CitiBank also listed incorrect monthly payment amounts and misled borrowers about tax deduction benefits.

Whether these servicer issues resulted from honest mistake, negligence, or fraud can be debated. However, it is important for borrowers to be aware of this record of past servicer problems and the potential for future issues because servicer errors place borrowers at risk. Borrowers should not assume that their servicer is acting in their best interest. In court filings, Navient even claimed that "there is no expectation that the servicer will act in the interest of the consumer".¹³¹ The problem isn't limited to one bad servicer, or one type of loan. The past failures of servicers illustrate the need for borrowers to be aware of their rights, so they can advocate for themselves and make proper use of resources available, such as the CFPB, the U.S. Department of Justice, or military legal assistance attorneys.

Debt Relief Scams

The high cost of education, the complexity of repayment options, and the failure of servicers to provide accurate information and efficient assistance have created an opportunity for debt relief companies to target struggling borrowers.

Debt relief companies target student loans borrowers, promising simple fixes for complex problems. They promise borrowers lower payments and quick debt forgiveness. They sometimes mislead borrowers into thinking they will handle everything for them. Borrowers risk losing money and falling behind in payments when they go into business with these companies.

The debt relief "process" can happen a few different ways depending on the consumer's situation. Borrowers find debt relief companies through various means, and sometimes the debt relief company finds the borrower. Debt relief companies are prevalent on the internet, advertising via their own webpages, ads, and even sponsored content from celebrities.¹³² During the Obama era, debt relief scam companies marketed nonexistent programs like the "Obama Student Loan Forgiveness Plan". Even today, scam companies continue to deceive customers about being affiliated with the federal government, sometimes going so far as to use fake government seals¹³³ or partner with fake consumer protection websites to advertise their services.¹³⁴ For an example, see **Appendix A**, pg. [131](#).

¹³⁰ CFPB Takes Action Against Citibank for Student Loan Servicing Failures That Harmed Borrowers, CONSUMER FIN. PROT. BUREAU (Nov. 21, 2017), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-citibank-student-loan-servicing-failures-harmed-borrowers/>.

¹³¹ Memorandum of Law in Support of Defendant's Motion to Dismiss Plaintiff's Complaint: CFPB v. Navient Corporation, CONSUMER FIN. PROT. BUREAU (Mar. 24, 2017), <https://news.navient.com/static-files/d95c10ce-11a3-41b6-8ea7-49a83a41cf04>.

¹³² Molly Hensley-Clancy & Claudia Rosenbaum, *Blac Chyna Is Promoting A Shady Student Loan Ripoff On Instagram*, BUZZFEED NEWS (Dec. 22, 2016), https://www.buzzfeed.com/mollyhensleyclancy/blac-chyna-is-promoting-a-shady-student-loan-ripoff-on-insta?utm_term=.euR9zymjM#.fkOZ1B6Gn.

¹³³ CFPB Sues Debt-Relief Companies Illegally Posing as Federal Government, CONSUMER FIN. PROT. BUREAU (Oct. 12, 2017), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-debt-relief-companies-illegally-posing-federal-government>.

¹³⁴ 'Student Loan Forgiveness' Scam, SNOPE.COM <https://www.snopes.com/fact-check/student-loan-forgiveness-scam/> (last visited May 4, 2018).

Debt relief companies may promise borrowers any or all of the following: loan consolidation, lower monthly payments, \$0 monthly payments, loan discharge, public service loan forgiveness or general loan forgiveness. For more information on public service loan forgiveness, see the Repayment Options Chapter, pg. [54](#).

Once targeted, a borrower usually signs a contract with a debt relief company, which sets out the terms of the agreement. The contract often requires the borrower to give the company a power of attorney, allowing the company to provide information to and receive information from with the borrower's loan servicer. The company thereby maintains control over the situation. The contracts sometimes require the borrower to pay the company an upfront fee and, depending on the contract, agree to years of recurring monthly payments as well. If the borrower is eligible, he or she might be placed into an income-driven repayment plan to lower monthly payments.

Debt relief isn't inherently a scam. The companies might, for example, consolidate the borrower's loans as they advertised. It's important to remember, however, that borrowers can consolidate, and do other necessary tasks such as moving into an income-driven repayment plan, without paying any money. Scam debt relief companies cross the legal line, especially when they require an up-front payment, promise a misleading service, and/or fail to do everything they promise. In some cases, the debt relief scam companies do not do anything at all for the borrower.

Some debt relief companies charge an illegal fee before performing any service. The FTC has found companies charging fees upwards of \$1,000.¹³⁵ Charging a fee before performing a debt-relief service violates the Telemarketing Sales Act, as well as state law, depending on the jurisdiction.¹³⁶ In North Carolina, charging an upfront fee violates N.C. Gen. Stat. § 14-424, which prohibits "engag[ing] in the business or practice of debt adjusting."¹³⁷

Debt relief schemes can also violate state Unfair and Deceptive Acts and Practices (UDAP) statutes. For example, in North Carolina, N.C. Gen. Stat. § 75-1.1 outlaws "unfair or deceptive acts or practices in or affecting commerce". Deceptive is defined as "having the capacity or tendency to deceive."¹³⁸ Misleading debt relief company advertisements and assertions may therefore violate this law. Each state has their own UDAP statute that might apply as well, depending on the circumstances.

