

PCA Procedures Manual: 2009 ED Collections Contract



U.S. Department of Education

**Prepared by:
Federal Student Aid
Operation Services
Processing Division**

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Disclaimer

This PCA Procedures Manual is designed to enhance and expound upon contractual requirements as outlined in the RFQ and the Statement of Work. The Manual establishes many of the day-to-day procedures and policies necessary for Private Collection Agencies to collect defaulted federal student loans and grant overpayments under the U. S. Department of Education collections contract.

The Manual does not provide comprehensive guidance of all regulatory and contractual requirements. Nor does the Manual relieve private collection agencies and affiliated contractors of their obligation to comply with all of the statutory and regulatory provisions governing the statement of work. In addition, it does not relieve the above from compliance with all contract requirements and other statutes and guidelines (including specific processing/training manuals) that are applicable to the ED collections contract.

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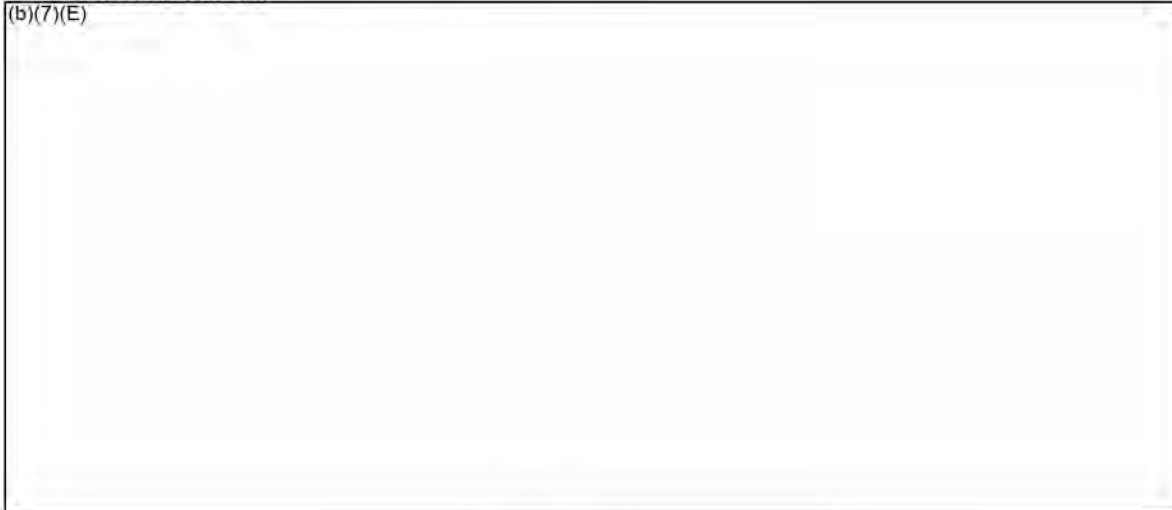
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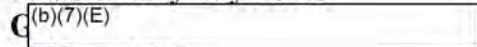
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OVERVIEW

The U.S. Department of Education's Federal Student Aid programs are the largest source of student aid in America, providing nearly 70% of all student aid. For many, collection of defaulted student loans is one of the final steps in the financial aid process. We collect and service student loans that have been assigned or referred to ED (e.g., Perkins loans, defaulted FFELP loans, defaulted Direct Loans, converted TEACH grants), as well as, Pell, SEOG, ACG and National SMART overpayments.

A critical component in our collection efforts is the Private Collection Agencies (PCAs). Under the 2004 contract, 17 PCAs collectively each year recover billions of dollars in defaulted student loans. The Education collections contract is often seen within the Federal Government, as well as, the collection industry, as a best in business. ED strives to develop the best possible working relationship with the PCAs, while maintaining comprehensive oversight and a dedicated commitment to outstanding customer service.

One of the main areas that enable ED to achieve such high marks within our collection efforts is our Statement of Work, RFQ, PCA Procedures Manual, and AWG Hearings and Employer Compliance Manuals. The following procedures manual has been designed to assist PCAs with day-to-day processing necessary in working with, resolving, and closing borrower accounts.

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This PCA Procedures Manual is considered a “living” document and will be updated as appropriate with new or corrected information.

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CHAPTER 1: LAW AND REGULATIONS

1. LOAN AND GRANT PROGRAMS

The U.S. Department of Education (ED), Federal Student Aid, Borrower Services, Default Resolution Group, performs collection and administrative resolution activities on debts resulting from non-payment of student loans and grant overpayments made under the various Title IV student aid programs.

A. Federal Family Education Loan (FFEL) Program:

➤ Stafford Loan Program

The Stafford Loan Program [formerly the Guaranteed Student Loan {GSL} Program] is authorized by Title IV, Part B of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. 1071 *et seq.*). Participating lending institutions using non-Federal funds make these loans. The loans are either guaranteed by state or private non-profit guaranty agencies and reinsured by the Federal Government, or are insured directly by the Federal Government. The guaranty agencies, lenders or subsequent note holders will adhere to the due diligence requirements in making, disbursing, servicing and collecting loans as outlined in the applicable regulations, 34 CFR 682.206-208; 34 CFR 682.411; and 34 CFR 682.507.

➤ Supplemental Loans for Students

The Supplemental Loans for Students (SLS) are authorized by section 428A of the HEA (20 U.S.C. 1087-1). Under the SLS Program, banks and other financial institutions make loans to independent undergraduate, graduate, and professional students with similar due diligence requirements for all note holders.

➤ FFEL Consolidation Loan Program

The FFEL Consolidation Loan Program is authorized by section 439(o) of the HEA (20 U.S.C. 1087-2(o)). Under the consolidation loan program, eligible lenders make loans to consolidate all of a borrower's education financed student loans, including FFEL, Direct Loan Stafford, PLUS, Perkins, and Health Professions Loans. Once these loans are granted, applicable due diligence is required of all note holders.

➤ Parent PLUS Loan Program

The Parent PLUS Loan Program [formerly Parental Loans for Undergraduate Students] is authorized by section 428B of the HEA (20 U.S.C. 1078-2). Under the Parent PLUS

program, banks and other financial institutions make loans to parents of dependent students. Certain regulatory due diligence will be followed by all note holders.

➤ Graduate/Professional PLUS Loans

Under the Higher Education Reconciliation Act of 2005 (HERA), graduate or professional students became eligible to borrow under the PLUS Loan Program. The terms and conditions applicable to Parent PLUS Loans are also applicable to Graduate/Professional PLUS Loans. The holder of the note must adhere to all due diligence requirements as provided by applicable regulations.

