

ECONOMIC HARDSHIP DEFERMENT

SELF-HELP PACKET

Economic Hardship Deferment

A deferment is a way to postpone paying back your student loans for a certain period of time. The economic hardship deferment is available only if you have a federal student loan. You are eligible only if you are not in default on your loans and if you obtained the loans on or after July 1, 1993.

Eligibility for Economic Hardship Deferment

There are four eligibility categories for an economic hardship deferment. You only have to qualify under one category. These categories are listed in section 2 of the sample form.

Category #1: **You already received the deferment under a different federal student loan program.**

You should check box #1 if you have already been granted an economic hardship deferment under a different federal loan program, including the Perkins program. You must attach proof of the deferment.

Category #2: **You are receiving public assistance payments.**

You should check box #2 if you are receiving payments under a federal or state public assistance program, such as Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Food Stamps, or state general public assistance. You must attach documentation of these payments.

Category #3: **You are a Peace Corp volunteer.**

You should check box #3 if you are serving as a Peace Corps volunteer. You must attach proof of your period of service.

Category #4: **You are working full-time, but your income is low.**

This is box #4. “Full-time” employment means that you are working at least thirty hours per week in a job that is expected to last at least three consecutive months. You must also show that your income from work is no more than either the federal minimum wage rate or 150% of the federal poverty guideline for your family size and state. Monthly income is either the amount of income from employment and other sources before taxes and other deductions OR one-twelfth of the amount reported as “adjusted gross income” on your most recently filed federal income tax return. You may choose either of these income amounts when requesting a deferment. You must attach documentation of your income.

EXAMPLE

Ms. J is working full-time (30 hours/week) and earning \$2,000/month gross income. She lives with her two children. The current federal minimum wage is \$7.25/hour. Based on a 30 hour week, this is \$870/month. Ms. J earns more than this amount. However, she may still qualify if she earns less than 150% of the federal poverty guideline. The 2009 poverty guideline for Ms. J's family size of 3 is \$18,310/year or \$1526/month. 150% of this monthly amount is \$2288. Ms. J's monthly gross income of \$2,000 is less than this amount and so she should be eligible for the deferment.

In addition to checking one of the four boxes, you must also write at the top of section 2 the date that you want the deferment to begin. This should be the date when you first qualified for the deferment.

The deferment is granted for one year at a time for up to a total of three years. Unless you qualify as a Peace Corps volunteer, you must reapply every twelve months.

**SAMPLE ECONOMIC
HARDSHIP DEFERMENT
FORM**



ECONOMIC HARDSHIP DEFERMENT REQUEST

OMB No. 1845-0005
Form Approved
Exp. Date 05/31/2012

Federal Family Education Loan Program

Use this form only if all of your outstanding Federal Family Education Loan Program loans were made on or after July 1, 1993, or if you had no balance on loans made before July 1, 1993, when you obtained a loan disbursed on or after July 1, 1993.

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying documents is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

HRD

SECTION 1: BORROWER IDENTIFICATION

Please enter or correct the following information.

SSN |__|_|_|-|__|_|-|__|_|_|_|

Name _____

Address _____

City, State, Zip Code _____

Telephone - Home () _____

Telephone - Other () _____

E-mail Address (Optional) _____

SECTION 2: DEFERMENT REQUEST

Before answering any questions, carefully read the entire form, including the instructions and other information in Sections 4, 5, and 6.

■ I meet the qualifications stated in Section 6 for the Economic Hardship Deferment checked below and request that my loan holder defer repayment of my loan(s) beginning |__|_|-|__|_|-|__|_|_|_|. (You must provide this date regardless of which condition you check below.)

To qualify, I must meet one of the conditions listed below and must provide the required documentation, as described in Section 6, for only that condition.