Some borrowers have been tricked into thinking that the debt relief companies are actually loan servicers. In February 2018, the FTC filed a complaint against Financial Education Benefits Center for engaging in this practice. The company charged a recurring monthly fee and misled

¹³⁵ Lesley Fair, *Game of Loans: The Stark Truth About Student Loan "Debt Relief" Claims*, FED. TRADE COMM'N (Oct. 13, 2017), <https://www.ftc.gov/news-events/blogs/business-blog/2017/10/game-loans-stark-truth-about-student-loan-debt-relief-claims>.

¹³⁶ See the Telemarketing Sales Act, 16 CFR §310.3. See also N.C. Gen. Stat. § 14-424 for North Carolina's prohibition on advance payments.

¹³⁷ Wherein "[d]ebt adjusting includes the business or practice of debt settlement or foreclosure assistance whereby any person holds himself or herself out as acting for consideration as an intermediary between a debtor and the debtor's creditors for the purpose of reducing, settling, or altering the terms of the payment of any debt of the debtor, whether or not the person distributes the debtor's funds or property among the creditors, and receives a fee or other consideration for reducing, settling, or altering the terms of the payment of the debt in advance of the debt settlement having been completed or in advance of all the services agreed to having been rendered in full." N.C. Gen. Stat. § 14-423

¹³⁸ *RD&J Props. v. Lauralea-Dilton Enters., LLC*, 165 N.C. App. 737, 748, 600 S.E.2d 492, 501 (2004).

their customers into thinking that this fee was applied to their loan balance. Borrowers made monthly payments on time, but then discovered that the company pocketed all the money and didn't apply any of it to the actual loan. This practice created severe risk of default, because consumers stopped paying their actual servicer. Some of these companies even use "Servicing" when naming their business, which further adds to the confusion.

There are also cases in which the company accepts payment and doesn't perform any service at all. In addition to the outlay of money to the scam company, this practice also results in missed payments for the consumer and rising loan balance due to accrued interest.

Even when the company does everything they promise, they often charge for services that the consumer can do for free.

Debt relief companies have been targeted by regulatory and law enforcement agencies. The FTC, in conjunction with numerous State Attorneys General, launched "Operation Game of Loans" in October 2017 to crack down on the practice.¹³⁹ The operation initially resulted in 36 actions against debt-relief companies. This operation has continued into 2018, and the FTC has charged additional companies running similar scams.¹⁴⁰

Despite the increased scrutiny, debt relief scam companies continue to exist. The companies operate as fly-by-night outfits, closing shop and re-opening under different names. There is little-to-no barrier to entry in to the marketplace, so it's easy for anyone to start one of these companies. The prevalence of companies and ease of creation make it harder for regulators to completely shut them down. So, it's important for consumers to look out for themselves.

Identity Theft

Identity theft tops the list of complaints to the FTC by consumers nationwide.¹⁴¹ Scammers target the student loan market as well. A common method involves what the FTC calls an "imposter scam," where a scammer pretends to be a trusted source, like a government official or IRS agent, to steal personal information or even money directly from the consumer. In 2017, the FTC received nearly 350,000 complaints about this type of scam.¹⁴²

The FTC has reported that scammers will pose as debt collection companies.¹⁴³ The scammers call borrowers and pretend to be a legitimate debt collector, thereby tricking the borrower into disclosing personal information or making a payment to a fake collection company. Some callers pressure the borrower with illegal threats or only provide vague information about the debt itself. Legitimate debt collectors must provide information about its business and the debt. See **Appendix B**, pg. [132](#), for a sample letter drafted by the CFPB a consumer can use to verify a debt collection attempt.

¹³⁹ See *supra* note 135.

¹⁴⁰ *FTC Charges Ameritech and Brandon Frere with Deceiving Consumers*, FED. TRADE COMM'N (Feb. 7, 2018), <https://www.ftc.gov/news-events/press-releases/2018/02/ftc-charges-student-loan-debt-relief-scheme-deceiving-consumers>.

¹⁴¹ *Featured Topics*, FED. TRADE COMM'N <https://www.consumer.ftc.gov/features/featured-topics-0> (last visited May 4, 2018).

¹⁴² *Consumer Sentinel Network Data Book 2017: Report Type, Top 10 Fraud Categories, Identity Theft Types, Other Categories*, FED. TRADE COMM'N (2017), <https://www.ftc.gov/policy/reports/policy-reports/commission-staff-reports/consumer-sentinel-network-data-book-2017/top-ten-fraud-categories-id-other>.

¹⁴³ *Fake Debt Collectors*, FED. TRADE COMM'N (Feb. 2012), <https://www.consumer.ftc.gov/articles/0258-fake-debt-collectors>.

