



NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY

Guaranty Agency and Repayment Services
P.O. Box 14002
Research Triangle Park, NC 27709
Telephone 919-248-4617 or 800-544-1644

STUDENT LOAN DEFAULT

Consequences of Default,
Repayment Options,
Default Remedies,
Your Responsibilities and Rights

YOUR LOAN, YOUR RESPONSIBILITY

You made a legal commitment to repay the funds you borrowed when you signed the promissory note for a loan from College Foundation, Inc. (CFI), under the Federal Family Education Loan Program (FFELP). The transfer of your student loan(s) to the North Carolina State Education Assistance Authority (NCSEAA) by CFI as a **default** means that you have failed to repay this debt in accordance with the terms of this promissory note, i.e., no payment for at least 270 days, with no satisfactory deferment or forbearance arrangements, or that you were ineligible for the loan(s) you received.

This is a federal student loan debt. As a guaranty agency in FFELP, NCSEAA has reimbursed your lender, CFI, for the outstanding principal and interest on your loan(s) and will now take actions to collect from you the amount you owe. **Your loan obligation is now owed to NCSEAA.**

Please Note: *In accordance with the promissory note you signed, it is your responsibility always to keep NCSEAA advised of your current address.*

DEFAULT CARRIES SERIOUS CONSEQUENCES

Defaulting on a loan will result in serious consequences that will affect you for many years.

- **The default status of your loans will be reported to all nationwide consumer reporting agencies** (credit bureaus), thereby seriously damaging your credit rating and your ability to obtain additional credit in the future, such as credit cards and car and home loans, for years to come. Furthermore, your default status may also adversely affect your repayment terms with your other current creditors. **Please note:** Unless satisfactory payment arrangements are made during the 60-day period following the date of the default notice and maintained thereafter, NCSEAA is required to continue to report your initial default status to the consumer reporting agencies for seven (7) years, including loans paid in full after the 60-day period. Furthermore, NCSEAA reports each loan in your account as a separate item to the consumer reporting agencies.
- **You will be subject to an increase in your total debt due to an assessment of projected collection costs.** All costs incurred to collect this loan debt will be charged to you. Federal regulations [34 CFR §682.410(b)(2)] require that NCSEAA charge you an additional amount for costs incurred in collecting your debt **if you do not repay it in full within 60 days of the date of the default notice**. Currently these collection costs could add up to 24.35% more to the amount you otherwise owe for loan principal and interest. Collection costs are prorated as a portion of each payment that you make for principal and interest. Currently, payments are applied first towards collection costs owed, then to interest accrued, and, lastly, to the loan principal.

- **NCSEAA will pursue several collection actions for repayment of your debt** which were not available to CFI. Acting under the authority of federal regulations, NCSEAA has the ability to:
 - Seize your state and federal income tax refunds (including refunds resulting from jointly-filed returns) and other federal and state payments to you.
 - Contact your employer(s) to initiate mandatory wage garnishment of up to 15% of your disposable pay
 - Direct your employer to terminate your employment if you are an employee of the State of North Carolina
 - Institute a civil lawsuit against you to compel repayment
 - Refer your account to a collection agency for intensive collection activity
 - Assign your loan to the U.S. Department of Education for collection and legal action taken against you directly by the federal government
- **You are no longer eligible for additional Title IV federal student financial aid** if you desire to pursue further education at any college or university.
- **You are no longer eligible for deferment or forbearance on your loans.** This includes deferment or forbearance for which you would otherwise have been eligible in the future, as well as for periods prior to your default, unless you can provide verifiable documentation to show that an administrative error was made by your school or lender.

REPAYMENT OPTIONS

If you pay off your outstanding balance in full within 60 days of the date of the default notice, you can avoid all of the consequences of default listed above. The only way to obtain an accurate payoff amount, before or after the 60-day deadline, is to contact an NCSEAA repayment counselor at (919) 248-4617 or toll-free at **1-800-544-1644**.

You can still avoid many of the negative collection actions listed above by contacting NCSEAA to establish and maintain a reasonable and affordable monthly repayment arrangement if you are unable to pay off your full outstanding balance before the 60-day deadline. If you are currently experiencing financial difficulties, you may be eligible for a temporary reduction of monthly payments.