B. William D. Ford Federal Direct Loan Program:

Under the William D. Ford Federal Direct Loan Program (Direct Loan), the Secretary makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school.

➤ Federal Direct Stafford/Ford Loan Program

The Federal Direct Stafford/Ford Loan Program is authorized by Title IV, Part D of the HEA (20 U.S.C. 1087a et seq.). Loans made under this program are referred to as Direct Subsidized Loans. This program provides loans to undergraduate, graduate, and professional students attending schools participating in the Direct Loan Program. The Secretary subsidizes the interest while the borrower is in an in-school, grace, or deferment period.

➤ Federal Direct Unsubsidized Stafford/Ford Loan Program

The Federal Direct Unsubsidized Stafford/Ford Loan Program is authorized by Title IV, Part D of the HEA (20 U.S.C. 1087a et seq.). Loans made under this program are referred to as Direct Unsubsidized Loans. This program provides loans to undergraduate, graduate, and professional students attending schools participating in the Direct Loan Program. The borrower is responsible for the interest that accrues during any period.

➤ Federal Direct PLUS Program

The Federal Direct PLUS Program is authorized by Title IV, Part D of the HEA (20 U.S.C. 1087a et seq.) and the HERA. This program provides loans to parents of dependent students and graduate or professional students attending schools that participate in the Direct Loan Program. The borrower is responsible for the interest that accrues during any period.

➤ Federal Direct Consolidation Loan Program

The Federal Direct Consolidation Loan Program is authorized by Title IV, Part D of the HEA (20 U.S.C. 1087a et seq.). This program provides loans to borrowers who consolidate their FFEL, and Direct Loan Stafford and PLUS Loans. Currently, Perkins Loans and Health Professions Loans may only be consolidated into a Direct

Consolidation Loan if at least one FFEL or Direct Loan program loan is included in the consolidation. There are three types of Direct Consolidation Loans:

- Direct Subsidized Consolidation Loans. Subsidized Title IV education loans may be consolidated. Interest is not charged to the borrower during in-school and deferment periods.
- Direct Unsubsidized Consolidation Loans. Certain Federal education loans may be consolidated into a Direct Unsubsidized Consolidation Loan. The borrower is responsible for the interest that accrues during any period.
- Direct Plus Consolidation Loans. Parent Loans for Undergraduate Students, Federal PLUS, Direct PLUS, and Direct Plus Consolidation may be consolidated into a Direct PLUS Consolidation Loan. The borrower is responsible for the interest that accrues during any period.

C. Perkins Loan Program:

The Perkins Loan Program [formerly the National Defense/Direct Student Loans {NDSL} Program] is authorized by Title IV, Part E of the HEA (20 U.S.C. section 1087aa et seq.). Under this program, ED assists in the establishment and maintenance of revolving loan funds at institutions of higher education to provide low-interest, long-term loans to help financially needy students pay their educational costs. Students will apply directly to their schools to participate in the Perkins Loan program.

Perkins regulations, 34 CFR Part 674 Subpart C, require schools to exercise due diligence in the collection of Perkins accounts. However, in 1979, because of rising institutional Perkins default rate, ED implemented provisions of the HEA, whereby schools could submit defaulted loans to ED for additional collection activity (20 U.S.C. Section 1087cc (a)).

D. Pell Grant Program:

The Pell Grant Program is authorized by section 411 of the HEA (20 U.S.C. section 1070a et seq.). An individual student's award is based upon his/her enrollment status, the cost of attendance at the institution, and his/her Student Aid Index. Using this information and the Pell Grant Payment Schedule for the appropriate year, the financial aid officer at the institution calculates the student award.

When a student receives a grant greater than he/she is entitled to receive, he/she is considered to have received an overpayment. Overpayments may occur through incorrect calculation of an award, through incorrect information reported by a student on his/her financial aid application, a student dropping or withdrawing from class or a student's failure to make satisfactory academic progress. If the overpayment is not caused by an institutional error, the recipient is liable for repayment. In these cases, an institution will submit the debt to ED for collections as outlined in

the Pell Grant regulations, 34 CFR 690.79, whenever the institution encounters difficulty in collecting the overpayment.

E. Academic Competitiveness Grant Program:

The Academic Competitiveness Grant (ACG) was created under the Higher Education Reconciliation Act of 2005 for full-time students at degree-granting institutions who are recipients of Federal Pell Grants and are U.S. Citizens. The student must be enrolled in the first or second academic year of his or her program of study and completed a rigorous secondary school program of study. As with the Pell Grant Program, if an overpayment occurs, an institution will submit the debt to ED should the institution encounter difficulties in collecting the overpayment.

F. National Science and Mathematics Access to Retain Talent Grant Program (SMART):

The National Science and Mathematics Access to Retain Talent (SMART) Grant was created under the Higher Education Reconciliation Act of 2005 for full-time students enrolled in the third and fourth academic year of his or her program of study at a four-year degree-granting institution. Additionally the student must be majoring in physical, life, or computer science, engineering, mathematics, technology, or a critical foreign language. As with the Pell Grant Program, if an overpayment occurs, an institution will submit the debt to ED should the institution encounter difficulties in collecting the overpayment.

G. TEACH Grant:

Effective July 1, 2008, the College Cost Reduction and Access Act (CCRAA) of 2007, established the Teacher Education Assistance for Higher Education (TEACH) Grant Program to provide assistance to students who plan to become teachers and teachers who are obtaining graduate degrees. In exchange for the grant, candidates must agree to serve as a full-time teacher at certain schools and within certain fields for at least four academic years within eight years after completing the course of study for which the candidate received the grant. If the candidate fails or refuses to carry out his or her teaching obligation, the amounts of the TEACH Grants received are treated as an unsubsidized Direct Loan and must be repaid with interest.

If an overpayment occurs, the grant will continue to be treated as a grant and an institution will submit the debt to ED should the institution encounter difficulties in collection the overpayment.

H. Supplemental Educational Opportunity Grant Program (SEOG):

The Supplemental Educational Opportunity Grant (SEOG) program is authorized under section 413A et seq. of the HEA (20 U.S.C. section 1070b et seq.). The program was initially authorized and incorporated into the Higher Education Act by the Education Amendments of 1972 (Public Law 92-318). It superseded the Basic Educational Opportunity Grants Program that was

established in 1965 by the Higher Education Act. These grants are provided to undergraduate students with exceptional financial need, with priority given to Pell Grant recipients. As with the Pell Grant Program, whenever an institution encounters difficulty in collecting the overpayment, the institution will submit the debt to ED for collection.