How to Identify and Avoid Scams¹⁴⁴

- Be wary of any company offering quick or immediate loan forgiveness, especially if they pressure you to act immediately.
- Never pay up-front for a debt relief service.
- Search the CFPB complaint databases for the company name *before* going into business with them. You can also contact your state's Attorney General office for help.
- Contact the National Foundation for Credit Counseling to locate a non-profit, accredited credit counsellor at www.nfcc.org or 1-800-388-2227. Servicemembers may contact the installation or unit personal financial management counselor.
- Never give out personal information, such as your FSA ID, except with a trusted source.
 - Be especially careful if anyone calls you asking for personal information. If you doubt that the caller is actually affiliated with the company they claim, just hang-up. Then find the company's legitimate information and contact them directly.
- Consult the Base Education Center for information about schools or debt relief companies.
- Save all records relating to the transaction.
 - Keep any contracts, emails, and any communications you had with the company/scammer. These items can be important evidence to support your claim. Even if the company is legitimate, keeping accurate records of your financial transactions is beneficial.
- Explore the CFPB web site and review relevant information posted there.

What to Do If You Have Been Scammed¹⁴⁵

- Contact the company first.
 - You should begin by contesting the transaction with the company. Ask to cancel your contract, revoke any power of attorney, and ask for a refund. Depending on the scam, the company may just give you what you demand. Follow up in writing.
- File a complaint with the CFPB.
 - You can submit a claim at <https://www.consumerfinance.gov/complaint/>. It is also worth searching the database to see if the company has other complaints listed here: <https://www.consumerfinance.gov/data-research/consumer-complaints/>.
- Contact your state Attorney General.
 - To find your Attorney General, check: <http://www.naaq.org/naaq/attorneys-general/whos-my-ag.php>.
- File a complaint with the FTC at <https://www.ftc.gov/complaint>.
- File a complaint with the Better Business Bureau at <https://www.bbb.org/consumer-complaints/file-a-complaint/get-started>.
- Contact military legal assistance counsel on base.

¹⁴⁴ The tips have been condensed and summarized from a variety of sources, including the CFPB and FTC. For more information, see *Rosario Méndez, Signs of a Debt Relief Scam*, FED. TRADE COMM'N (Jun. 16, 2017), <https://www.consumer.ftc.gov/blog/2017/06/signs-debt-relief-scam>; *How Can I Verify Whether or not a Debt Collector is Legitimate?*, CONSUMER FIN. PROT. BUREAU (Aug. 14, 2017), <https://www.consumerfinance.gov/ask-cfpb/how-can-i-verify-whether-or-not-a-debt-collector-is-legitimate-en-1699/>; Courtney-Rose Dantus, *How to Spot a Scammer*, CONSUMER FIN. PROT. BUREAU (Nov. 7, 2017), <https://www.consumerfinance.gov/about-us/blog/how-spot-scammer/>.

¹⁴⁵ *Id.*

APPENDIX A: EXAMPLE OF DEBT-RELIEF SCAM TARGETED BY THE FTC¹⁴⁶

The screenshot shows the Student Aid Center website. At the top left is the logo, a blue shield with a graduation cap and laurel wreath, with the text "Student Aid Center" below it. To the right is a dark blue button that says "Call Today (855) 801-6739". Below the logo is a navigation bar with links: Home, Student Loan Forgiveness, Student Loan Consolidation, Available Programs, and Frequently Asked Questions. The main content area features a woman holding a laptop that displays "QUALIFY FOR STUDENT LOAN FORGIVENESS? Check Eligibility Call Now!". To her right is a list of benefits: Lower Your Monthly Payments, Qualify for a "\$0" Monthly Payment?, Income Based Payment Reduction, Forgiveness & Consolidation Programs, Public Service Worker's Forgiveness, and \$17,500 in Up Front Forgiveness. Below this list is the text "We Have Streamlined the Process! Be Informed - Check Your Options!" and the phone number "(855) 801-6739". To the right of the woman is a form titled "Get Your Student Loans Forgiven Now!" with fields for first name, last name, email address, contact phone number (with an example: 3053053550), a dropdown for "Best time to reach you:", and a field for "Your approximate Federal Student Loan Debt?". There is also a text area for "Include any comments here" and a red "Request Info!" button. At the bottom left, it says "As Reported On" with logos for abc, CBS, Fox News, CNN, and Forbes. At the bottom, there are four buttons: "Student Loan Forgiveness", "Forgiveness for Teachers", "Forgiveness for Nurses", and "OBAMA STUDENT LOAN FORGIVENESS PROGRAM".

The infographic is titled "Repaying student loans? AVOID SCAMS". It features four columns, each with an icon and a tip:

- Icon:** A scroll with a red ribbon.
- Tip:** Only scammers promise fast loan forgiveness.
- Icon:** A green bill with a hand holding it.
- Tip:** Never pay a fee up front for help.
- Icon:** A shield with the word "FAKE" and an American flag pattern.
- Tip:** Scammers can fake a government seal.
- Icon:** A black graduation cap.
- Tip:** Don't share your FSA ID with anyone.