Important Additional Information About Monthly Repayment Arrangements

1. Monthly payment plans still require the assessment of collection costs. Currently collection costs are assessed in the amount of 24.35% of the outstanding principal and interest. This amount is subject to change.
2. Only monthly payment plans initiated within 60 days of your default date and maintained thereafter will prevent NCSEAA from reporting your account as a default to all nationwide consumer reporting agencies. To ensure that your default is not reported to the consumer reporting agencies by NCSEAA, you must enter into a payment plan with us prior to the 60-day deadline date and you must remit payments per the terms of that plan, even if you have applied for, and are awaiting approval of, a consolidation loan (see below).
3. You will be given a one-time opportunity to enter into, and comply with, a repayment arrangement to prevent the permanent certification of your defaulted loans for the federal Treasury Offset Program. If you fail to take advantage of this opportunity to avoid seizure of any federal payments to which you may be entitled (e.g., tax refunds, disability benefits, etc.), paying your account in full by any means at a later date may not prevent the federal payments from being offset and initially directed to your account at NCSEAA. Therefore, to ensure that you are not certified for federal offset, thereby potentially causing a delay of several weeks for your federal payment to be refunded to you (or your spouse), you must enter into a payment plan and remit payments under the terms of that plan, even if you have applied for, and are awaiting approval of, a consolidation loan.
Please note: Remitting payments as agreed for payment plans initiated after you have been certified for federal offset will not result in your removal from the federal offset program and will not result in a refund to you for offsets NCSEAA receives.

DEFAULT REMEDIES

The following programs are available to you, if you are eligible, as remedies for some or all of the consequences of default. If you wish for more information about any of these programs, please call our office and speak with one of our repayment counselors at the number provided above. It is to your advantage to contact us as soon as possible to resolve your debt. The consequences become more severe and your debt increases in size the longer you wait to act.

Reinstatement of Eligibility for Title IV Financial Aid

One of the consequences of default is your loss of eligibility for any additional Title IV federal student financial aid (including loans). If you wish to continue your education, eligibility for these funds can be reinstated if you establish a satisfactory monthly payment arrangement with NCSEAA for at least six (6) consecutive months and maintain it thereafter. Payments must be on-time, voluntary, and for satisfactory amounts each month, including reasonable and affordable amounts authorized in advance by NCSEAA. It is your responsibility to request consideration for this reinstatement and you may only obtain the benefit of this provision once.

Loan Rehabilitation

You may have the opportunity to reverse the negative effects of default and return your loans completely to good standing through participation in NCSEAA's Loan Rehabilitation Program. Under this Program, eligible borrowers must make nine (9) satisfactory, voluntary and on-time monthly payments to NCSEAA over a period of 10 consecutive months. Following completion of this repayment period, and upon your written request, your loans would be returned to CFI as rehabilitated loans. Loan rehabilitation is conditional upon the acceptance by CFI and upon your ability to repay the remaining debt to CFI within the required time period. If rehabilitated, your benefits include: removal from default status, resulting in deletion of the derogatory notation from your credit report; reinstatement of eligibility for deferment and forbearance; reinstatement of eligibility for additional Title IV federal financial aid; and termination of all adverse collection activity against you, such as tax offsets, wage garnishment, and collection agency contact.

Currently, your loans with NCSEAA are subject to the on-going assessment of collection fees of up to 24.35% of the outstanding principal and interest. However, by rehabilitating your loans, there would be a lower, one-time fee added to your debt in the amount of only 18.5% of the outstanding principal and interest at the time of rehabilitation.

Please note: You are not eligible for loan rehabilitation if NCSEAA holds a judgment against you for the loans that you are attempting to rehabilitate, or if you have previously rehabilitated these loans, were ineligible to receive these loans, or if the total outstanding principal and interest balance on the loans is less than \$100.00.

Loan Consolidation

You may wish to consider resolving your defaulted student loan debt through a process called "loan consolidation". This is essentially a refinancing of your loans that creates a new Federal Direct Consolidation Loan with the William D. Ford Federal Direct Loan Program. If you consolidate, the defaulted NCSEAA loans that you consolidate would be considered to be paid in full and you would repay your new, non-defaulted consolidation loan directly to the U.S. Department of Education. A fee of 18.5% of the outstanding principal and interest would be added to your debt at the time of consolidation. For more information on the Direct Loan Program or to receive a loan consolidation application, visit the Direct Loan Program internet site <http://www.loanconsolidation.ed.gov> or call the Direct Loan Program office at 1-800-557-7392.