2. FAIR DEBT COLLECTION PRACTICES ACT

The purpose of the Fair Debt Collection Practices Act (FDCPA) is to prohibit abusive, deceptive and unfair debt collection practices by debt collectors.

Any person who violates a provision of the FDCPA is found guilty of a misdemeanor and upon conviction is punishable by a fine of not less than \$100 nor more than \$1000 for each conviction.

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(b)(7)(E) The FDCPA applies only to the collection activities of third-party debt collectors. The statute itself defines the term "debt collector" to exclude officers or employees of the United States, and therefore the FDCPA by its terms does not apply to the collection actions of ED employees. The FDCPA does, however, apply to the PCAs ED retains to perform collection services on student loans.

Because the FDCPA does not apply to ED, ED takes the position that it cannot be held liable for any FDCPA violations of its PCAs. In addition, there is a clause in each of ED's task order awards with a PCA that holds ED harmless for the acts of the collection agency.

3. FREEDOM OF INFORMATION ACT

The purpose of the Freedom of Information Act (FOIA) is to provide the general public the right to access government data and information. The general public may examine records and documents that the government stores and accumulates within the rules and guidelines set forth by the FOIA.

However, in the disclosure of such information there are nine exemptions. One of these exemptions is for records, the disclosure of which would constitute a clearly unwarranted invasion of personal privacy. ED may choose to exercise this exemption. In exercising this exemption, we may look to the motives of the requestor and balance his or her right to know against the privacy rights of the individual to whom the records pertain.

Collectors may not make a disclosure regarding a borrower to a third party or to the general public when requested under the FOIA. People making requests for information under the FOIA should be instructed to put their request in writing and send all requests to:

U.S. Department of Education

Office of Management
400 Maryland Ave., SW
Potomac Center
Washington, D.C. 20202-4700
Fax – 202-245-6651

For more specific information, individuals should be directed to ED's website at www.ed.gov and then instructed to click on "FOIA" at the bottom of the page. In addition, any written FOIA requests received at the PCAs must be forwarded to the above address **within 1 business day** of receipt.

4. PRIVACY ACT OF 1974

Authority: 5 U.S.C. Sec.552a, 5 CFR Part 5b

The Privacy Act of 1974 prohibits ED's release of any information contained in ED's loan records except for routine uses of ED's records on that loan, without a signed written authorization from that debtor. Routine uses of student loan records include disclosure to a variety of parties that may have information about, or may assist in enforcing, the student loan obligation. Collection agency employees have access to this information on loans referred to the contractor by ED for collection, but are required to use this information under the same safeguards as ED.

The Privacy Act permits ED to furnish information from the borrower's loan records to the following entities in order to enforce the loan and permit servicing or collection of the loan:

- Federal, State, or local agencies.
- Private parties such as relatives, present and former employers, business and personal associates.
- Public entities such as guarantee agencies, educational and financial institutions, credit bureaus, collection agencies, and agency contractors.

Before releasing information from ED loan records to an attorney representing a borrower, the borrower must authorize the release of account information.

References:

- Privacy Act Guide (PCA Collection Website - Library)

5. GRAMM-LEACH-BLILEY ACT

In 1999, Congress enacted the Gramm-Leach-Bliley Act (Public Law 106-102). This Act requires that lenders provide certain information to their customers regarding the collection and use of nonpublic personal information.

In general, the categories of nonpublic personal information collected about student loan borrowers from their applications, educational institutions, and consumer reporting agencies, includes their address and other contact information, demographic background, loan and educational status, family income, social security number, employment information, collection and repayment history, and credit history.

We disclose nonpublic personal information to third parties only as necessary to service their loan and as permitted by the Privacy Act of 1974. We do not sell or otherwise make available any information about student loan borrowers to any third parties for marketing purposes.

We protect the security and confidentiality of nonpublic personal information through physical safeguards, security systems and trained personnel.

6. CREDIT BUREAU REPORTING

The HEA contains specific exceptions to the limitation periods imposed by the Fair Credit Reporting Act (15 U.S.C. §1681(c)(4), (6)) for reports of adverse information on other debts. The HEA permits credit bureaus to disseminate information on student loan defaults for a seven-year period that differs from that permitted for reports on other consumer loans. For FFELP loans, a credit reporting agency may now make a report containing default information received from a guaranty agency or the Department of Education regarding the default status of a borrower's loan for up to 7 years from the date on which the guaranty agency or the Department paid a default claim on that loan. 20 U.S.C. § 1080a(f)(1). If the borrower reenters repayment on a defaulted loan and then redefaults, the HEA provides that the credit bureau can include information on that new default in reports issued for up to 7 years from the new default date. 20 U.S.C. § 1080a(f)(3). A borrower "reenters repayment" for purposes of this rule if the borrower's loan is rehabilitated.

The HEA further provides that credit bureaus may now report default information on a Perkins loan until the loan is repaid in full. 20 U.S.C. § 1087cc(c)(3). The HEA does not adopt specific rules for reports of Direct Loans, but provides that Direct Loans have the same terms, benefits and conditions as FFELP loans. 20 U.S.C. §1087e(a)(1). Accordingly, the 7-year period during which default status of a Direct Loan can be reported by a credit bureau extends until the end of the 7-year period that begins when the Department transfers a Direct Loan to its Default Resolution Group.

The Department transmits loan information electronically to national credit reporting agencies on a monthly basis. The credit reporting agency typically uses this information to update its records, and therefore includes the updated record in reports it issues. A loan that has been paid

in full or settled in full is reported by most credit bureaus as a “paid collection account.” A loan that is paid off by a Consolidation Loan will also be reported by most credit bureaus as a “paid collection account.” Collectors must not state or imply to borrowers that the default information reported by the original lender (e.g., the bank that made the FFEL) or by the guaranty agency or Department will be deleted or expunged before the applicable 7-year period has run.. Adverse information (default status) reported by a guarantor or the Department will be expunged earlier only if the loans has been rehabilitated. Adverse information reported by the original lender will not be expunged or excluded from credit reports before the 7-year period that runs from the lender’s report of that default, even if the loan is rehabilitated.

ED will not remove an account from credit bureau reporting unless Education reported the loan as in default in error, or the loan is rehabilitated. After a loan is rehabilitated, ED will notify the credit bureaus to expunge any adverse information ED had reported on that loan. (b)(7)(E)

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(b)(7)(E) Borrowers who have a disagreement with the information that is shown on their credit report should file a dispute with the credit reporting agency that is showing the incorrect information. If necessary, the credit reporting agency will contact ED for updated information (currently being handled by Vangent – Customer Center).