At the bottom, it says "Report scams to [FTC.GOV/COMPLAINT](https://www.ftc.gov/complaint). Looking for free help? Start with [STUDENTAID.GOV](https://www.studentaid.gov)." ¹⁴⁷

¹⁴⁶ Student Aid Center was charged by the FTC and Florida Attorney General. A permanent injunction on debt relief services was issued against the defendant on October 18, 2017. *Student Aid Center, Inc., et al.*, FTC (Oct. 18, 2017), <https://www.ftc.gov/enforcement/cases-proceedings/152-3067/student-aid-center-inc-et-al>.

¹⁴⁷ The graphic was created by the FTC.

APPENDIX B: CFPB SAMPLE LETTER TO REQUEST VERIFICATION FROM DEBT COLLECTION COMPANY¹⁴⁸

[Your name]
[Your return address address]
[Date]

[Debt collector name]
[Debt collector Address]
Re: [Account number for the debt, if you have it]

Dear [Debt collector name]:

I am responding to your contact about a debt you are trying to collect. You contacted me by [**phone/mail**], on [**date**] and identified the debt as [**any information they gave you about the debt**]. Please supply the information below so that I can be fully informed:

Why you think I owe the debt and to whom I owe it, including:

- The name and address of the creditor to whom the debt is currently owed, the account number used by that creditor, and the amount owed.
- If this debt started with a different creditor, provide the name and address of the original creditor, the account number used by that creditor, and the amount owed to that creditor at the time it was transferred. When you identify the original creditor, please provide any other name by which I might know them, if that is different from the official name. In addition, tell me when the current creditor obtained the debt and who the current creditor obtained it from.
- Provide verification and documentation that there is a valid basis for claiming that I am required to pay the debt to the current creditor. For example, can you provide a copy of the written agreement that created my original requirement to pay?
- If you are asking that I pay a debt that somebody else is or was required to pay, identify that person. Provide verification and documentation about why this is a debt that I am required to pay.

The amount and age of the debt, including:

- A copy of the last billing statement sent to me by the original creditor.
- State the amount of the debt when you obtained it, and when that was.
- If there have been any additional interest, fees or charges added since the last billing

¹⁴⁸This Letter was created by the CFPB. See <https://www.consumerfinance.gov/ask-cfpb/how-can-i-verify-whether-or-not-a-debt-collector-is-legitimate-en-1699/>

statement from the original creditor, provide an itemization showing the dates and amount of each added amount. In addition, explain how the added interest, fees or other charges are expressly authorized by the agreement creating the debt or are permitted by law.

- If there have been any payments or other reductions since the last billing statement from the original creditor, provide an itemization showing the dates and amount of each of them.
- If there have been any other changes or adjustments since the last billing statement from the original creditor, please provide full verification and documentation of the amount you are trying to collect. Explain how that amount was calculated. In addition, explain how the other changes or adjustments are expressly authorized by the agreement creating the debt or permitted by law.
- Tell me when the creditor claims this debt became due and when it became delinquent.
- Identify the date of the last payment made on this account.
- Have you made a determination that this debt is within the statute of limitations applicable to it? Tell me when you think the statute of limitations expires for this debt, and how you determined that.

Details about your authority to collect this debt.

- I would like more information about your firm before I discuss the debt with you. Does your firm have a debt collection license from my state? If not, say why not. If so, provide the date of the license, the name on the license, the license number, and the name, address and telephone number of the state agency issuing the license.
- If you are contacting me from a place outside my state, does your firm have a debt collection license from that place? If so, provide the date of the license, the name on the license, the license number, and the name, address and telephone number of the state agency issuing the license.

I have asked for this information because I have some questions. I need to hear from you to make an informed decision about your claim that I owe this money. I am open to communicating with you for this purpose. In order to make sure that I am not put at any disadvantage, in the meantime please treat this debt as being in dispute and under discussion between us.

In addition to providing the information requested above, please let me know whether you are prepared to accept less than the balance you are claiming is owed. If so, please tell me in writing your offer with the amount you will accept to fully resolve the account.

Thank you for your cooperation

Sincerely,

[**Your name**]

7. Resources Available

The following is a list of resources that can be used by borrowers and advocates to discover more information about issues and recent developments, to find institutions that handle disputes and issues, and to find advocates who may be able to assist with more intricate or advanced issues. This list is not intended to be exhaustive but is meant to enable advocates and borrowers to have more extensive and updated information beyond what is contained in this guidebook. Information from these resources may be more current than what is in this guidebook, given that the guidebook was published in 2018. The information contained in this chapter may become dated as contact information, website links, and other things change over time.

INFORMATION RESOURCES

The following list of information resources can be used to supplement the information already included in this guidebook. This list of information resources is intended to provide alternative reliable sources that explain subjects in more detail. Use these resources for more detail regarding a particular subject related to student debt, to find more up-to-date information about developing issues, or if you are unclear about the explanations provided in this guidebook.

