

UNEMPLOYMENT DEFERMENT

SELF-HELP PACKET

Unemployment Deferment

A deferment is a way to postpone paying back your student loans for a certain period of time. This packet contains information about the federal student loan unemployment deferment. You are eligible for this deferment only if you are not in default on your federal student loan and if you obtained the loan on or after July 1, 1993.

Some private lenders have similar programs. You should check with your lender if you have a private loan and ask about deferment options.

Eligibility for Unemployment Deferment

There are two ways to qualify for unemployment deferment. These are listed in Section 2, Item (2) of the deferment form (see sample form at the end of this packet).

(A) Show that you are diligently seeking but unable to find full-time employment in the United States.

“Full-time employment” means employment that is at least thirty hours per week and is expected to last at least three months. If you are diligently seeking, but unable to find, full-time employment, check box (2)(A) in section 2.

You must also certify that you have registered with an employment agency, if one is available within 50-miles of your current address. You will not be eligible if you refuse to seek or accept employment because you think you are overqualified or underpaid.

You could be eligible regardless of whether you have previously been employed.

OR

(B) Show that you are eligible to receive unemployment benefits.

If you are eligible to receive unemployment benefits, check box (2)(B) in section 2 and attach documentation that includes your name, address, and social security number and shows that you are eligible to receive unemployment benefits during the period for which you are requesting deferment.

Borrowers with Different Types of Federal Student Loans

If you have been granted an unemployment deferment for one type of loan, you should show proof of the deferment to your other loan holders. You should make sure that the previous deferment is for the same time period. For example, you may have both FFEL (guaranteed loans) and Direct loans. If you already obtained a deferment for the FFEL loan, you should contact the Direct Loan Servicing Center and request the same deferment for your Direct Loans.

How to Apply

You must fill out Section 1 and Section 2 of the unemployment deferment request form and sign and date Section 3. If additional documentation is necessary to show that you qualify for unemployment deferment, you must attach the documentation to your request form. You should print or type using dark ink or fill out the form on-line

To complete Section 2 of the form, you must fill out Item (1) with the date that your unemployment began or the date that you began working less than full-time. Your deferment will begin on this date unless you request a later starting date. If you want the deferment to begin later, you must specify this date in section 2, item (1).

In Item (2) of section 2, you must choose the eligibility category that applies to you and check that box (see Eligibility section, above). You should attach any required documentation, such as proof of eligibility for unemployment benefits. Finally, you must sign and date the form at the bottom of Section 3.

The sample form in this packet is for Direct Loans. There is a similar form for Federal Family Education Loans (FFEL or guaranteed loans) and for Perkins loans. You can get a copy of the proper form from your loan holder. If you have a Perkins loan, the loan holder may be your school.

You should mail the completed form to your loan holder and keep a copy for your records. You should send by certified mail with a return receipt if possible.

Time Limits

Unless you request a later starting date, the deferment starts on the date you became unemployed or began working less than full-time. If you are applying under check box (A) based on seeking full-time employment, the initial unemployment deferment can

be granted for a period that begins up to six months before the date the loan holder receives your application and supporting documentation. While the deferment starts up to six months before the date the lender receives the form, it may be granted for up to six months after that date.

Example

Jane lost her full-time job on January 1, 2011. She submits an unemployment deferment request that her lender receives on August 1, 2011. Jane checks box (2)(A). The earliest that Jane's deferment period can begin is February 1, 2011, six months before the date her deferment request was received, even though Jane lost her full-time job before then. (She may receive a forbearance for January, see below). Jane may also request that her deferment start later than February 1, 2011. The deferment can last until six months from the date the loan holder received her deferment request (August 1, 2011 + six months = February 1, 2012).

Each unemployment deferment may last for up to six months. You must reapply to extend your deferment. You should check with your loan holder to confirm the time period of the deferment.

If you obtain a deferment checking box (A) based on seeking full-time employment and you want to extend your deferment period another six months, you must certify that you have made at least six diligent attempts to obtain full-time employment in the last six months. You do this by checking box (A) in Item (2) of Section 2 of the application form.

You can get unemployment deferments for no more than a total of three years. You must notify your loan holder if you no longer qualify for the deferment. This could happen, for example, if you find a full-time job.