PCAs and Credit Bureau Reports

Whether the PCA can obtain a credit report is governed by the Fair Credit Reporting Act, not HEA or ED regulations. The FCRA allows the Credit Bureau to furnish a consumer report “to a person which it has a reason to believe...intends to use the information in connection with a credit transaction involving the consumer on whom the information is be furnished and involving the extension of credit to, or ...collection of an account of, the consumer...” 15 U.S.C. §1681b(a)(3)(A).

In addition, a Credit Bureau may contact a PCA that has made an “inquiry” regarding that query. Debtors will often request Credit Bureaus to remove the notation of a PCA inquiry from their credit record because they do not recognize the company name and/or do not believe that the PCA has the right to review their credit history. A PCA that is contacted by a Credit Bureau regarding the PCA’s inquiry should respond directly to the Credit Bureaus and provide to the Credit Bureau any information needed to obtain information from the Bureau, and, if necessary, to explain its role and to support the validity of its inquiry. .

References:

- HEA:section 430A (for FISLs, GSLs and other GSLP loans, and for Direct Loans) (20 U.S.C. §§ 1080a, 1087e) and section 463 (for NDSLs) (20 U.S.C. 1087cc)
- DMSC Manual: Collection Users Manual, Appendix E Credit Bureau Status Codes (Collection Website – Library)

7. COLLECTION COSTS

Section 484A(b)(1) of the HEA, 20 U.S.C.1091a(b)(1), provides in pertinent part, "Notwithstanding any provision of State law to the contrary...a borrower who has defaulted on a loan...will be required to pay...reasonable collection costs." This provision enacted in section 16033 of the Consolidated Omnibus Budget Reconciliation Act (COBRA), Pub. L. 99-272, Apr. 7, 1986, applies with respect to all loans, whenever made. Promissory notes for many student loans contain terms obligating the borrower to pay collection costs as well.¹ Collection contractors charge ED a contingent fee for any payments made by the borrower on a loan placed by ED with that contractor. To the extent allowed, ED passes that cost on to the borrower². Because ED applies borrower payments first to defray collection costs, the outstanding balance owed on the loans it holds consists almost exclusively of unpaid principal and accrued interest. (b) (7)(c)

Some borrowers, after paying an amount equal to their initial outstanding principal and interest, mistakenly contend that their debts are satisfied. Although ED demand letters explain how payments are credited first to costs, these borrowers either misunderstand or dispute ED's authority to do so. As a practical matter, the amounts owed on loans referred to U.S. Attorney's Offices for collection consist almost entirely of unpaid principal and accrued interest; this dispute may present itself on these referred loans by way of an argument that ED had no authority to apply the payments to costs, and that the amount already paid by the borrower should have reduced or satisfied the debt referred for litigation.

Promissory notes for many student loans contain terms obligating the borrower to pay collection costs. Currently collection cost on an account assigned to a PCA is 24.34%. The percentage taken out of each regular payment is 19.58%. Example: a \$100 payment will reflect a collection cost of \$19.58. The ED System will show projected collection agency fees on the total balance of the account if the account is assigned to a PCA. Fees are actually only earned and charged to borrower if borrower makes payments on the account.

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¹ Some late fees may have been charged by the prior holders, and if so, are included in the balance if not already paid.

² ED has used this authority to pass collection costs on to borrowers only after 1986, and only those costs incurred after the change in law.

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8. STATUTE OF LIMITATIONS

Section 3 of the Higher Education Technical Amendments of 1991, P.L. 102-26 eliminates any statute of limitations that has applied to enforcement actions to collect student loans made or insured under Title IV of the HEA. The amendment provides that a lawsuit may be commenced, a judgment enforced, or a garnishment or offset action taken by the Federal government to collect defaulted loans regardless of any Federal or State statutes of limitation that might otherwise have applied to these collection actions. The law also applies to actions by institutions and guaranty agencies to collect defaulted student loans.

Prior to this 1991 amendment, the limitation period for suits to collect student loans made or guaranteed under Title IV of the HEA was six years commencing from the date the government paid a guaranty claim for FISLs, See *U.S. v. Bellard*, 674 F.2d 330 (5th Cir. 1982), or, under § 484A(a) prior to that amendment, for six years from the date the loan was assigned to ED for GSLs and for Perkins/NDSLs - 484A(a)(4) of the HEA, 20 U.S.C. 1091a(a)(4) (1990; since amended by P.L. 102-26, supra); *U.S. v. Menatos*, 925 F.2d 333 (9th Cir. 1991). The 1991 amendment modified Section 484A to expressly abrogate these prior limitations for each of these kinds of loans. The amendment provides that litigation may be commenced, a judgment enforced, or a garnishment or offset action taken by the Federal government to collect defaulted loans regardless of any Federal or state statutes of limitation that might otherwise have applied to these collection actions.

A commonly encountered defense raised in the face of this authority is the claim that prior limitations periods had expired, rendering the loan judicially unenforceable under the law. Both the statutory terms governing the effective date of the 1991 amendments and the case law forcefully reject this claim. The effective date provisions of the law expressly provide that this authority applies to all "pending actions" to collect loans whenever those loans were made, including loans made before April 9, 1986, the date of enactment of the prior version of § 484A. Pub. L. 102-26, 3(c), as amended by Pub. L. 102-325, § 1551 (removing November 6, 1992 sunset provision).

The amendment therefore empowers the government to collect ED-financed loans time-barred under other limitations provisions that previously applied - *U.S. v. Phillips*, 20 F.3d 1005 (9th Cir. 1994); *U.S. v. Hodges*, 999 F.2d 341 (8th Cir. 1993); *U.S. v. Glockson*, 998 F.2d 896 (11th Cir. 1993); *U.S. v. Mastrovito*, 830 F.Supp. 1281 (D. Ariz. 1993); *N.Y. Higher Education Services Corp. v. Laudenslager*, 616 N.Y.S.2d 135 (N.Y. Sup. 1994); § 484A as amended applies to suits to collect ED-financed loan brought by guarantor. Although this retrospective, resuscitative effect may appear unusual, Congress has the power to revive time-barred claims because statutes of limitations are procedural rules, and can be established, modified, enlarged or eliminated by the jurisdiction under which a debt is enforced without violating a defendant's constitutional or statutory rights - See *U.S. v. Menatos*, 925 F.2d at 335, n.2 (9th Cir. 1991)

(addressing resuscitative effect of prior version of § 484A(a) enacted in 1986 by Pub. L. 99-272); Chase Securities Corporation v. Donaldson, 325 U.S. 304, 311-312 (1945); Davis v. Valley Distributing Co., 522 F.2d 827, 830 n.7 (9th Cir. 1975), cert. denied, 429 U.S. 1090 (1977); Osmundsen v. Todd Pacific Shipyard, 755 F.2d 730, 733 (9th Cir. 1985).

