

Resolving Defaulted Federal Student Loans

A student in default on any type of Federal Direct Loan cannot receive further Title IV funds until they resolve the default, which they can do in a few ways:

1. Repayment in Full (including Consolidation):
 - a. A student can regain eligibility for Title IV funds once the student has repaid the defaulted loan in full (if a defaulted loan is consolidated, it is also counted as paid in full).
 - b. After the student has repaid the loan in full, they regain eligibility for Title IV funds.
 - c. The student or servicer must **provide documentation to the school proving that the loan was paid in full.**
2. Satisfactory Repayment Arrangements
 - a. A student can regain eligibility for Title IV funds if they have made repayment arrangements that are satisfactory to the loan holder.
 - b. After the student makes **six** consecutive, full, voluntary payments on time, they regain eligibility for Title IV funds. Voluntary payments are those made **directly by the borrower** and do not include payments obtained by federal offset, garnishment, or income or asset execution.
 - c. A student may regain eligibility under this option only **one time.**
 - d. The student or servicer must **provide documentation to the school proving the student has made satisfactory repayment arrangements.**
3. Loan Rehabilitation:
 - a. Although a student can regain eligibility for all Title IV funds by making satisfactory repayment arrangements, the loan is still in default. After the student makes more payments, the loan may be **rehabilitated**, that is, it won't be in default anymore, and the student will have all the normal loan benefits, such as deferments.
 - b. A defaulted Direct Loan is rehabilitated once the borrower makes **nine** full, voluntary payments on time (no later than 20 days after the due date) within 10 consecutive months.
 - c. The student or servicer must **provide documentation to the school proving the defaulted loan has been successfully rehabilitated.**