Check one:

- (1) I have been granted an economic hardship deferment under the William D. Ford Federal Direct Loan (Direct Loan) Program or the Federal Perkins Loan Program for the same period of time for which I am requesting this deferment. I have attached documentation of the deferment.
- (2) I am receiving or received payments under a federal or state public assistance program, such as Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Food Stamps, or state general public assistance. I have attached documentation of these payments.
- (3) I am serving as a Peace Corps volunteer. I have attached documentation certifying my period of service in the Peace Corps.
- (4) I work full time and my monthly income does not exceed the larger of (A) the Federal Minimum Wage Rate or (B) 150% of the poverty guideline for my family size and state. I have attached documentation of this income.

My monthly income (as defined in Section 5) is \$ _____. My family size (as defined in Section 5) is _____.

(A) Federal Minimum Wage Rate (monthly amount, based on \$7.25 an hour): **\$1,256.67**

(B) 150% of the poverty guideline for my family size and state: **This amount is listed in Section 6.**

SECTION 3: BORROWER UNDERSTANDINGS, CERTIFICATIONS, AND AUTHORIZATION

■ I understand that:

- (1) I am not required to make payments of loan principal during my deferment. Interest will not be charged on my subsidized loan(s) during my deferment. However, interest will be charged on my unsubsidized loan(s).
- (2) I have the option of paying the interest that accrues on my unsubsidized loan(s) during my deferment.
- (3) I may choose to make interest payments by checking the box below. My loan holder may capitalize interest that I do not pay during the deferment period.
 I wish to make interest payments on my unsubsidized loan(s) during my deferment.
- (4) My deferment will begin on the date the deferment condition began.
- (5) My deferment will end on the earlier of the date that the condition that establishes my deferment eligibility ends or the certified deferment end date.
- (6) My maximum cumulative eligibility for an economic hardship deferment is 36 months. Except for a deferment based on condition (3), as described in Section 2, I must reapply every 12 months if I continue to meet the criteria for an economic hardship deferment.
- (7) If my deferment does not cover all my past due payments, my loan holder may grant me a forbearance for all payments due before the begin date of my deferment. If the period for which I am eligible for a deferment has ended, my loan holder may grant me a forbearance for all payments due at the time my deferment request is processed.
- (8) My loan holder may grant me a forbearance on my loans for up to 60 days, if necessary, for the collection and processing of documentation related to my deferment request. Interest that accrues during this forbearance will not be capitalized.

■ I certify that: (1) The information I provided in Sections 1 and 2 above is true and correct. (2) I will provide additional documentation to my loan holder, as required, to support my deferment status. (3) I will notify my loan holder immediately when the condition that qualified me for the deferment ends. (4) I have read, understand, and meet the eligibility criteria of the deferment for which I have applied, as explained in Section 6.

■ I authorize the school, the lender, the guarantor, the Department, and their respective agents and contractors to contact me regarding my loan(s), including repayment of my loan(s), at the current or any future number that I provide for my cellular telephone or other wireless device using automated telephone dialing equipment or artificial or prerecorded voice or text messages.

Borrower's Signature _____ Date _____

SECTION 4: INSTRUCTIONS FOR COMPLETING THE FORM

Type or print using dark ink. Report dates as month-day-year (MM-DD-YYYY). For example, 'January 31, 2009' = '01-31-2009'. Include your name and social security number (SSN) on any documentation that you are required to submit with this form. If you need help completing this form, contact your loan holder.

Return the completed form and any required documentation to the address shown in Section 7.

SECTION 5: DEFINITIONS

■ **Capitalization** is the addition of unpaid interest to the principal balance of my loan. The principal balance of a loan increases when payments are postponed during periods of deferment or forbearance and unpaid interest is capitalized. As a result, more interest may accrue over the life of the loan, the monthly payment amount may be higher, or more payments may be required. The chart below provides estimates, for a \$15,000 unsubsidized loan balance at a 9% interest rate, of the monthly payments due following a 12-month deferment. It compares the effects of paying the interest as it accrues, capitalizing the interest at the end of the deferment, and capitalizing interest quarterly and at the end of the deferment. My actual loan interest cost will depend on my interest rate, length of the deferment, and frequency of capitalization. Paying interest during the period of deferment lowers the monthly payment by about \$18 and saves about \$772 over the lifetime of the loan, as depicted in the chart below.