9. RESTORING TITLE IV ELIGIBILITY

A. Federal Student Loan Programs

A borrower that is in default on a loan held by ED is ineligible to qualify for additional Title IV student assistance due to the default status. For the borrower with loans to regain eligibility the borrower must enter into an agreed upon payment arrangement (b)
(7)
(E) and make six consecutive, full, voluntary payments on time. On time is defined as within (b)
(7)
(E) days of the established due date. **This benefit is available one time only per borrower.**

In order to maintain Title IV eligibility once restored, the borrower must continue to make the appropriate payments under the agreed upon payment arrangement. For more information about setting up payment arrangements please see Chapter 6.

The borrower will become eligible for additional Title IV financial aid after the sixth consecutive timely payment. The borrower should be warned that if he or she does not continue to make payments under “the repayment schedule in effect” (which may be modified from time to time as the borrower’s income and expenses may change), the borrower will lose their Title IV eligibility.

Requests for Title IV Reinstatement letters should be submitted to Vangent via an online IMF. For more information about this process, please see Chapter 5.

B. Grant Overpayments

Students with eligible program overpayments (POVRs) only may regain eligibility simply by entering into an acceptable repayment agreement. This means that the student is eligible to receive additional Title IV funds even BEFORE making their first payment. Eligible POVR debts are those debts where the funds were disbursed on or after July 1, 2000.

The one time only restriction is not applicable to grant overpayments.

(b)(7)(E)

References: 20 U.S.C. Sec.1091(p)(3); 20 U.S.C. Sec.1078-6(b); 34 CFR
668.35(a), (c)

CHAPTER 2: GENERAL COLLECTION ACTIVITIES (WORKING BORROWER ACCOUNTS)

When agencies receive and begin working borrower accounts, there is some basic information that pertains to all accounts, as well as, specific information germane to certain types of accounts. The following information provides general account guidance.

1. DOCUMENTATION OF COLLECTION ACTIVITY

The PCA will immediately record, on its own computer system, all collection activity occurring on an account.

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Industry standard abbreviations can be used.

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Aside from their own systems, the PCAs must also document the DMCS as required. PCAs must update the DMCS with borrower's name, address, home and work telephone number changes and information regarding the borrower's employment, i.e., employer's name, address and telephone number. In addition, PCAs are required to document the DMCS with specific program notations as required by different work activities.

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A. DMCS Updates

➤ L103 Screen (borrower demographics)

- Borrower Name
 - Typically, PCAs will request name changes through an IMF; however, PCAs may change FEMALE borrower names, if only the last name is changing (i.e. marriage, divorce, etc.)
 - Must document the L102 referencing the name change due to marriage, new TOP posting, etc.
- Borrower Address
 - Should be the same on the PCA System and the DMCS (L103 screen)

- Ensures ED system letters and PCA letters are being sent to the appropriate address to initiate/support certain actions, i.e. AWG.
 - If a PCA receives a "new" address from ED in their address extract file but determines that the address on their system is the correct address, then the PCA must update the DMCS address back to the PCA "valid" address.
 - PCAs should ensure that their system, as well as DMCS, has the most current, correct borrower contact information.
 - If the PCA contacts the borrower at an address other than the last address known to ED, the PCA must reissue its first demand letter to the borrower at the new address.
 - Upon receipt of evidence that a borrower's current address of record is not valid, the PCA will change the address status field on the L103 screen to "U"
- Employer work numbers
 - Must be transferred as part of the employer location information listed in the reference section on the L103
 - May be placed in the day number of the borrower demographic section on the L103
 - Employer Address
 - Employer address references on the L103 screen refer to the current employment location information for the borrower (physical location where the borrower works)
 - Includes company name, address and phone number
 - Employer location information is used during on-site and off-site account update reviews by Education.
 - Employer address and AWG
 - For AWG purposes, we ask that the employment data on the L103 correlate with the information on the L140
 - If the name of the borrower's employment location (work address) on the L103 differs from the employer name on the L141, then there needs to be a notation on the L102 specifying the reason for the difference.
 - For example, if a borrower works at the Wal-Mart in Conyers, this information will be notated in the L103 screen. Since Wal-Mart's payroll/garnishment office is located in a central corporate location, a different address will be input on the L141 screen.
 - PCAs should be maintaining the borrower's employer location information, as well as, the payroll/garnishment information separately (if not the same data) within their system.

➤ **L102 Screen (ED notepad)**

The L102 screen is a basic collection notepad that is utilized to capture key information so that both PCA and ED staff are aware of important account information. Specific notations or line

items required for certain PCA actions are listed under specific work functions throughout this manual, as well as, in additional functional procedures manuals. Please be aware that certain notations must be input exactly as required in order for certain account actions to take place (i.e. ICRPs, rehab exceptions, incarceration queries, etc.).

As with any formal notation regarding an ED account/borrower (whether in DMCS or in the PCA system), ED expects professional and appropriate language to be used at all times in an effort to support ED's collection mission and provide the best customer service possible.

➤ **L106 Screen (Letter History)**

The L106 screen is the screen where the letter history is stored for the account. The history includes all ED and PCA computer generated letters sent on the account. The history shows the date a letter is sent, the letter code for the letter sent, and a portion of the address to which the letter was sent. Also included is an indicator code in the event that a letter is returned undeliverable. PCAs are responsible for ensuring that all the L106 accurately reflects the letters sent on an account along with the undeliverable code if the letter is returned as undeliverable.

References:

- SOW 2.6, 3.2 A
- DMCS User Manuals (Available from the COR)

2. CELL PHONE USAGE

Use of cell phones (personal or business) by regular collection staff is prohibited. A limited number of higher-level managers (not to exceed three) are allowed to use cell phones to contact borrowers or third parties under special or unusual circumstances. ED expects the use of cell phones within the ED collections contract to be rare occurrences. A list of authorized managers must be forwarded prior to any cell phone use to the COR and Assistant COR for approval. All calls must be properly documented in the PCA's system. Documentation must contain normal collection call data including:

- Cell phone number
- Date and Time of Call
- Manager who made call
- Complete Call Summary

PCAs must be able to distinguish and track all cell phone calls for review and/or reporting purposes.