Interest Accrual and Forbearance

The government will pay interest that accrues during the deferment period on subsidized loans only. Interest will accrue on unsubsidized loans. Any interest that has accrued will be added to your principal balance once the deferment period is over. To avoid this problem, you may want to make interest payments during the deferment period.

Accrued interest can add up quickly. Here is an example from the Department of Education. This example uses the 7.9% interest rate for Direct PLUS loans.

	If you pay the interest as it is charged.....	If you do not pay the interest as it is charged.....
Loan Amount	\$15,000	\$15,000
Capitalized Interest for 12 months (at the maximum rate of 7.9%)	\$0	\$1,185
Principal to be Repaid	\$15,000	\$16,185
Monthly Payment (Standard Repayment Plan)	\$181	\$196
Number of Payments	120	120
Total Amount Repaid	\$21,744	\$23,462

Source: U.S. Department of Education, National Student Loan Data System

If the deferment period will not cover all of your past due payments, your loan holder may grant a forbearance for all payments due before your deferment began. Interest will accrue on all loans, including subsidized loans, during this forbearance period. You may also request forbearance for up to sixty days so that you can collect the documents you need to complete a deferment request. Interest that accrues during this sixty day period will not be added to your loan balance.

**SAMPLE
UNEMPLOYMENT
DEFERMENT FORM**



UNEMPLOYMENT DEFERMENT REQUEST

William D. Ford Federal Direct Loan Program

OMB No. 1845-0011
Form Approved
Exp. Date 05/31/2012

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.

UNEM

SECTION 1: BORROWER IDENTIFICATION

Last Name	First Name	Middle Initial	Social Security Number
Street Address			Area Code/Telephone Number (Home) (____) _____
City	State	Zip Code	Area Code/Telephone Number (Other) (____) _____ Email Address (optional)

SECTION 2: DEFERMENT REQUEST

Before completing this form, 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 an Unemployment Deferment and request that the U.S. Department of Education (ED) defer repayment of my loan(s) while I am unemployed. I must reapply every 6 months. My maximum eligibility for an unemployment deferment is 36 months.

To document your eligibility for this deferment, complete the appropriate items below. **NOTE: If you are not qualifying for this deferment by providing documentation of your eligibility for unemployment benefits, you may submit your deferment request electronically at the Direct Loan Servicing Center web site: www.dl.ed.gov**

(1) ALL borrowers must complete this item:

I became unemployed or began working less than 30 hours per week on ____/____/____. Except as explained in Section 3, my deferment will begin on this date, unless I request my deferment to begin on the following later date: ____/____/____.

(2) Check ONE of the boxes below:

(A) I am diligently seeking but unable to find full-time employment in the United States in any field or at any salary or responsibility level. I am registered with a public or private employment agency if there is one within 50 miles of my current address. Further, if I am requesting an extension of an existing unemployment deferment, I have made at least six diligent attempts to find full-time employment in the most recent six months.

NOTE: School placement offices and "temporary" agencies do not qualify as public or private employment agencies.

OR

(B) I am eligible for unemployment benefits, and I have attached documentation of my eligibility for these benefits. The documentation includes my name, address, and social security number, and shows that I am eligible to receive unemployment benefits during the period for which I am requesting deferment.

SECTION 3: BORROWER UNDERSTANDINGS, CERTIFICATIONS AND AUTHORIZATION

I understand that the following terms and conditions apply to this deferment:

- (1) I am not required to make payments of loan principal during my deferment. No interest will be charged on my subsidized loan(s) during my deferment. However, interest will be charged on my unsubsidized loan(s). For any unsubsidized loan(s), I will receive an interest statement, and I may pay the interest at any time. If I do not pay the interest that accrues on my unsubsidized loan(s), it will be capitalized at the end of my deferment period.
- (2) My deferment will begin on the date I became unemployed or began working less than 30 hours per week, as shown in Section 2, Item (1), unless I request my deferment to begin on a later date. However, if this is my first unemployment deferment request for my current period of unemployment and I am not providing documentation of my eligibility for unemployment benefits, my deferment will begin no more than 6 months before the date the Direct Loan Servicing Center receives this request, even if I became unemployed or began working less than 30 hours per week more than 6 months ago.
- (3) My deferment will end on the earlier of (A) the date I obtain full-time employment, or (B) the deferment end date provided to me by the Direct Loan Servicing Center. An unemployment deferment may last for no more than 6 months after the date the Direct Loan Servicing Center receives my deferment request. **I must reapply every 6 months.**
- (4) If my deferment does not cover all of my past due payments, ED may grant me a forbearance for all payments that were due before the begin date of my deferment. If the period for which I am eligible for a deferment has ended, ED may grant me a forbearance for all payments that are due at the time my deferment request is processed.
- (5) ED 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. ED will not capitalize interest that accrues during this forbearance.