Federal Student Aid (FSA) Website

The Federal Student Aid Website is where a borrower can go to get information from the U.S. Department of Education about his/her loans or student loans more generally. Every borrower can create an FSA ID which will allow him/her to access specific information about his/her loans as well as to identify his/her loan servicer. The FSA website also has helpful information about loan repayment, consolidation, forbearance, deferment, and loan scams.

- <https://studentaid.ed.gov/sa/>

Federal Student Aid Payment Calculator

The Federal Student Aid Payment Calculator can be used to explore repayment options for federal student loans. With an FSA ID, the borrower can input information about his/her tax filing status, family size, income, and state of residence, and the repayment calculator will estimate the monthly payment amount that the borrower will have to make under each type of repayment plan. The repayment calculator also can be used to determine how much a borrower will have to pay when making eligible payments for Public Service Loan Forgiveness.

- <https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action>

National Consumer Law Center, *Student Loan Law* (5th ed. 2015)

The National Consumer Law Center treatise on student loan law is updated every year and provides extensive and detailed information about student loan issues, mostly from a legal perspective.

- Available in print or available with paid subscription online at <https://library.nclc.org/sl>

National Consumer Law Center's Student Loan Borrower Assistance Project

The SLBA project provides a resource for borrowers, their families, and advocates representing student loan borrowers. The project includes a step-by-step guide to solving certain student loan problems, information on topics like default, borrower defense to repayment, income-driven repayment plans, and frequently asked questions. The project also has a blog covering new developments in student debt.

- <http://www.studentloanborrowerassistance.org/>

Consumer Financial Protection Bureau Student Loans Page

The Consumer Financial Protection Bureau's website has a section dedicated to student loans, which gives information for borrowers about their student loans. The website includes information to help borrowers understand their situation, know their rights, know how to take action, and know how to repay their student loans.

- <https://www.consumerfinance.gov/consumer-tools/student-loans/>

Consumer Financial Protection Bureau, *Tackling Student Debt for Servicemembers*

The Consumer Financial Protection Bureau published a document in 2016 with information and tips for servicemembers dealing with student loan issues. The document covers deferment, SCRA benefits, income-driven repayment plans, and Public Service Loan Forgiveness for servicemembers.

- https://files.consumerfinance.gov/f/documents/201604_cfpb_servicemember-student-loan-guide.pdf

Center for Responsible Lending

The Center for Responsible Lending website provides research and policy papers about student loan issues. The website also provides news about recent developments about student loan issues.

- <http://www.responsiblelending.org/issues/student-loans>

National Association of Consumer Advocates

The National Association of Consumer Advocates website provides information about federal and private student loans, debt collection, and guides to dealing with particular student loan issues.

- <http://www.consumeradvocates.org/for-consumers/student-loans>

The Institute for College Access and Success

The Institute for College Access and Success has a Project on Student Debt, which provides information related to financing higher education, including information about cohort default rates, community colleges, and Pell Grants. The Project on Student Debt also provides information about federal student loan terms including loan limits, interest rates, and other terms for loans given in a particular year. The Project on Student Debt also provides information about questions borrowers should ask before taking out private loans as well as tips for borrowers with federal student loans.

- <https://ticas.org/>

INSTITUTIONAL RESOURCES

Borrowers can use the following list of institutional resources to try to resolve issues they have with their student loan servicer, debt collector, private lender, or other parties related to their student loan issues. Some of the resources are more effective than others, so borrowers should read the descriptions and decide which resource is right for them and for dealing with their complaint.

Federal Student Loans

A. Student Loan Servicers

Borrowers should contact their student loan servicer as the first step in resolving most federal student loan issues. Borrowers should be aware that some federal student loan servicers have failed to properly assist borrowers in the past, so borrowers should educate themselves about their rights and responsibilities to best advocate for themselves with servicers. This list of loan servicers is also subject to change since the federal government periodically changes the companies with which contracts to service federal student loans. Borrowers can find out who their loan servicer is by visiting <https://studentaid.ed.gov/sa/>.

Contact Information for Federal Student Loan Servicers		
Servicer	Website	Phone Number
Nelnet	www.nelnet.com	1-888-486-4722
Great Lakes Educational Loan Services, Inc.	www.mygreatlakes.org	1-800-236-4300
Navient	www.navient.com	1-800-722-1300
FedLoan Servicing (PHEAA)	myfedloan.org	1-800-699-2908
MOHELA	www.mohela.com	1-888-866-4352
HESC/EdFinancial	www.edfinancial.com/DL	1-855-337-6884
CornerStone	www.MyCornerStoneLoan.org	1-800-663-1662
Granite State Management & Resources – GSMR	www.gsmr.org	1-888-556-0022
OSLA Servicing	www.osla.org	1-866-264-9762
Debt Management and Collections System	myeddebt.ed.gov	1-800-621-3115

B. Student Loan Servicer Ombudsman

Borrowers can contact their student loan servicer's ombudsman if they are unhappy with their loan servicer's resolution of their complaint, although they also could pursue recourse through another option on this list. Not every loan servicer has an ombudsman. The Ombudsman will work with the loan servicer and the borrower as a neutral party to try to resolve the issue.