The PCA must ensure cell phones are used according to all applicable federal, state & local laws regarding debt collection communications

Reference: SOW 3.2 A

(b)(7)(E)

Distribution authorized to the Department of Education and its Private Collection Agency contractors only. Other requests shall be referred to the Federal Student Aid Acquisitions Group.

(b)(7)(E)

5. FEDERAL EMPLOYEES

(b)(7)(E)

If the account is not currently in repayment, ED retains the right to recall the account from the PCA.

The PCA is required to service FED accounts as they would regular accounts.

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If a PCA chooses to return a FED account (after any required time frames have elapsed) because of an inability to collect on it, the account should be returned as "INA."

6. CO-MAKER ACCOUNTS

A co-maker is a person who co-signs for another person's student loan. ED will have initiated collection efforts in pursuit of both the borrower and co-maker prior to transfer of accounts to the PCA.

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If the PCA has information concerning an administrative resolution to a co-maker account, documentation should be submitted to the Atlanta Regional Office via an Internal Mail Form (IMF).

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(b)(7)(E)



CHAPTER 3: CORRESPONDENCE & BORROWER COMPLAINTS

Due to the high volume of accounts, various account resolutions and payment programs and the emotional nature of collections, ED collection accounts produce a lot of different kinds of correspondence, as well as, borrower complaints against PCAs. Both correspondence and borrower complaints must be handled timely and appropriately to ensure that proper account resolution occurs with the best possible customer service.

1. CORRESPONDENCE

Correspondence must be retained in the administrative office. Correspondence includes any documentation related to a borrower's account, (b)(7)(E) Documents may include, but are not limited to, complaints, checks, ~~deam certificates, taxes,~~ emails, etc.

PCAs must have the ability to image, electronically store and produce viable copies of all incoming correspondence and, if requested by ED, send secure imaged documents electronically. If maintained in hardcopy form, documents must be secured under lock and key.

A. Handling Correspondence

Upon receipt of any correspondence, the PCA will immediately date-stamp all correspondence. In most instances, date-stamps should appear on the actual document. In cases where it is deemed not appropriate to date-stamp the actual document (i.e. misdirected payment), date stamping a cover letter or copy of the actual document is acceptable.

The PCA will process and/or forward a response within (b)(7)(E) calendar days of receipt. In addition, the PCA must document on their system all applicable information related to the correspondence, including any actions taken.

➤ Accounts not Currently Assigned to a PCA

(b)(7)(E)

○ Request for (b)(7)(E) reinstatement of TIV aid

○ (b)(7)(E)

(b)(7)(E)



*Written inquiries from the U.S Congressional Office (senators and representatives) or the White House must be sent by overnight service within 24 hours of receipt to:

(b)(7)(E)



Submissions should be sent "separately" with a cover letter/sheet indicating possible Congressional documentation.

(b)(7)(E)



B. Other Sensitive Inquiries

(b)(7)(E)

C. Maintaining Documents

Unless otherwise stated in the Task Order, under the FSA Scheduling Contract or specifically instructed by ED, agencies must retain account information for the life of the contract.

D. Correspondence Report

On a monthly basis, the PCA must provide an electronic correspondence report listing all correspondence received for the previous month to the COR, Assistant COR and ED Monitor by the 15th of the following month. See Chapter 17 for more information.

E. Atlanta Regional Office Mailbox

The Atlanta Regional Office has created an email mailbox to receive certain types of correspondence or requests. The mailbox email address is (b)(7)(E)

PCA correspondence directed to this mailbox includes:

- Requests for ED to fax W32 letters (stop AWG letters to employers)
- Congressional phone inquiries received at the PCA
 - Information to be sent in includes:
 - Borrower name
 - Debt ID
 - Name and Title of caller
 - Caller's phone number
 - Congressional Office involved
 - Name and phone number of PCA employee receiving the call
 - Date and time of the call

- Brief call summary

Reference: SOW 2.8, 5.2(d)

2. COMPLAINTS AGAINST THE PCA

The PCA will ensure that all attempts to collect on accounts are fair and reasonable, and do not involve harassment, intimidation, or false or misleading representation. Unnecessary communication concerning the existence of any such debt information will not be given to persons other than the borrower or the borrower's attorney. Requests for information from third parties must be supported by borrower authorization.

A. Receiving Complaints

When ED receives a complaint from a borrower:

(b)(7)(E)

When the PCA receives a complaint from a borrower, (verbal or written):

(b)(7)(E)

B. Final Complaint Submissions

(b)(7)(E)

(b)(7)(E)

(b)(7)(E)

PCAs may add additional pages to the PCA Complaint Form or may use a separate summary response to fully capture all the details of the complaint.

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C. Complaint Protocol

(b)(7)(E)

Note: ED reserves the right to request from the PCA a copy of any applicable recorded conversations on a borrower account if available.

D. Complaint Tracking System

ED maintains a complaint tracking system of all verbal and written complaints. Complaints are tracked by the following:

- Borrower Account
- Agency Name
- Receipt date and resolution date
- Individual Collector Name
- Nature of Complaint

Complaints are analyzed for recurring complaint issues, multiple complaints against individual personnel, and repeated violations of Customer Service issues or the FDCPA. (b)(7)(E)

(b)(7)(E)

If ED receives one or more complaints against a specific collector of a type or violation that is of a concern to ED, ED may remove the collector from working the ED Task Order.

Reference: SOW 2.4

3.

APPENDIX

A. PCA Complaint Form

PCA COMPLAINT FORM

AGY#: _____ Date complaint received: _____

Complaint written or verbal: _____ Date of response: _____

Respondent's name/phone #/email address: _____

Borrower's Name: _____ SSN/Debt ID: _____

Borrower's phone number (if not YET updated on L103): _____

PCA employee(s) named OR responsible for complaint: _____

TYPE OF COMPLAINT:

- RECEIVED BY THE PCA ADDRESSED TO THE PCA
- RECEIVED BY THE PCA ADDRESSED TO ED
- RECEIVED BY ED ADDRESSED TO ED
- VANGENT COMPLAINT

LIST BORROWER'S COMPLAINT ISSUES

- ✓ _____
- ✓ _____
- ✓ _____

PCA RESPONSE _____

- ✓ _____
- ✓ _____

PCA RESOLUTION/ PREVENTIVE MEASURES

- ✓ _____
- ✓ _____
- ✓ _____

(b)(7)(E)

Revised April 2009

Chapter 4: PCA LETTERS (AND FORMS)

This chapter will discuss the PCA letter approval process (sending letters out under the PCA letterhead for Education accounts) and proper letter usage.

