

STUDENT DEBT RELIEF SCAMS

Some companies claim that they can help save you money on monthly student loan payments.

These companies may charge hundreds of dollars for services that you can access for free.

You do **NOT** need to pay anyone to enroll in a borrower assistance program that the federal government provides for free.

Federal programs include loan consolidation, rehabilitation, income-based repayment plans, and loan forgiveness.

Any New Yorker who would like to file a complaint about a student debt relief company or other potential abuse can call DFS at (212) 480-6400, toll-free (800) 342-3736, or visit us on the web at www.DFS.ny.gov.

STUDENT PROTECTION UNIT

The Department of Financial Services Student Protection Unit (SPU) works to enhance consumer protections for New York students and help them build financially sound futures.

The goals of the SPU are to:

- Protect students from fraud and misrepresentation by taking appropriate action, such as enforcing applicable laws and encouraging industry transparency
- Provide unbiased and objective information on industry practices and the functions of student-related financial products
- Educate student consumers and their parents regarding available financial products and services and empower them to make informed choices

Visit the DFS
Student Lending Resource Center
dfs.ny.gov/studentprotection



What You Need to Know About...

REHABILITATION AND CONSOLIDATION OF FEDERAL STUDENT LOANS

Important information about what to do when you are having trouble paying off your student loans

This guide is provided for informational purposes only and does not constitute legal advice

Department of Financial Services
(212) 480-6400
(800) 342-3736
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REHABILITATE

BRING YOUR LOAN OUT OF DEFAULT

- If you have defaulted on your federal student loans, you may be able to rehabilitate by voluntarily making qualifying payments in a specified time frame allotted (usually 9 timely payments in 10 months)
- **Rehabilitation might be an option even if your income is low:** your payment will be 15% of your income, and if you can't afford that amount you can apply to pay a lower amount

THE BENEFITS OF LOAN REHABILITATION

- Default status on your loan is removed and loan is brought back into good standing
- Removal of the default status reported to national credit bureaus
- Active wage garnishment is stopped, and withholding of income tax refund by the Internal Revenue Service ceases

POSSIBLE DRAWBACKS TO REHABILITATING

- Outstanding collection costs can be added to the principal balance
- Delinquencies reported before the default will not be removed
- Payment may be higher than the amount you paid during rehabilitation

COMBINE MULTIPLE LOANS OR REFINANCE ONE LOAN

CONSOLIDATE

- Most federal loans are eligible
- Private loans are not eligible to consolidate with Direct Loans
- A defaulted loan is eligible if repayment arrangements are made and maintained (usually 3 on time, consecutive payments)

THE BENEFITS OF CONSOLIDATION

- One payment to one servicer
- Extended terms – up to 30 years
- Switch from variable to fixed interest rate (if applicable)
- Access to alternate repayment plans and/or loan forgiveness (if applicable)
- Defaulted loans are paid in full

POSSIBLE DRAWBACKS TO CONSOLIDATING

- If you choose the extended term, you may end up paying significantly more interest over the life of the loan
- **Potential loss of benefits** – interest rate discounts, loan forgiveness and deferments

To learn more about rehabilitating and/or consolidating your loans, contact your loan servicer, or visit the US Department of Education at studentaid.ed.gov