Contact Information for Federal Student Loan Servicer's Ombudsman			
Servicer	Mail	Phone Number	Email
Nelnet	P.O. Box 82561 Lincoln, NE 68501-2561	1-888-486-4722	nelnetcustomersolution@nelnet.net
Great Lakes Educational Loan Services	P.O. Box 7860 Madison, WI 53707	1-866-348-0708	greatlakesservicingombudsman@glhec.org
Navient	P.O. Box 4200 Wilkes-Barre, PA 18773-4200	1-888-545-4199	advocate@navient.com
FedLoan Servicing (PHEAA)	1200 North 7th Street Harrisburg, PA 17102	1-800-213-9827	aesombudsman@aessuccess.org
MOHELA	633 Spirit Drive Chesterfield, MO 63005-1243	1-636-733-3700	gwendolyna@mohela.com
HESC/ EdFinancial	120 North Seven Oaks Drive Knoxville, TN 37922	1-866-847-0149	mdumas@edfinancial.com
OSLA	P.O. Box 18145 Oklahoma City, OK 73154	1-800-456-6752	

C. Federal Student Aid Feedback System

Borrowers can submit complaints through the FSA feedback system. The FSA accepts complaints about loan discharge, repayment plan, school quality, school closure, PSLF, and loan servicing issues. FSA states that it aims to provide an initial response to customer complaints within 15 days of submission and aims to resolve issues within 60 days of submission. FSA requests that borrowers include their FSA ID and supporting information with their complaint, but borrowers do not have to include their FSA ID to be able to submit a complaint.

Contact Information for Federal Student Aid Feedback System	
Mail	Federal Student Aid Feedback Center P.O. Box 1966 Monticello, KY 42633.
Online	https://feedback.studentaid.ed.gov/s/?language=en_US

D. Federal Student Aid Ombudsman Group

Borrowers can contact the FSA Ombudsman if they are unhappy with the FSA Feedback System's complaint resolution. The FSA Ombudsman Group is a free, neutral, and confidential resource that states that it will serve as a middle person to help resolve the borrower's complaint. The Ombudsman group will research the borrower's problem and work with the Department of Education, the school, or the loan servicer to try to resolve the issue. Before contacting the Ombudsman group, the borrower should fill out the FSA Ombudsman Information Checklist at <https://studentaid.ed.gov/sa/sites/default/files/ombudsman-information-checklist.pdf>

Contact Information for Federal Student Aid Ombudsman Group	
Mail	U.S. Department of Education FSA Ombudsman Group P.O. Box 1843 Monticello, KY 42633
Phone	1-877-557-2575
Fax	606-396-4821

E. Consumer Financial Protection Bureau

The Consumer Financial Protection Bureau (CFPB) accepts complaints on their website. The borrower will need dates, amounts, and other details on hand before filing a CFPB complaint. After a complaint has been filed, the CFPB will send the complaint and any documents to the company or school and will request a response, usually within 15 days. The CFPB may also involve other government agencies if necessary. The company can respond to the complaint and communicate with the borrower regarding the complaint. The CFPB makes public on its website information about the subject and date of the complaint.

Consumer Financial Protection Bureau Complaint Information	
Online	https://www.consumerfinance.gov/complaint/
Mail	Consumer Financial Protection Bureau P.O. Box 2900 Clinton, Iowa 52733
Phone	855-411-2372 TTY/TDD 855-729-2372

F. Consumer Financial Protection Bureau Student Loan Ombudsman

Borrowers can contact the Consumer Financial Protection Bureau Student Loan Ombudsman if they are unhappy with the resolution of their CFPB complaint or if they want to share their issue with the Ombudsman. The Ombudsman is a free, neutral, and confidential resource that states that they will serve as a middle person to help resolve the complaint. The Ombudsman states that they will review the applicable laws and regulations and talk with the individual and/or stakeholders involved to facilitate a fair process for solving the dispute.

Contact information for Consumer Financial Protection Bureau Student Loan Ombudsman	
Mail	Consumer Financial Protection Bureau Attn: Seth Frotman 1700 G Street NW Washington, DC 20552
Email	students@cfpb.gov
Phone	855-611-4260

G. North Carolina Department of Justice

Borrowers can file a complaint with the North Carolina Department of Justice. The borrower should only file a complaint with the North Carolina Department of Justice if the company he/she is having an issue with is located in North Carolina or does business in North Carolina. Otherwise, he/she should use the CFPB complaint process or another complaint process. The North Carolina Department of Justice can be helpful in dealing with SCRA violations, scams, and issues with for-profit schools.