In addition, starting with Section 2, this Chapter provides standard letters or partial text for inclusion in some PCA letters. Currently, ED provides text for letters related to rehabilitation, consolidation, repayment agreements, certain Administrative Wage Garnishment letters, financial statements, misdirected payments, compromises, and agreements for recurring credit card payments.

References:

- SOW 2.5 - Collection Letters and Forms
- Coupon Specifications
- Letter Code Table
- EFT Mailed Letters File and Returned Letters File

1. LETTER APPROVAL AND USAGE

Key points regarding PCA letter approval and usage include:

- PCAs must obtain ED's approval of all collection letters (and forms) used by the PCA, and/or generated from the PCA's own computer system, prior to usage.
- Any letter requesting repayment must be generated with a coupon, and the PCA's coupon must have passed ED coupon testing prior to use.
- ED will issue standard language for select contractor letters (located at end of Chapter).
- PCA attorneys must approve all contractor letters/forms (and any changes) prior to submission to ED and proof of acceptance by the Contractor legal counsel must be provided to ED along with the letter submission.
- Each PCA will be issued a set of letter codes, which will be used on the DMCS to identify letters sent by the PCA.
 - PCAs will transmit to the ED computer contractor weekly files of letters sent and any return mail so that the ED letter history is updated.

A. Contract Start-Up

The PCA must submit their letters to ED for approval as soon as possible after contract award (b)(7)(E) from Task Order award. Each PCA will be assigned designated ED staff who will review their letters.

PCA letter packages should include the text of the letters to be used, and any disclaimers that are to be printed on the letters.

Contractor letters must be submitted in the following format:

- In Word and be editable (no PDF or password protected letters)
- Font Size no smaller than 12
- Via email to the designated ED letter contact(s)
- PCA should identify each letter with an ED letter code
- Each submission of letters to ED for review must be accompanied by proof of acceptance by the Contractor's attorney.
 - Acceptance may be a letter, email or memo.

ED staff will review the PCA's letter(s) and forward to ED's Office of General Counsel for final review and approval. ED will notify the PCA by email when the letters are approved, or if any revisions are necessary.

(b)(7)(E) the PCA will provide to ED an electronic copy of their letter index and an electronic copy of the production version of all approved letters. (The format for the letter index is provided in the references below.) The copies should be provided to the ED letter contact, the COR, and the Assistant COR.

B. Revisions to Approved Letters, and New letters

It is expected that new letters and changes to existing letters will be necessary over time. If revising an existing letter, the PCA must provide to their ED letter contact an electronic copy of the approved letter, and an editable Word version of the proposed letter. The language being changed should be highlighted in the proposed letter. Any new letter(s) proposed by the Contractor should also be submitted to the ED letter contact in an editable version of Word.

ED may also require that the PCA to modify previously approved letter(s). The Contractor must have all changes/corrections made and submitted to the ED letter contact for review and approval (b)(7)(E)

(b)(7)(E)

In both cases, the PCA must submit proof of acceptance by the Contractor's attorney. When approved, the contractor shall update their letter index and provide ED electronic copies of the index and production letter(s) (b)(7)(E) The copies should be provided to the ED letter contact, the COR, the Assistant COR and the designated Monitor.

C. Letter Vendor Changes

If a PCA changes letter vendors after initial coupon testing, the contractor must contact the Assistant COR to arrange retesting of coupon letters.

2. REHABILITATION LETTERS

The standard rehabilitation agreement letter must include the following language:

This letter confirms my acceptance into the loan rehabilitation program and my agreement to repayment of my defaulted Federal Family Education Loan (FFEL) program student loans held by the U.S. Department of Education. I understand that compliance with this agreement is a prerequisite to the sale of my loans to an authorized lender.

Please check the appropriate paragraph:

- () I understand that I must make at least nine (9) monthly payments in the amount of \$«Insert», beginning «Insert», with each payment due on the same day each month thereafter. I must make the full payments in the agreed amount within twenty (20) days of their monthly due dates over a ten month period. If I fail to make the required number of on-time payments in a ten (10) month period, I will need to begin a new series of agreed upon payments in order to qualify for rehabilitation of my loans.
- () I am currently making monthly payments. I understand that these payments, if timely, will be included in the calculation of the required minimum number of monthly payments. I will continue to meet my established monthly payment due date.

I also understand and agree to the following terms and conditions:

1. I understand that this agreement is null and void if I do not honor the terms of this agreement by making a full payment within twenty (20) of the monthly due date every month for a minimum of nine (9) months. Should this occur, I will need to begin a new series of agreed-upon payments in order to qualify for rehabilitation of my loans.
2. I cannot change the monthly payment amount without ED's agreement or the agreement of the collection agency servicing my account.
3. I may have to provide a new financial statement in order to support a request to change my monthly required payment amount.
4. I must continue to make monthly payments to ED beyond the required minimum period until I am notified in writing by ED or my new lender that the sale has been completed and that I am to begin making payments directly to my lender.
5. Any interest that I owe at the time my loan(s) is sold will be capitalized by the lender. In addition, the Department may add collection costs equal to 2% of the amount of principal and interest that I owe to the loan balance. Any outstanding interest and collection costs will be capitalized by the lender. This means that the lender will add any unpaid interest and collection

(b)(7)(E)

3. CONSOLIDATION LETTERS

A. Consolidation Responsibilities Letter

The following language must be included in the Consolidation Responsibilities letter:

We have recently discussed the possibility of consolidating your loans. Consolidation is a good program for many borrowers and offers a number of benefits. However, it is not the best choice for everyone. Before you use this option, please understand the following, especially if you believe that you are disabled or are contemplating filing bankruptcy.

Borrowers who cannot work and earn money as a result of an injury or illness that is expected to continue indefinitely may qualify for a discharge of their student debt if certified by a doctor of medicine or osteopathy. If you think you may qualify for a disability discharge, you should apply for a disability cancellation now, and you should not pursue taking out a consolidation loan until the Department of Education rules on your application.

Borrowers may also be able to have their loans discharged in bankruptcy. However, the consolidation loan is a new loan; depending on the age of your current outstanding debt(s), bankruptcy law may make it more difficult to obtain a discharge of the consolidation loan than of your current debts.