Note: Unless you enter into a payment agreement during the 60-day period following the default date and comply with the terms of that agreement prior to consolidation, paying your loans in full through consolidation will **not** prevent NCSEAA from continuing to report the initial default status of your loans to the consumer reporting agencies for seven (7) years following the default date, as required by federal regulations and consumer reporting agency guidelines.

Please note: You are not eligible for loan consolidation if NCSEAA holds a judgment against you for the loans that you are attempting to consolidate or if you were not eligible to receive these loans.

YOUR RIGHTS

Administrative Reviews and Access to Records

If you believe you have grounds to object to the collection of this debt, you may request an administrative review. However, to avoid having your account reported to consumer reporting agencies as a default, you must request this administrative review within 60 days of the date of the notice of default. You may request this review only if you can provide proof that the loan is or was not past-due with CFI or that this is not a legally enforceable debt based on any of the following reasons:

- The loan was fully discharged or cancelled by bankruptcy, total and permanent disability, death of the benefiting student of a PLUS Loan, or death of the student borrower;
- The loan was not consummated (i.e., disbursement of the loan was never made to you or your school);
- You, or the benefiting student, did not complete the educational program for which the loan was intended because the school closed;
- You did not attend, withdrew, or were terminated from a school and were entitled to a refund from the school that was not paid to you;
- You, or the benefiting student, were admitted to the school based on the ability to benefit but the applicable requirements for admission on this basis were not met, or you had a disqualifying condition at the time of loan certification that prevented you from meeting State requirements for performing the occupation for which the school trained you;
- The school signed your name to the loan application, promissory note, loan check or electronic funds transfer (EFT) authorization without your permission; or
- You were the victim of a crime of identity theft resulting in this loan, or you did not otherwise incur this debt.

Please Note: *You cannot request an administrative review on the basis that you, or the benefiting student of a PLUS Loan, were dissatisfied with the school(s) attended.*

In your signed, written request for administrative review, you must identify your specific reason for this request, and must provide your NCSEAA account number or your Social Security Number, your printed name, and copies of all substantiating documentation.

Following the administrative review, NCSEAA will send you a final written decision. You have the right to appeal an adverse decision to the Student Loan Ombudsman's Office of the U. S. Department of Education (USDE). Information about how to contact that office will be provided to you in NCSEAA's written notification of the administrative review decision. You may have the right to a judicial review of an adverse decision by USDE. The N.C. Department of Justice, Attorney General's Office, provides legal counsel to NCSEAA regarding the legal enforceability or past due status of student loans guaranteed by NCSEAA.

You have the right to request, in writing, access to your loan records at NCSEAA for review or copying (at your expense).

Student Loan Discharge

If you require information regarding any of the following reasons for consideration of the discharge of your student loan debt under federal regulations, please contact our office:

Total and Permanent Disability; Death; Bankruptcy; School Closure; Unpaid School Refund;
False Certification by your school; Crime of Identity Theft.

Notice of Privacy Policy

Protecting the privacy of your personal information is important to NCSEAA, an agency of the State of North Carolina. NCSEAA respects your right to privacy and recognizes its obligation to keep certain information about you secure and confidential. NCSEAA does not sell or share information about you with outside marketers. Federal legislation requires us to give you this notice about our privacy policy. The law also requires us to provide you with a copy of this notice each year during which NCSEAA holds your loan(s). This Notice uses the term “nonpublic personal information.” This means personal information about you which identifies you, and that is not available from public sources.

NCSEAA's Privacy Policy

1. NCSEAA may collect nonpublic personal information about you from the following sources:
 - Information received from you on loan applications, promissory notes, correspondence, communications, and other forms;
 - Information about your transactions with NCSEAA or others with respect to your student loan (from parties such as your lender(s), the U.S. Department of Education and its agents, and other federal agencies);
 - Information received from schools you attend or formerly attended, or to which you have applied for admission; and
 - Information received from consumer reporting agencies, creditors and employers.
2. NCSEAA does not disclose any nonpublic personal information about you or NCSEAA's other current or former borrowers to anyone, except as permitted or required by law (for example, NCSEAA shares such information with its contractors and agents, and to schools, lenders and the U.S. Department of Education, as needed to administer your loan in conformance with law).
3. NCSEAA restricts access to nonpublic personal information about you to NCSEAA's employees who need to know the information, and to NCSEAA's contractors and agents, in order to provide service to you, such as servicing and collecting your student loan. NCSEAA maintains physical, electronic, and procedural safeguards in compliance with federal regulations to safeguard your nonpublic personal information.