Treatment of Interest Accrued During Deferment	Loan Amount	Capitalized Interest for 12 Months	Principal to Be Repaid	Monthly Payment	Number of Payments	Total Amount Repaid	Total Interest Paid
Interest is paid	\$15,000.00	\$0.00	\$15,000.00	\$190.01	120	\$24,151.64*	\$9,151.64
Interest is capitalized at the end of deferment	\$15,000.00	\$1,350.00	\$16,350.00	\$207.11	120	\$24,853.79	\$9,853.79
Interest is capitalized quarterly during deferment and at the end of deferment	\$15,000.00	\$1,396.25	\$16,396.25	\$207.70	120	\$24,924.09	\$9,924.09

*Total amount repaid includes \$1,350 of interest paid during the 12-month period of deferment.

- A **deferment** is a period during which I am entitled to postpone repayment of the principal balance of my loan(s). The federal government pays the interest that accrues during an eligible deferment for all subsidized Federal Stafford Loans and for Federal Consolidation Loans for which the Consolidation Loan application was received by my loan holder (1) on or after January 1, 1993, but before August 10, 1993, (2) on or after August 10, 1993, if it includes **only** Federal Stafford Loans that were eligible for federal interest subsidy, or (3) on or after November 13, 1997, for that portion of the Consolidation Loan that paid a subsidized FFEL Program loan or a subsidized Federal Direct Loan. I am responsible for the interest that accrues during this period on all other FFEL Program loans.
- **Family size** is determined by counting (1) myself, (2) my spouse, (3) my children, including unborn children who will be born during the period covered by the deferment, if they receive more than half of their support from me, and (4) other people if, at the time I request this deferment, they live with me, receive more than half their support from me, and will continue to receive this support from me for the year that I certify my family size. Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.
- The **Federal Family Education Loan (FFEL) Program** includes Federal Stafford Loans (both subsidized and unsubsidized), Federal Supplemental Loans for Students (SLS), Federal PLUS Loans, Federal Consolidation Loans, Guaranteed Student Loans (GSL), Federal Insured Student Loans (FISL), and Auxiliary Loans to Assist Students (ALAS).
- The **Federal Perkins Loan (Perkins Loan) Program** includes Federal Perkins Loans, National Direct Student Loans (NDSL), and National Defense Student Loans (Defense Loan).
- **Forbearance** means permitting the temporary cessation of payments, allowing for an extension of time for making payments, or temporarily accepting smaller payments than previously scheduled. I am responsible for the interest that accrues on my loan(s) during a forbearance. If I do not pay the interest that accrues, the interest may be capitalized.
- **Full-time employment** is defined as working at least 30 hours per week in a position expected to last at least 3 consecutive months.
- The **holder** of my FFEL Program loan(s) may be a lender, guaranty agency, secondary market, or the U.S. Department of Education.
- **Monthly income** is either:
 - (1) the amount of my monthly income from employment and other sources before taxes and other deductions, or
 - (2) one-twelfth of the amount of my income reported as "adjusted gross income" on my most recently filed Federal Income Tax Return.
 I may choose either of these income amounts for the purpose of reporting my monthly income on this deferment request.
- The **William D. Ford Federal Direct Loan (Direct Loan) Program** includes Federal Direct Stafford/Ford (Direct Subsidized) Loans, Federal Direct Unsubsidized Stafford/Ford (Direct Unsubsidized) Loans, Federal Direct PLUS (Direct PLUS) Loans, and Federal Direct Consolidation (Direct Consolidation) Loans. These loans are known collectively as "Direct Loans."

