

## **Nation's Student Loan Guarantors Provide Borrower Relief**

*Guaranty agencies announce plan to protect loan rehabilitation-eligible borrowers from state tax offset*

Washington, DC, March 13, 2009 – Student loan borrowers in default status who make nine timely payments will no longer have their state tax rebates offset, the nation's student loan guaranty agencies announced today.

Borrowers who have defaulted on their student loans are subject to having their state and federal tax refunds offset, or redirected, to pay against their defaulted loan accounts. Guaranty agencies can certify accounts for state and federal tax offset when borrowers default on their student loans. Accounts remain certified for offset until the account is paid in full or the borrower takes action to remove the loan from default. The most common method of removing a loan from default is through the Loan Rehabilitation Program.

The Loan Rehabilitation Program allows a defaulted borrower who has made nine voluntary and timely payments within a 10-month period to have his or her loan sold back to a student loan lender. This action removes the loan from default status and deletes the derogatory entry of default from the borrower's credit bureau record. However, the recent disruption of the credit markets has severely limited lender participation in the Loan Rehabilitation Program. As a result, more than 15,000 borrowers are earning the right to rehabilitate their loans each month but are unable to do so due to lack of lender capital. These borrowers remain in default and subject to state tax offset despite having met their repayment obligations for rehabilitation.

The nation's guarantors recognize the commitments made by the borrowers who have fulfilled their obligations and made the necessary number of on-time payments to become rehabilitation-eligible. To reward these efforts, particularly in today's tough economic times, the guaranty agencies have agreed to de-certify from future state tax offset all borrowers who have made the required nine timely payments and continue to make timely payments until a purchaser can be found for their loans. Due to an unrelated procedural change last year, borrowers currently eligible for loan rehabilitation have already been decertified from federal tax offset.

“Defaulted borrowers who have earned the right to have their loans rehabilitated should not be harmed because the credit markets are under stress,” said Brett Lief, President of the National Council of Higher Education Loan Programs. “This move by the nation's guaranty agencies is a show of good faith to borrowers who have met their obligations and earned the right to have their loans removed from default.”

Based in Washington, D.C., NCHelp represents a nationwide network of guaranty agencies, secondary markets, lenders, loan servicers, collection agencies, schools and other organizations involved in the administration of the Federal Family Education Loan Program (FFELP). NCHelp members promote student access and choice for postsecondary education and training. Over the past 40 years, FFELP participants have provided more than \$600 billion in student loans and a range of services and materials to increase awareness about college opportunities, financial aid and financial literacy.

Contact:

Tim Fitzgibbon

NCHelp

515-224-1400

<http://www.nchelp.org>