North Carolina Department of Justice Contact Information	
Mail	Consumer Protection Division Attorney General's Office Mail Service Center 9001 Raleigh, NC 27699-9001
Phone	1-877-5-NO-SCAM (Toll-free inside NC) 919-716-0058 (En Español)
Online	http://www.ncdoj.gov/getdoc/59be4357-41f3-4377-b10f-3e8bd532da5f/Complaint-Form.aspx

H. Better Business Bureau

Borrowers can file a complaint against their student loan servicer with the Better Business Bureau (BBB). The BBB will forward the complaint to the business and will transmit the business's response, usually within 30 days of submission. The borrower should have contacted his/her loan servicer to resolve the issue before submitting a complaint to the BBB.

Better Business Bureau Complaint Information	
Online	https://www.bbb.org/consumer-complaints/file-a-complaint/get-started

I. Federal Trade Commission

Borrowers can file a complaint against their federal student loan servicer with the Federal Trade Commission (FTC). The FTC states that it will investigate the servicer for unfair business practices but will not resolve the borrower's individual issues. Borrowers seeking resolution of their complaint should file their complaint with another institutional resource on this list.

Federal Trade Commission Contact Information	
Online	ftc.gov/complaint
Phone	1-877-FTC-HELP

Private Student Loans

A. Consumer Financial Protection Bureau

The Consumer Financial Protection Bureau (CFPB) accepts complaints on their website. The borrower will need dates, amounts, and other details on hand before filing a CFPB complaint. After a complaint has been filed, the CFPB will send the complaint and any documents to the lender and will request a response from them, usually within 15 days. The CFPB may also involve other government agencies if necessary. The company can respond to the complaint and communicate with the borrower regarding the complaint. The CFPB makes public on its website information about the subject and date of the complaint.

Consumer Financial Protection Bureau Complaint Information	
Online	https://www.consumerfinance.gov/complaint/
Mail	Consumer Financial Protection Bureau P.O. Box 2900 Clinton, Iowa 52733
Phone	855-411-2372 TTY/TDD 855-729-2372

B. Consumer Financial Protection Bureau Student Loan Ombudsman

Borrowers can contact the Consumer Financial Protection Bureau Student Loan Ombudsman if they are unhappy with the resolution of their CFPB complaint or if they want to share their issue with the Ombudsman. The Ombudsman is a free, neutral, and confidential resource that states that they will serve as a middle person to help resolve the complaint. The Ombudsman states that they will review the applicable laws and regulations and talk with the individual and/or stakeholders involved to facilitate a fair process for solving the dispute.

Contact information for Consumer Financial Protection Bureau Student Loan Ombudsman	
Mail	Consumer Financial Protection Bureau Attn: Seth Frotman 1700 G Street NW Washington, DC 20552
Email	students@cfpb.gov
Phone	855-611-4260

C. North Carolina Department of Justice

Borrowers can file a complaint with the North Carolina Department of Justice. The borrower should only file a complaint with the North Carolina Department of Justice if the company he/she is having an issue with is located in North Carolina or does business in North Carolina. Otherwise, he/she should use the CFPB complaint process or another complaint process. The North Carolina Department of Justice can be helpful in dealing with SCRA violations, scams, and issues with for-profit schools.

North Carolina Department of Justice Contact Information	
Mail	Consumer Protection Division Attorney General's Office Mail Service Center 9001 Raleigh, NC 27699-9001
Phone	1-877-5-NO-SCAM (Toll-free inside NC) 919-716-0058 (En Español)
Online	http://www.ncdoj.gov/getdoc/59be4357-41f3-4377-b10f-3e8bd532da5f/Complaint-Form.aspx

D. Better Business Bureau

Borrowers can file a complaint against their private student loan lender with the Better Business Bureau (BBB). The BBB will forward the complaint to the business and will transmit the business's response, usually within 30 days of submission. The borrower should have contacted his/her lender to resolve the issue before submitting a complaint to the BBB.

Better Business Bureau Complaint Information	
Online	https://www.bbb.org/consumer-complaints/file-a-complaint/get-started

E. Federal Trade Commission

Borrowers can file a complaint against their private student loan lender with the Federal Trade Commission (FTC). The FTC states that it will investigate the lender for unfair business practices but will not resolve the borrower's individual issues. Borrowers seeking resolution of their complaint should file their complaint with another institutional resource on this list.

Federal Trade Commission Contact Information	
Online	ftc.gov/complaint
Phone	1-877-FTC-HELP

Debt Collectors

A. Federal Student Aid Feedback System

Borrowers can submit complaints through the FSA feedback system. FSA states that it aims to provide an initial response to customer complaints within 15 days of submission and aims to resolve issues within 60 days of submission. FSA requests that borrowers include their FSA ID and supporting information with their complaint, but borrowers do not have to include their FSA ID to be able to submit a complaint.

