



RESOLVING A DISPUTE

If you feel the default was in error, your first step should be to contact your loan holder and discuss the issue. The holder's representatives will point out some of your options and guide you through any appeal processes. If your loan was guaranteed through EdFUND, contact us toll free at 1.800.367.1590.

In addition, some holders of defaulted loans, including EdFUND, have a student loan ombudsman who can review your case objectively. The U.S. Department of Education also offers a student financial aid ombudsman, who can assist you if you have a dispute with your student loan or any other financial aid related issue that could not be resolved through established channels.

EdFUND – Ombudsman
P.O. Box 419045
Rancho Cordova, CA 95741-9045
916.526.8024
Fax: 916.526.8518
www.edfund.org

U.S. Department of Education
FSA Ombudsman
830 First Street, NE 4th Floor
Washington, DC 20202-5144
1.877.557.2575
Fax: 202.275.0549
<http://fsahelp.ed.gov>

UNDERSTANDING YOUR CREDIT REPORT

Credit reporting and credit scoring are complicated. Lenders and student loan guarantors are required by law to report student loan activity to national credit bureaus so that creditors can make informed lending decisions. How you manage your student loan is reflected on your credit score; it's vital if you want to acquire future credit and optimum terms.

If you've defaulted on your student loan, it's likely that your credit standing is already damaged. But you can make incremental improvements to it if you take the necessary steps to resolve your debt.

EdFUND, like most credit information providers, can only provide updates to the information we report to the credit bureaus. By taking action now and continuing to resolve the debt, you can start down the track of cleaning up the negative marks and repairing the damage to your credit rating.

EdFUND reports to the following credit bureaus—**Equifax**, **Experian** and **Trans Union**. For a free copy of your credit report, visit www.annualcreditreport.com; call 877.322.8228; or write to Annual Credit Report Request Service, P.O. Box 105283, Atlanta, GA 30348-5283.

COLLECTION AGENCIES

EdFUND's contracted collection agencies include:

NCO Financial Systems, Inc.
www.ncogroup.com
507 Prudential Road, Horsham PA 19044
1.800.220.2274

OSI
www.osioutsourcing.com
5626 Frantz Road, Dublin OH 43017
1.800.962.5191


Premiere Credit of North America, LLC
www.premierecredit.com
P.O. Box 19309, Indianapolis IN 46219
1.866.808.7175

Van Ru Credit
www.vanru.com
1350 E. Touhy Ave., Ste 300E, Des Plaines IL 60018
1.800.468.2678

BORROWER ASSISTANCE

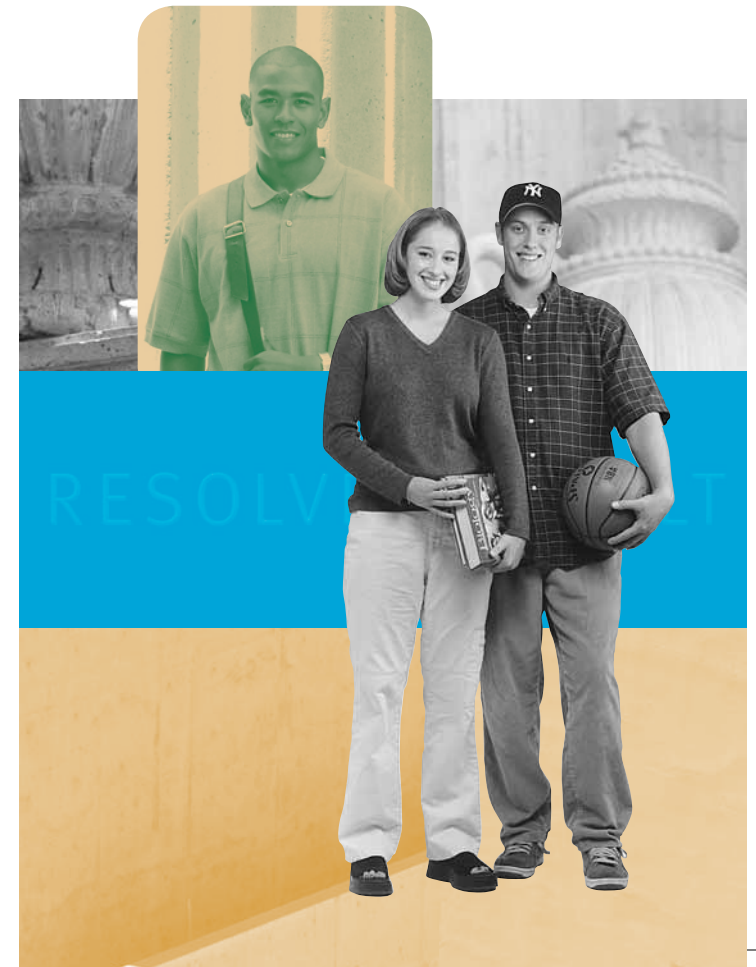
If your loan was guaranteed through EdFUND, we can help you resolve a default. EdFUND staff will help you get back on track by finding a repayment option that will work for you.

Call us toll free at 1.800.367.1589.


P.O. Box 419045
Rancho Cordova, CA 95741-9045

Toll free 877.2EDFUND
(877.233.3863)
www.edfund.org

Options for resolving your defaulted federal student loan



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get back on track and repay your federal student loan debt. It's easier than you might think!

