



# Options for Student Loan 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. For defaulted Federal Perkins Loans, you'll need to check with the school from which you borrowed to find out about loan repayment.

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®) located at [http://www.nslds.ed.gov/nslds\\_SA/](http://www.nslds.ed.gov/nslds_SA/). Note that information about any private student loan you may have received will not be included in NSLDS.

You have several options for getting your loan out of default. These include loan repayment, loan rehabilitation, and loan consolidation.

---

## Loan Repayment

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

- Repayment information for defaulted Direct Loans (includes TEACH Grants that have been converted to Direct Unsubsidized Loans)
- Repayment information for defaulted FFEL Program loans
- Repayment information for defaulted Federal Perkins Loans—contact the school where you received your Perkins Loan

---

## Loan Rehabilitation

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

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

Note: Payments that have already been collected from you—for example, through the Administrative Wage Garnishment (AWG) process or through legal action taken against you to collect your defaulted loan—do not count toward your rehabilitation payments. (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 **deferral**, **forbearance**, a choice of repayment plans, **loan forgiveness**, and eligibility for additional federal student aid.

Other benefits of loan rehabilitation include the removal of

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

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

---

## 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**.

A defaulted **federal student loan** may be included in a consolidation loan after you've made arrangements with ED and made several voluntary payments (contact your school for information about making payments on a Perkins Loan). Usually, you would be required to make at least three consecutive, voluntary, and on-time payments prior to consolidation.

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. Consolidate your loans through a Direct Consolidation Loan.

### Contacting Collection Agencies

The Department of Education currently contracts with several collection agencies to administer many of the collection activities of our accounts. Only those accounts which fail to establish and adhere to a repayment arrangement are subject to assignment to a collection agency by the Department's Default Resolution Group. Those accounts assigned to a collection agency are assessed additional collection costs.

Collection agency employees are trained to comply with the terms of the Fair Debt Collection Practices Act which governs collection practices by debt collectors. When the Default Resolution Group is notified in writing of complaints concerning our collection agencies, we review the evidence and take the necessary action to correct the situation.

<p>Progressive Financial Services  P. O. Box 24098  Tempe, AZ 85285  (800) 745-2345</p>	<p>Collecto, Inc. dba Collection Company of America  P. O. Box 5369  Norwell, MA 02061-5369  (800) 896-4539</p>
<p>Allied Interstate, Inc.  P. O. Box 26190  Minneapolis, MN 55426  (800) 715-0395</p>	<p>Pioneer Credit Recovery, Inc.  P. O. Box 228  Arcade, NY 14009  (888) 287-0317</p>
<p>NCO  P.O. Box 4929  Trenton, NJ 08650-4929  (888) 475-6741</p>	<p>The CBE Group, Inc.  P.O. Box 930  Waterloo IA 50704-0930  (800) 410-8089</p>
<p>Diversified Collection Services, Inc.  P.O. Box 9049  Pleasanton, CA 94566-9049  (888) 335-6267</p>	<p>Premiere Credit of North America, LLC  P.O. Box 19289  Indianapolis, IN 46219  (888) 744-2602</p>
<p>CollectCorp  P. O. Box 960  Phoenix, AZ 85001  (877) 719-7015</p>	<p>GC Services  P. O. Box 27346  Knoxville, TN 37927  (877) 244-7901</p>
<p>Account Control Technology, Inc.  P. O. Box 11750  Bakersfield, CA 93389-1750  (866) 887-2800</p>	<p>West Asset Management, Inc.  P. O. Box 105668  Atlanta, GA 30348-5668  (888) 327-2305</p>
<p>FMS Investment Corp.  P.O. Box 1423  Elk Grove Village, IL. 60009-1423  (877) 291-8405</p>	<p>ConServe  P.O. Box 457  Fairport, NY 14450-0190  (866) 633-7945</p>
<p>Financial Asset Management Systems, INC. (FAMS)  P.O. Box 451437  Atlanta, GA 31145-1437  (888) 680-4326</p>	<p>Collection Technology, Inc.  P.O. Box 2036  Monterey Park, CA 91754  (800) 620-4284</p>
<p>Van Ru Credit Corporation  P. O. Box 1027  Skokie, IL 60076-8027  (888) 337-8331</p>	<p>Delta Management Associates, Inc.  P.O. Box 9192  Chelsea, MA  02150-9192  (866) 441-1957</p>
<p>Immediate Credit Recovery Inc.  P.O. Box 965363  Marietta, GA 30066  (866) 401-7190</p>	<p>Coast Professional, Inc.  P.O. Box 2899  West Monroe, LA 71294  (800) 964-0881</p>
<p>National Recoveries  P.O. Box 48367  Minneapolis, MN 55448  (877) 221-9729</p>	<p>Enterprise Recovery Systems, Inc.  P.O. Box 5288  Oak Brook, IL 60522  (888) 377-5000</p>
<p>Windham Professionals, Inc.  P.O. Box 400  East Aurora, NY 14052  (877) 719-4440</p>	