

GETTING OUT OF DEFAULT

When placed in default, any William D. Ford Federal Direct Loan (Direct Loan) Program loan or Federal Family Education Loan (FFEL) Program loan that is owned by the U.S. Department of Education (ED) is assigned to ED's Default Resolution Group for collection. Defaulted FFEL Program loans that are not owned by ED will be assigned to a guaranty agency for collection.

If you are unsure which type(s) of loan(s) you have, check your original loan documents or use the National Student Loan Data System (NSLDS®). Note that information about any private student loan you may have received will not be included in NSLDS.

Options for getting your loan out of default include:

1. Loan repayment
2. Loan rehabilitation
3. Loan consolidation

Loan Repayment

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

Loan Rehabilitation

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

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

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

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

Other benefits of loan rehabilitation include the removal of the default status on your defaulted loan, the default status reported to the national credit bureaus, cancellation of wage garnishment, and no longer withholding of your income tax refund made by the Internal Revenue Service (IRS).

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

In order to start the loan rehabilitation process, contact the Default resolution group at:

Phone: 800-621-3115

TDD: 877-825-9923

E-mail: drghelp@ed.gov

Web site: <https://www.myeddebt.com/borrower/>

Office Hours: 8:00 a.m. - 10:00 p.m. (ET), Monday through Friday. 8:00 a.m. - 7:00 p.m. (ET), Saturday.

Loan Consolidation

You also have an option for getting out of default through loan consolidation. Loan consolidation allows you to pay off the outstanding combined balance(s) for one or more federal student loans to create a new single loan with a fixed interest rate. You may not be able to consolidate loans if you are already in default on a consolidation loan.

Note: A guaranty agency may charge collection or late fees up to 18.5 percent of the outstanding loan (including the principal and interest). The fees become part of the principal for the consolidation loan. For example, a defaulted loan of \$8,500 plus \$1,500 of accrued interest = \$10,000. Fees of \$1,850 can be added to the \$10,000, which means the consolidation loan will be made for \$11,850.

To consolidate your loan(s) through a Direct Consolidation Loan go to <http://www.loanconsolidation.ed.gov/> and select “borrower services” to start the application process.