If you've defaulted on your student loan, then you're probably aware of some of the serious consequences: you become ineligible for student financial aid, your credit history is damaged, your wages, or your federal and/or state tax refunds or other federal payments may be garnished and you may be sued.

We want to help you get back on track by explaining the options that are available for clearing up your defaulted loan. Why should you bother? Well, you may be returning to school and need financial aid, you may be about to make a major purchase and need to "clean up" your credit report, or you may be questioning whether the debt is even yours.

Cleaning up your credit is going to take some time, but with patience and persistence, you can do it. There are several ways you can repair your defaulted student loan:

- ▶ pay your loan balance in full
- ▶ make satisfactory repayment arrangements with the holder of your loan
- ▶ rehabilitate your loan(s)
- ▶ consolidate your loans

Whichever option you choose, make sure you keep copies of all correspondence. You may need them to verify your status as your records are being updated.

This information is provided to you by EdFund. If your loan was guaranteed through EdFund, we can help you resolve a default. Call us toll free at 1.800.367.1589.

If you don't know who the holder of your loan is, contact the National Student Loan Data System (NSLDS) at www.nsls.ed.gov or 1.800.4FEDAID (TDD 1.800.730.8913).



OPTION: Pay Your Loan Balance In Full

Paying off your loan in full is the quickest and easiest method for resolving your defaulted loan. When you pay off your debt, you may immediately regain eligibility for most forms of financial aid and your credit report will be amended to reflect your new status, improving your credit score. (However, keep in mind that your credit report may take up to 60 days to reflect a paid-in-full-status.)

To exercise this option, contact the holder of your loan to determine the payoff amount, which may include principal (the amount you defaulted on), accrued interest and any collection costs that have been prescribed by law.

OPTION: Make Satisfactory Repayment Arrangements

If you can't afford to pay off the loan, making payments is the next best thing. This option re-establishes your eligibility for financial aid benefits after you make a specified number of payments to the holder of any loan(s) in default. In order to regain eligibility for most financial aid programs, you must make six consecutive qualifying payments. A **qualifying** payment is one that is made:

- ▶ voluntarily (not made via federal and/or state payments, wage garnishment, etc.),
- ▶ on time (within 15 days of the monthly due date),
- ▶ in full (partial payments, unless otherwise agreed upon, don't qualify).

Note that this option may only be used once to regain eligibility for federal student aid and even though you've made payments, the loan is still considered in default status. You must continue to make payments or maintain your repayment agreement with the holder of your loan(s) in order to maintain your eligibility for financial aid.

After you've made your sixth payment, you may become immediately eligible for financial aid to cover your current period of enrollment. Also, after the sixth payment, it becomes easier to make the next three payments to qualify you for loan rehabilitation, with still more benefits!

OPTION: Rehabilitate Your Loan(s)

Thousands of borrowers have rehabilitated their student loans and improved their credit ratings. When you rehabilitate your loan, you regain all the benefits you had on those loans prior to default, including any interest subsidies, if applicable. If you successfully rehabilitate, you may also apply for deferments or forbearances with your new lender. In addition, your credit report will be amended with positive remarks to reflect the new status.

With rehabilitation, after you've made nine qualifying payments in 10 consecutive months, your defaulted loan may be purchased (paid off) by a participating lender, thus retiring the defaulted debt. You'll then have a new loan and will have up to 10 years to repay (the nine payments you just made count toward your first year). Once you rehabilitate, if the monthly payments become unmanageable, your lender can help you with a variety of repayment options.

In order to qualify for rehabilitation:

- ▶ Your loan balance must be over \$500 when your loan is sold to the new lender.
- ▶ You must make nine qualifying payments in 10 consecutive months.

In addition to those mentioned above, loan rehabilitation has many benefits:

- ▶ Eligibility for federal benefits:
 - › You may now qualify for federal financial aid.
 - › Your rehabilitated loans may qualify for payment of interest benefits.
 - › You may qualify for deferments and forbearances.
- ▶ Your credit report will be amended, improving your credit score, and you may be able to benefit more from consumer lending programs.

OPTION: Consolidate Your Loans

Your defaulted loan can also be paid off through a consolidation loan, which enables a borrower with several loans to obtain one loan with one interest rate and one repayment schedule. As with rehabilitation, the defaulted debt is retired (paid off) and a new loan is made. Consolidation loans also have expanded repayment terms, which can make repayment more affordable. You should be aware that extended repayment periods usually mean increased interest costs—you'll pay more in the long run.

To qualify for a consolidation loan, you must:

- ▶ make three consecutive qualifying payments on the defaulted loan, or
- ▶ agree to make payments under the income-sensitive repayment option for consolidation under the Federal Family Education Loan Program or income-contingent repayment option for consolidation under the Direct Loan Program.

If you have previously consolidated your student loans, you can only re-consolidate under certain narrow circumstances. Contact a participating lender for more information.

More information about consolidation loans can be found on the EdFund Web site at www.edfund.org.

Once you've consolidated your defaulted student loans, you'll enjoy the following benefits:

- ▶ The defaulted loans are paid in full, transferring the debt to a loan in good standing.
- ▶ Credit remarks on defaulted student loans are updated from "collection account" to "paid collection account," typically improving your credit score.
- ▶ You may immediately regain eligibility for most financial aid programs.
- ▶ You may be eligible for deferments on the new consolidation loan.
- ▶ Your monthly payments may be reduced if you exercise extended repayment options.