

- Student Loan Borrower Assistance - <http://www.studentloanborrowerassistance.org> -

Examples

The examples below can help you understand what to do about your student loan problems. You should use these examples to get ideas for your own case that you can pursue on your own or by checking out these [resources](#).

Borrowers with Disabilities

1. Medical Review Failures

Example: Joe's application for [disability discharge](#) has been denied due to "medical review failure."

Joe's situation is very common. Loan holders and the Department routinely deny applications on this basis. The problem is that "medical review failure" could mean a lot of different things. It might mean that the agency has reviewed Joe's medical information and decided that it was insufficient to prove a total and permanent disability. But it could also be a more technical problem such as the doctor's failure to provide a license number or Joe's failure to sign the form. The problem is that the agency doesn't explain the basis for the denial, just that it is a "medical review failure."

The case is not over at this point. Joe should call the Conditional Disability Discharge (CDD) Unit and ask them what the reason was for the denial. The phone number for Disability Discharge Loan Servicing is 1-888-869-4169. If it is a problem that can be addressed, Joe should tell them that he will fix it, such as by signing the form or providing the doctor's license number. He should also request that they accept the new information and continue the review process. If Joe can't get anywhere with the CDD, he should consider contacting the [Department of Education ombudsman](#) or a [guaranty agency ombudsman](#) if he is working with a guaranty agency. He might also try to find [legal assistance](#).

If the denial is based on a full medical review, Joe should ask whether his doctor complied with any requests for additional information. If not, he could follow up with his doctor and see if the doctor will provide the necessary information. He should also ask whether there is any other information that the agency would find helpful. If so, he can submit this information and ask the agency to review his application again. If none of these strategies work, he can appeal a final denial in federal court.

2. Conditions That Are Not Permanent Disabilities

Example: Maria has a back condition, but is not totally disabled.

Maria is only eligible for a [disability discharge](#) if she is totally and permanently disabled. If she is not eligible for another type of [cancellation](#) and she is not yet in default, she should see if she qualifies for a [deferment](#). The most likely would be an [unemployment deferment](#) or [economic hardship deferment](#). Each of these is only available for up to three years, so this is not a long-term solution. They will be very helpful if Maria is likely to recover and get back to work. She could even work and still get the economic hardship deferment if she qualifies based on her income level for her family size.

A longer term solution, assuming that Maria's condition does not worsen and she is still not permanently disabled, is to consider an [income-based repayment plan](#). If she is already in default, she can try to [consolidate or rehabilitate to get out of default](#) and then select an income-based repayment plan. This will allow her to pay manageable amounts while she is not working or while she has low earnings. She can always change plans if she recovers and starts making more money. At some point, if she does better financially, she may no longer qualify for the income-based repayment plan.

Private loans

1. Problems Repaying [Private Loans](#)

Example: Frank is having trouble paying his private loans, but is not yet in default.

Frank should consider calling the loan holder and see if he can work out a loan modification or modified repayment arrangement. For example, he could ask for a restructuring of the terms of the loan, interest rate reduction, or principal reduction. He could also request a lower monthly repayment plan. He should first see if he has a copy of the [original loan agreement and promissory note](#). These documents explain the programs that the creditor agreed to offer when Frank first took out the loan. This is important for private loans because private lenders are not required to offer flexible repayment,

cancellation or deferment options. Even though the programs are not required, some lenders will offer them. Others will consider assistance on a case-by-case basis.

Rehabilitation

1. Stuck in the Rehabilitation Process

Example: Carla was in default on a FFEL Stafford loan. She set up a reasonable and affordable rehabilitation payment plan and made the required payments, but the guaranty agency cannot find a buyer for the loan.

Unfortunately, a lot of borrowers are still stuck in this situation. Sale of the loan is required to complete the rehabilitation. While she is deciding what to do, Carla should continue to make the required rehabilitation payments. She will not be able to complete the rehabilitation if she fails to make the payments while the agency tries to find a buyer.

The problem is that Carla's loan is still technically in default while the agency is looking for a buyer. Carla should request that the agency stop all collection efforts during this time.

She might also want to consider other options. [Consolidation](#) is the other way to get out of default on federal student loans. Assuming she is eligible to do this, she will be able to get out of default as soon as the loan is consolidated as opposed to waiting for the rehabilitation process to be completed. The main difference between the programs is the [credit reporting](#) consequences. If Carla completes the rehabilitation, the default notation will be deleted from her credit report. If she consolidates, the credit report will note that she had a defaulted loan for a period of time, but that the defaulted loan was paid in full. The report will show a positive balance going forward as long as she makes her payments on the new consolidation loan.

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