I certify that: (1) The information I have provided on this form is true and correct. (2) I will provide additional documentation to the Direct Loan Servicing Center, as required, to support my eligibility for this deferment. (3) I will notify the Direct Loan Servicing Center immediately if I obtain full-time employment. (4) I have read, understand, and meet the eligibility requirements of the deferment for which I have applied.

I authorize my schools, ED, and their respective agents and contractors to contact me regarding my loan request or my loan, including repayment of my loan, at the current or any future number that I provide for my cellular telephone or other wireless device using automated dialing equipment or artificial or prerecorded voice or text messages.

BORROWER'S SIGNATURE _____ DATE _____

SECTION 4: INSTRUCTIONS FOR COMPLETING THE DEFERMENT REQUEST FORM

Type or print using dark ink. Report dates as month-day-year. For example, show "January 31, 2009" as "01-31-2009". If you are qualifying for this deferment by documenting your eligibility for unemployment benefits, attach the documentation to this form. **REMEMBER TO SIGN AND DATE THE FORM.**

Send the completed form and any required documentation to:

U.S. Department of Education
Direct Loan Servicing Center
P.O. Box 5609
Greenville, TX 75403-5609

If you need help completing this form, call:

1-800-848-0979.

If you use a telecommunications device for the deaf (TDD), call:

1-800-848-0983.

Direct Loan Servicing Center web site:

www.dl.ed.gov

SECTION 5: DEFINITIONS

- If unpaid interest is **capitalized**, this means that it is added to the principal balance of your loan(s). This will increase the principal amount and the total cost of your loan(s).
- A **deferment** allows you to temporarily postpone making payments on your loan(s). No interest is charged during a deferment on Direct Subsidized Loans and Direct Subsidized Consolidation Loans. Interest is charged during a deferment on all other Direct Loans.
- A **forbearance** allows you to temporarily postpone making payments on your loan(s), gives you an extension of time for making payments, or lets you temporarily make smaller payments than previously scheduled. Interest is charged during a forbearance on all types of Direct Loans.
- **Full-time** employment means working at least 30 hours per week in a position expected to last at least 3 months.
- The **United States**, for the purpose of this deferment, includes any state of the Union, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, the Freely Associated States (the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau), and U.S. military bases and embassy compounds in foreign countries.
- 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 REQUIREMENTS

- You may defer repayment of your loans while you are unemployed. **You may receive this deferment for a maximum of 36 months.**
- To qualify:
 - (1) You must be diligently seeking but unable to find full-time employment in the United States in any field or at any salary or responsibility level. You must be registered with a public or private employment agency if there is one within 50 miles of your current address. School placement offices and "temporary" agencies do not qualify as public or private employment agencies. Further, if you are requesting an extension of an existing unemployment deferment, you have made at least six diligent attempts to find full-time employment in the most recent six months. (Complete Item A in Section 2.)
 - OR
 - (2) You must be eligible for unemployment benefits, and you must attach documentation of your eligibility for these benefits. The documentation must include your name, address, and social security number, and must show that you are eligible to receive unemployment benefits during the period for which you are requesting deferment. (Complete Item B in Section 2.)

SECTION 7: 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 §451 *et seq.* of the Higher Education Act (HEA) of 1965, as amended (20 U.S.C. 1087a *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 William D. Ford Federal Direct Loan (Direct Loan) Program 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 Direct Loan Program, 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) become 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 1845-0011. 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 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. Do not send the completed form to this address.**

If you have questions about the status of your individual submission of this form, contact the Direct Loan Servicing Center (see Section 4).