Contact Information for Federal Student Aid Feedback System	
Mail	Federal Student Aid Feedback Center P.O. Box 1966 Monticello, KY 42633.
Online	https://feedback.studentaid.ed.gov/s/?language=en_US

B. Federal Student Aid Ombudsman Group

Borrowers can contact the FSA Ombudsman if they are unhappy with the FSA Feedback System's complaint resolution. The FSA Ombudsman Group is a free, neutral, and confidential resource that states that it will serve as a middle person to help resolve the borrower's complaint. The Ombudsman group will research the borrower's problem and work with the debt collector try to resolve the issue. Before contacting the Ombudsman group, the borrower should fill out the FSA Ombudsman Information Checklist at <https://studentaid.ed.gov/sa/sites/default/files/ombudsman-information-checklist.pdf>

Contact Information for Federal Student Aid Ombudsman Group	
Mail	U.S. Department of Education FSA Ombudsman Group P.O. Box 1843 Monticello, KY 42633
Phone	1-877-557-2575
Fax	606-396-4821

C. Consumer Financial Protection Bureau

The Consumer Financial Protection Bureau (CFPB) accepts complaints on their website. The borrower will need dates, amounts, and other details on hand before filing a CFPB complaint. After a complaint has been filed, the CFPB will send the complaint and any documents to the debt collector and will request a response from them, usually within 15 days. The CFPB may also involve other government agencies if necessary. The company can respond to the complaint and communicate with the borrower regarding the complaint. The CFPB makes public on its website information about the subject and date of the complaint.

Consumer Financial Protection Bureau Complaint Information	
Online	https://www.consumerfinance.gov/complaint/
Mail	Consumer Financial Protection Bureau P.O. Box 2900 Clinton, Iowa 52733
Phone	855-411-2372 TTY/TDD 855-729-2372

D. Consumer Financial Protection Bureau Student Loan Ombudsman

Borrowers can contact the Consumer Financial Protection Bureau Student Loan Ombudsman if they are unhappy with the resolution of their CFPB complaint or if they want to share their issue with the Ombudsman. The Ombudsman is a free, neutral, and confidential resource that states that they will serve as a middle person to help resolve the complaint. The Ombudsman states that they will review the applicable laws and regulations and talk with the individual and/or stakeholders involved to facilitate a fair process for solving the dispute.

Contact information for Consumer Financial Protection Bureau Student Loan Ombudsman	
Mail	Consumer Financial Protection Bureau Attn: Seth Frotman 1700 G Street NW Washington, DC 20552
Email	students@cfpb.gov
Phone	855-611-4260

E. North Carolina Department of Justice

Borrowers can file a complaint with the North Carolina Department of Justice. The borrower should only file a complaint with the North Carolina Department of Justice if the company he/she is having an issue with is located in North Carolina or does business in North Carolina. Otherwise, he/she should use the CFPB complaint process or another complaint process. The North Carolina Department of Justice can be helpful in dealing with SCRA violations, scams, and issues with for-profit schools.

North Carolina Department of Justice Contact Information	
Mail	Consumer Protection Division Attorney General's Office Mail Service Center 9001 Raleigh, NC 27699-9001
Phone	1-877-5-NO-SCAM (Toll-free inside NC) 919-716-0058 (En Español)
Online	http://www.ncdoj.gov/getdoc/59be4357-41f3-4377-b10f-3e8bd532da5f/Complaint-Form.aspx

F. Debt Collection Agency Special Assistance Unit

Every debt collection agency that collects federal student loan debts has a Special Assistance Unit that addresses customer concerns. Borrowers can contact them by calling the Default Resolution Group call center at 1-800-621-3115 and asking to be directed to their collector's Special Assistance Unit.

G. Better Business Bureau

Borrowers can file a complaint against their debt collector with the Better Business Bureau (BBB). The BBB will forward the complaint to the business and will transmit the business's response, usually within 30 days of submission. The borrower should have contacted his/her debt collector to resolve the issue before submitting a complaint to the BBB.

Better Business Bureau Complaint Information	
Online	https://www.bbb.org/consumer-complaints/file-a-complaint/get-started

H. Federal Trade Commission

Borrowers can file a complaint against their debt collector with the Federal Trade Commission (FTC). The FTC states that it will investigate the debt collector for unfair business practices but will not resolve the borrower's individual issues. Borrowers seeking resolution of their complaint should file their complaint with another institutional resource on this list.

Federal Trade Commission Contact Information	
Online	ftc.gov/complaint
Phone	1-877-FTC-HELP

ADVOCACY RESOURCES

Borrowers who are seeking representation in a legal matter can use this list to find attorneys and legal programs available to assist them with their student loan issues.

Armed Forces Legal Assistance Office

Find nearby military legal assistance offices.

- <http://legalassistance.law.af.mil/content/locator.php>

American Bar Association

Find legal programs available to military families in each state.

- https://www.americanbar.org/portals/public_resources/aba_home_front/directory_programs.html

National Association of Consumer Advocates

Find a consumer law attorney in a particular issue area.

- <https://www.consumeradvocates.org/>

North Carolina State Bar

Find lawyers in North Carolina.

- <https://www.ncbar.gov/>

Legal Aid of North Carolina/

Find legal aid services in North Carolina.

- <http://www.legalaidnc.org/>