

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 20% 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. 1845-0011
Form Approved
Exp. Date 7/31/2015

William D. Ford Federal Direct Loan (Direct Loan) Program / Federal Family Education Loan (FFEL) Program

Direct Loan Program borrowers: All borrowers are eligible.

FFEL Program borrowers: Use this form only if all of your FFEL Program loans were first disbursed on or after July 1, 1993, or if you had no balance on a FFEL Program loan first disbursed before July 1, 1993 when you obtained a loan on or after July 1, 1993.

HRD

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

SECTION 1: BORROWER IDENTIFICATION

Please enter or correct the following information.

Check this box if any of your information has changed.

SSN - -

Name

Address

City, State, Zip Code

Telephone - Primary ()

Telephone - Alternate ()

E-mail 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 eligibility requirements 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 on loans made under another federal student loan program for the same period of time for which I am requesting this deferment. If this deferment request is for:

- Direct Loan Program Loans, I have been granted the deferment under the FFEL or Federal Perkins Loan Program. I have attached documentation of the deferment.
- FFEL Program Loans, I have been granted the deferment under the Direct Loan or Federal Perkins Loan Program. I have attached documentation of the deferment.

(2) I am receiving or received payments under a federal or state public assistance program that support the period of time for which I am requesting this deferment. These assistance programs include, but are not limited to, Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Food Stamps/Supplemental Nutritional Assistance Program (SNAP), 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 (as defined in Section 5) and my monthly income does not exceed the larger of:

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

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

My monthly income (as defined in Section 5) is \$ _____. I have attached documentation of this income.

My family size (as defined in Section 5) is _____.

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 accrue on my subsidized loan(s) during my deferment. However, interest will accrue on my unsubsidized loan(s).

(2) I may pay the interest that accrues on my unsubsidized loan(s) during my deferment. 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 on my unsubsidized loan(s).

I wish to make interest payments on my unsubsidized loan(s) during my deferment.

(3) My deferment will begin on the date the deferment condition began.

(4) 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.

(5) My maximum cumulative eligibility for an Economic Hardship Deferment on my Direct Loans is 36 months. My maximum cumulative eligibility for an Economic Hardship Deferment on my FFEL Program Loans is a 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 requirements for an Economic Hardship Deferment.

(6) If my deferment does not cover all my past due payments, my loan holder may grant a forbearance on my loan(s) 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 a forbearance on my loan(s) for all payments due when my deferment request is processed. Interest that accrues during this forbearance may be capitalized.

(7) My loan holder may grant a forbearance on my loan(s) 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 have provided on this form 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 requirements of the deferment for which I have applied, as explained in Section 6.

I authorize the entity to which I submit this request (i.e., the school, the lender, the guaranty agency, the U.S. Department of Education, and their respective agents and contractors) to contact me regarding my request or my loan(s), including repayment of my loan(s), at the number that I provide on this form 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. 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 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).
- **Family size** is determined by counting (1) yourself, (2) your spouse, (3) your 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 you, and (4) other people if, at the time you request this deferment, they live with you, receive more than half their support from you, and will continue to receive this support from you for the year that you certify your 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, Federal PLUS Loans, Federal Consolidation Loans, and Federal Supplemental Loans for Students (SLS).
- The **Federal Perkins Loan (Perkins Loan) Program** includes Federal Perkins Loans, National Direct Student Loans (NDSL), and National Defense Student Loans (Defense Loans).
- 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 Department. The holder of your FFEL Program loan(s) may be a lender, guaranty agency, secondary market, or the Department.
- **Monthly income** is either: (1) The amount of your monthly income from employment and other sources before taxes and other deductions; or (2) One-twelfth of the "adjusted gross income" on your most recently filed Federal Income Tax Return.
You may choose either of these income amounts for the purpose of reporting your 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.

SECTION 6: ELIGIBILITY REQUIREMENTS

- You may defer repayment of your loan(s) during the period that you meet one of the Economic Hardship Deferment conditions described in Section 2.
 - **For Direct Loan Program borrowers:** All borrowers are eligible.
 - **For FFEL Program borrowers:** Only if all of your FFEL Program loans were first disbursed *on or after* July 1, 1993, or if you had no balance on a FFEL Program loan that was first disbursed *before* July 1, 1993 when you obtained a loan *on or after* July 1, 1993.
- For **Condition (1)**, you must provide your loan holder with documentation of the deferment, which includes and end dates, that has been granted under the FFEL, Direct, or the Federal Perkins Loan Program (for example, correspondence from your loan holder showing that you have been granted a deferment).
- For **Condition (2)**, you must provide your loan holder with documentation confirming that you are receiving or received payments under a federal or state public assistance program that support the period for which you are requesting this deferment.
- For **Condition (3)**, you must provide your loan holder with documentation which certifies the beginning and expected ending dates of your service in the Peace Corps and which is signed and dated by an authorized Peace Corps official.
- For **Condition (4)**, you must:
 - Provide your loan holder with documentation of your monthly income as defined in Section 5. If you are reporting monthly income from employment and other sources, you must provide documentation such as pay stubs that support the period of this deferment request. If you are reporting one-twelfth of your adjusted gross income, you must provide a copy of your most recently filed Federal Income Tax Return.
 - Use the applicable amount based on your family size and state as shown in the chart below. If you are not currently residing in the United States, you will use the amount for the 48 contiguous states and the District of Columbia. The chart below is derived from the HHS Poverty Guidelines, which are updated annually in the Federal Register and online at <http://aspe.hhs.gov/poverty>.

Borrower's Family Size (See definition in Section 5)	These are monthly figures that represent 150% of the Poverty Line for 2012		
	48 Contiguous States and District of Columbia	Alaska	Hawaii
1	\$1,396.25	\$1,746.25	\$1,607.50
2	\$1,891.25	\$2,365.00	\$2,176.25
3	\$2,386.25	\$2,983.75	\$2,745.00
4	\$2,881.25	\$3,602.50	\$3,313.75
For each additional person, add:	\$495.00	\$618.75	\$568.75

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 0.16 hours (10 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 34 CFR 685.210. 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 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).

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 Direct loans. There is a similar form for FFEL (federally guaranteed) loans and for Perkins loans. You can get a copy of the form from your loan holder or on-line 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.