Student Loan Guide – Defaulted Loans

1. When your loans are in default status you will need to contact the Department of Education at: (800) 621-3115. They will want to update your contact information first. At this point the rep will give you a contact number for the collection agency you will be dealing with. Be prepared to have to make the phone call to the collection agency in the morning, all of the collection agencies working for the Dept. of Ed is back East. This is a six hour difference, so prepare to call in the morning.

2. Collection Agencies that work for the Dept. of Ed are going to ask you the same information that you just gave the Dept. of Ed. What you want is to rehabilitate your student loans so they are back in good standing and you can go from collections to a service provider. This is a 9 month program and you will need to make these payments with no gap in payment to get the clearance you are wanting. Also, be prepared for them to ask you if you can pay the debt in full. Reply honestly, and let them know that you need the lowest payment possible.

3. After 6 months of consecutive payment on the rehab program you can request for a Default Clearance letter from the Dept. of Ed. This letter will allow you to receive Title 4 funding (financial aid). Keep in mind that you still have to finish out the program for 9 months, but then you can have your loans revert to In-School Deferment.

To ensure that you won’t have your tax return taken or your wages garnished, you need to set up the rehab on your loans. Once you are enrolled in the rehab program you will not have the negative repercussions from the defaulted loans.