

# HOW TO

## Determine Eligibility for Economic Hardship/Unemployment Deferments or Forbearances

Determining a borrower's eligibility for deferment of a Perkins/NDSL loan based upon financial reasons can be a daunting task due to the technical language found in the Federal Regulations. Following these suggestions could make this task easier for you.

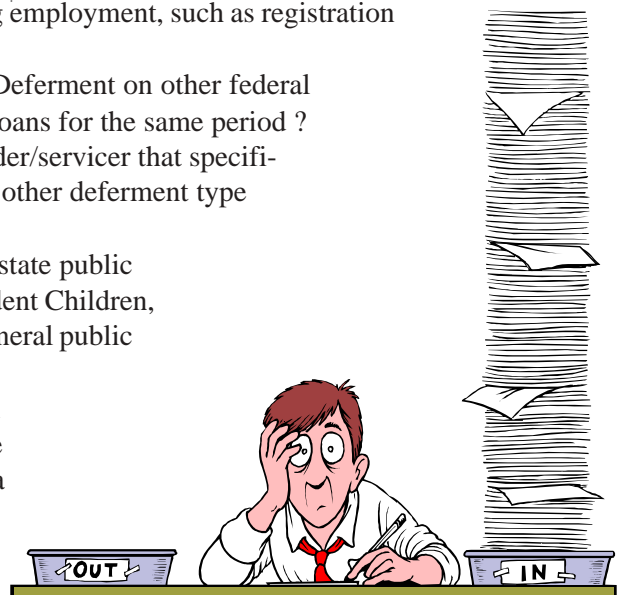
**Here are some questions to ask yourself when deciding whether to grant an economic hardship, unemployment deferment, a forbearance, or special billing.**

1. What is the borrower's note date? This may effect the type of deferment the borrower can receive.
2. What are the borrower's circumstances?
3. Will the borrower be able to provide you with proof of his/her circumstances?
4. Has the borrower had a previous deferment? If so, for how long?
5. Does the borrower have other types of loans (Stafford)? Are they deferred?
6. Is the borrower working full time? If not, why?
7. Can the borrower make any payment amount?
8. Will the borrower be able to pay the interest that will accrue while the loan is in forbearance?

### OPTION 1: Economic Hardship/Unemployment Deferment

If the borrower is unable to meet his/her repayment obligations due to one of the following circumstances listed below, they may qualify for Unemployment or Economic Hardship deferment.

- ◆ Is the borrower unemployed or working part-time and unable to find full-time employment? Ask for a copy of his/her termination letter from the prior employer, a copy of completed job applications, or further proof that the borrower is seeking employment, such as registration with an employment agency.
- ◆ Has the borrower been granted an Economic Hardship Deferment on other federal loans and is requesting to be deferred on their Perkins Loans for the same period ? You must have a letter of verification from the other lender/servicer that specifically states the deferment is an Economic Hardship. No other deferment type meets this eligibility criterion.
- ◆ Does the borrower receive payments under a federal or state public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance?
- ◆ Does the borrower work 30 + hours a week with a Total Monthly Gross Income (TMGI) that does not exceed the federal minimum wage, or 100% of the poverty line for a family of two as published in the Federal register?  
(USA: 11,940; Alaska: 14,930; Hawaii: 13,740.)



- ◆ If the borrower works 30+ hours a week with a TMGI that is not greater than twice the federal minimum wage or the family poverty line for two, then subtract the amounts of payments made on all federal education loans from the TMGI. If the result is not more than the federal minimum wage or the poverty line for a family of two, the borrower qualifies for an Economic Hardship.
- ◆ Does the borrower work 30+ hours a week and the amounts of payments made on all his/her federal education loans is at least 20% of his/her TMGI? If the difference between the TMGI and the federal education loan debt burden is less than 220% of the minimum wage or the poverty line, the borrower qualifies for an Economic Hardship.



If one of the items listed above applies, send the borrower an unemployment/hardship deferment form along with the instructions. The borrower also may download these forms from our Web site at [www.campuspartners.com](http://www.campuspartners.com). If the borrower qualifies, this deferment may be granted for a maximum of three years with a six-month post deferment grace to follow. We recommend granting the deferment no more than six months in the future. This will allow the institution to periodically evaluate the borrower's circumstances and determine if they may be able to begin repayment of their loan.

Be sure to inform the borrower that collection activity will continue until the properly completed deferment request is received and processed.

### **OPTION 2: Special Billing**

Ask the borrower if they are able to make partial or reduced payments.

- ◆ If Yes-Negotiate the highest payment the borrower is confident they are able to pay. AMS recommends the minimum payment is at least \$20.00 and it **must** be \$5.00 greater than the interest accrued monthly. If the borrower has had special billing in the previous year, the payment should be \$10.00 greater than the payment on the previous special billing plan.
- ◆ Borrowers who are delinquent may use forbearance (subject to the 3 year maximum forbearance limit) to bring the account current prior to beginning special billing payments. (See below)
- ◆ If the borrower is unable to make the minimum payment for special billing, go to OPTION 3.

### **OPTION 3: Forbearance**

If the borrower does not qualify for standard deferments, is unable to make reduced payments, and is unable to meet repayment obligations due to one of the following circumstances listed below, the borrower may be eligible for forbearance.

- ◆ The total amounts of payments on all Title IV federal education loan is 20% or more of their total monthly gross income. (Calculation: Monthly gross income divided by total monthly Title IV federal education loan payments = X%).
- ◆ Poor health / Prolonged illness.
- ◆ Other reason. Borrower must provide description of condition(s) that affects their ability to pay the loan.

Forbearance allows the borrower to temporarily stop making payments for the period requested on the application. Interest is billed monthly, at the end of the forbearance period, or over the life of the loan.

Forbearance may be used to bring an account current and forbear future payments. Borrowers are limited to 3 years of total forbearance on their loan. (If you are an On-line customer, you may check LN3 for the # of forbearance months used.) Forbearances cannot be processed for more than one year into the future.

If the borrower has not exceeded the three year time limit, send a forbearance application and instructions to the borrower or download the form from our Web site at [www.campuspartners.com/form](http://www.campuspartners.com/form). Inform the borrower that collection activity will continue until the properly completed forbearance request is received and processed by our office.