SECTION 6: ELIGIBILITY CRITERIA FOR ECONOMIC HARDSHIP DEFERMENT

- If I had no outstanding balance on a FFEL Program loan as of the date I obtained a loan on or after July 1, 1993, I may defer repayment of my loan(s) during the period that I meet one of the economic hardship deferment conditions described in Section 2.
- If my economic hardship deferment eligibility is based on condition (1), as described in Section 2, I must provide my loan holder with documentation of the deferment that has been granted under the Direct Loan Program or the Federal Perkins Loan Program (for example, correspondence from my loan holder showing that I have been granted a deferment).
- If my economic hardship deferment eligibility is based on condition (2), as described in Section 2, I must provide my loan holder with documentation confirming that I am receiving or received payments under a federal or state public assistance program.
- If my economic hardship deferment eligibility is based on condition (3), as described in Section 2, I must provide my loan holder with documentation which certifies the beginning and anticipated ending dates of my service in the Peace Corps and which is signed and dated by an authorized Peace Corps official.
- If my economic hardship deferment eligibility is based on condition (4), as described in Section 2, I must provide my loan holder with documentation of my monthly income as defined in Section 5. If I am reporting monthly income from employment and other sources, I must provide documentation such as pay stubs. If I am reporting one-twelfth of my adjusted gross income, I must provide a copy of my most recently filed Federal Income Tax Return.
- If my economic hardship deferment eligibility is based on condition (4), I must use the applicable amount based on my family size and state as shown in the chart below. If I am not currently residing in the United States, I will use the amount for the 48 contiguous states and the District of Columbia.

Borrower's Family Size (See definition in Section 5)	These monthly amounts represent 150% of the poverty guideline		
	48 Contiguous States and District of Columbia	Alaska	Hawaii
1	\$1,353.75	\$1,691.25	\$1,557.50
2	1,821.25	2,276.25	2,095.00
3	2,288.75	2,861.25	2,632.50
4	2,756.25	3,446.25	3,170.00
For each additional person, add:	467.50	585.00	537.50

SECTION 7: WHERE TO SEND THE COMPLETED DEFERMENT REQUEST

Return the completed deferment request and any required documentation to:
(If no address is shown, return to your loan holder.)

If you need help completing this form, call:
(If no telephone number is shown, call your loan holder.)

SECTION 8: IMPORTANT NOTICES

Privacy Act Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authority for collecting the requested information from and about you is §421 et seq. of the Higher Education Act (HEA) of 1965, as amended (20 U.S.C. 1071 et seq.) and the authorities for collecting and using your Social Security Number (SSN) are §484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the Federal Family Education Loan Program (FFELP) and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the FFELP, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) becomes delinquent or in default. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment status, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1845-0005. The time required to complete this information collection is estimated to average 0.16 hours (10 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:**

U.S. Department of Education, Washington, DC 20202-4537

If you have questions regarding the status of your individual submission of this form, write directly to the address shown in Section 7.

How to Apply

You must fill out section 2 of the economic hardship deferment request form. To complete the form, you must provide a date that the deferment should begin. There are boxes to write in the date at the top of section 2. You must then choose the eligibility category that applies to you and check that box. You should be sure to attach any required documentation, such as proof of income or public assistance payments. Finally, you must sign and date the form at the bottom of section 3.

The sample form in this packet is for FFEL (federally guaranteed) loans. There is a similar form for Direct Loans and for Perkins loans. You can get a copy of the form from your loan holder or online from the Department of Education's web site at www.ed.gov. The Student Loan Borrower Assistance site (www.studentloanborrowerassistance.org) also has links to the forms.

Once you have completed and signed the form, you should make a copy and send the original to your loan holder. It is a good idea to send by certified mail so that you have proof of receipt.

Time Limits

This deferment is available for no more than 3 years. Unless you qualify as a Peace Corps volunteer, you must reapply every 12 months. You should reapply only if you continue to meet one of the eligibility categories.

Interest Accrual

The government will pay interest that accrues during the deferment period on subsidized loans only. Interest will accrue on unsubsidized loans. Once the deferment period is over, any interest that has accrued will be added to your principal balance. To avoid this problem, you may want to make interest payments during the deferment period. If you wish to do this, you should check box #3 in section 3 of the form. You can also decide later to make interest payments during the deferment period.