

# **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.

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



**SECTION 4: INSTRUCTIONS FOR COMPLETING THE FORM**

Type or print using dark ink. Enter dates as month-day-year (mm-dd-yyyy). Use only numbers. Example: January 31, 2012 = 01-31-2012. Include your name and account number on any documentation that you are required to submit with this form. If you need help completing this form, contact your loan holder. If you want to apply for a deferment on loans that are held by different loan holders, you must submit a separate deferment request to each 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 your 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 6.8% interest rate, of the monthly payments due following a 12-month deferment that started when the loan entered repayment. 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. Please note that the U.S. Department of Education (the Department) and many other holders do not capitalize interest on a quarterly basis. The actual loan interest cost will depend on your interest rate, length of the deferment, and frequency of capitalization. Paying interest during the period of deferment lowers the monthly payment by about \$12 and saves about \$426 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	\$172.62	120	\$21,736.55*	\$6,730.66
Interest is capitalized at the end of deferment	\$15,000.00	\$1,022.09	\$16,022.09	\$184.38	120	\$22,125.94	\$7,119.64
Interest is capitalized quarterly during deferment and at the end of deferment	\$15,000.00	\$1,048.51	\$16,048.51	\$184.69	120	\$22,162.41	\$7,156.10

\*Total amount repaid includes \$1,022.09 of interest paid during the 12-month period of deferment.

- A **deferment** is a period during which you are entitled to postpone repayment of the principal balance of your loan(s). Interest does not accrue during a deferment on a Direct Subsidized Loan, a Direct Subsidized Consolidation Loan, a subsidized Federal Stafford Loan, or, in some cases, the subsidized portion of a Federal Consolidation Loan (see Note). Interest does accrue during a deferment on a Direct Unsubsidized Loan, a Direct PLUS Loan, a Direct Unsubsidized Consolidation Loan, an unsubsidized Federal Stafford Loan, a Federal PLUS Loan, or a Federal SLS Loan. **Note:** Interest does not accrue on a Federal Consolidation Loan during a deferment only if: **(1)** the application for the Federal Consolidation Loan was received by your loan holder on or after January 1, 1993, but before August 10, 1993; **(2)** the application was received by your loan holder on or after August 10, 1993, and the Federal Consolidation Loan includes **only** Federal Stafford Loans that were eligible for federal interest subsidy; or **(3)** the application was received by your loan holder on or after November 13, 1997, in which case interest does not accrue on the portion of the Federal Consolidation Loan that paid a subsidized Direct Loan or FFEL Program loan(s).
- The **Federal Family Education Loan (FFEL) Program** includes Federal Stafford Loans, Federal PLUS Loans, Federal Consolidation Loans, and Federal Supplemental Loans for Students (SLS).
- A **forbearance** is a period during which you are permitted to temporarily postpone making payments, allowed an extension of time for making payments, or temporarily allowed to make smaller payments than scheduled.
- **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 your Direct Loan Program loan(s) is the the Department. The holder of your FFEL Program loan(s) may be a lender, guaranty agency, secondary market, or the Department.
- 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.

**SECTION 6: ELIGIBILITY REQUIREMENTS**

- To qualify:
  - (1) You must be diligently seeking but unable to find full-time employment in the United States (as defined in Section 5) 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 my current address. Further, if you are requesting an extension of an existing Unemployment Deferment, you must have made at least six diligent attempts to find full-time employment in the most recent 6 months. (Check box A in Section 2.)  
**NOTE:** School placement offices and "temporary employment" agencies do not qualify as public or private employment agencies.

OR

  - (2) You must be eligible for unemployment benefits, and attach documentation of your eligibility for these benefits. The documentation must include your name, address, and social security number, and show that you are eligible to receive unemployment benefits during the period for which you are requesting deferment. (Check box B in Section 2.)

**SECTION 7: WHERE TO SEND THE COMPLETED DEFERMENT REQUEST**

Return the completed form 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 authorities for collecting the requested information from and about you are §421 *et seq.* and §451 *et seq.* of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 *et seq.* and 20 U.S.C. 1087a *et seq.*) and the authorities for collecting and using your Social Security Number (SSN) are §§428B(f) and 484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the Federal Family Education Loan (FFEL) Program or 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 FFEL and/or Direct Loan Programs, 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 defaults. 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 statuses, 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. Public reporting burden for this collection of information is estimated to average 0.25 hours (15 minutes) per response, including the time for reviewing instructions, searching existing data resources, gathering and maintaining the data needed, and completing and reviewing the information collection. Individuals are obligated to respond to this collection to obtain a benefit in accordance with 34 CFR 682.210 or 685.204. Send comments regarding the burden estimate(s) or any other aspect of this collection of information, including suggestions for reducing this burden to the U.S. Department of Education, 400 Maryland Avenue, SW, Washington, DC 20210-4537 or e-mail [ICDocketMgr@ed.gov](mailto:ICDocketMgr@ed.gov) and reference OMB Control Number 1845-0011. **Note: Please do not return the completed form to this address.**

**If you have questions regarding the status of your individual submission of this form, contact your loan holder (see Section 7).**