It is important to understand that by signing the promissory note for a consolidation loan, you are affirming that you owe and intend to repay the consolidation loan, regardless of any objections you have to repaying the student debts you now owe that may be paid off by the consolidation loan. With limited exceptions for borrowers who attended closed schools, or whose eligibility was falsely represented by the school, your obligation to repay the consolidation loan will not be affected by any objections you have to repaying the loans you intend to consolidate.

You should also understand that your new loan will have a larger principal balance than the combined principal balance of the loans paid off by that consolidation loan. All principal and interest of the loans being paid off, as well as collection fees totaling 11.1% of the current

outstanding principal and interest, will become the principal balance of your new consolidation loan. As a result, interest will accrue on a higher principal balance.

The interest rate on your direct consolidation loan will be the lesser of:

- ◆ The weighted average of the interest rates on the loans being consolidated (as of the date we receive your application), rounded to the nearest higher one-eighth of one percent.

Or

- ◆ 8.25%

The interest rate on a direct consolidation loan is a fixed rate. This means that the rate will remain the same throughout the life of the loan.

B. Waiver of Consolidation

The following language must be included in the Waiver of Consolidation:

We request that you read the following carefully and sign and return this to the PCA listed below.

You are not required to return this waiver in order to obtain rehabilitation of your loan(s)

Waiver of Consolidation

I understand that the rehabilitation repayment terms do not require payments large enough to pay off my loans within a ten-year period. I understand that if I complete the required series of payments and my loan is sold, after that sale, my loans will be considered rehabilitated. After I make the required payments, I intend that the Department sell my loans to a lender.

I understand that the monthly payments I will then be required to make to the lender after the sale may be substantially larger than the payments I am now required to make.

I understand that in order to continue to make payments after the sale of the loan, I will need to obtain a Consolidation Loan for this debt to make use of the longer repayment periods allowed for Consolidation Loans.

I understand that I am free to apply for a Consolidation Loan at any time in the future. I hereby decline to apply, at this time, for a Consolidation Loan to payoff the defaulted loan(s), which I am now repaying to the Department of Education.

Signed: _____ Date: _____

Name (printed): _____ Social Security Number: _____

4. **REPAYMENT AGREEMENT LETTERS**

A. **Regular (non-AWG) Repayment Agreement Letters**

Standard repayment agreement letters must indicate that the repayment agreement is temporary and subject to periodic re-evaluation. The following is language to be inserted into PCA repayment agreement letters:

- “This letter confirms the repayment agreement on your defaulted account with the U.S. Department of Education. Your initial payment of <down payment> is due immediately, followed by regular monthly payments of <monthly payment amount>. This agreement applies for the next 6 months. After 6 months you may be required to provide current financial information. Based upon this information your monthly payment amount may change.”

B. **Regular (non-AWG) Repayment Agreement Letters with Credit Card Authorization**

For those repayment agreements where the borrower has given authorization to use a credit/debit card for multiple payments, PCAs may insert the following suggested language into the repayment agreement letter or rehabilitation agreement letter (unless sending monthly reminder letters):

- “By signing and returning this letter to AGENCY NAME, you are confirming your authorization allowing AGENCY NAME to process monthly payments towards your student loan debt held by the U.S. Department of Education through the use of a credit/debit card.

The monthly payment amount is \$\$\$\$.. This amount will be processed on your card starting on DATE, and will continue to be processed on the DATE of each month or on the next business day.”

5. **ADMINISTRATIVE WAGE GARNISHMENT LETTERS**

A. **Pre-Garnishment Cover Letter for Settlement Agreement**

This notice regarding your account with the U.S. Department of Education is from (PCA). The Department has placed your account with us for collection.

You notified us that you wish to avoid garnishment (b)(7)(E) disposable pay by making a voluntary arrangement to settle your defaulted student loan or grant obligation described in the notice of garnishment recently sent to you.

The unpaid portion of the balance is noted above. The principal portion of this balance will continue to accrue interest. The Department will apply a portion of each payment to defray costs incurred to collect this obligation.

Enclosed is a proposed Settlement Agreement that the Department has asked us to send to you. The Department will not direct your employer to initiate garnishment unless you fail to honor the terms of your settlement agreement. In addition, the Department will credit any payment received before the deadline stated below toward satisfaction of the compromise amount. The following two (2) steps must be completed by [Insert date] in order to settle your debt(s) or obligation(s).

1. You sign and return the enclosed **Settlement Agreement** back to the Department at:

< PCA Address >

2. The Department receives payments equaling the full amount stated in the enclosed **Settlement Agreement**.

Send Payments to the following address:

U.S. Department of Education
National Payment Center
P.O. Box 105028
Atlanta, GA 30348-5028

If both of these actions are not taken by your settlement deadline of [insert date], the Department of Education will issue a garnishment order requiring the withholding of your wages until the amount due has been paid in full. The Department will continue with any provision of any hearing you may have requested, unless you have already received a decision or have agreed to withdraw that hearing request.

Our business hours are: Monday- Thursday 8 am-9 p, Friday 8 am -12 pm (CST), and Saturday 8 am – 12 pm (CST). Our phone is 1 – 800- XXX –XXXX.

(b)(7)(E)

start garnishing my wages unless I fail to honor this agreement. No other student aid debts are covered

(b)(7)(E)

Signature: _____ Date: _____
[Sign and return this agreement to: < PCA Address > Keep a copy for your records.]

(b)(7)(E)

(b)(7)(E)

(b)(7)(E)

E. AWG Rehab Agreement Letter

Repayment Agreement under the Loan Rehabilitation Program

I have been given an opportunity for a hearing to object to garnishment. I now withdraw any request for a hearing that I have filed.

This letter confirms my acceptance into the loan rehabilitation program and my agreement to repayment of my defaulted federal family education loan (FFEL) program student loans held by the U.S. Department of education (department). I understand that compliance with this agreement is a prerequisite to the sale of my loan(s) to the authorized, department-approved lender and rehabilitation of my loan(s).

Please check the appropriate paragraph:

() I understand that I must make at least nine (9) monthly payments in the amount of <month-pay>, beginning <due-date>, with each payment due on the same day each month thereafter. I must make the full payments in the agreed amount within twenty (20) days of their monthly due dates over a ten month period. If I fail to make the required number of on-time payments over a ten (10) month period, I will need to begin a new series of agreed-upon payments in order to qualify for rehabilitation of my loans.

() I am currently making monthly payments. I understand that these payments, if made on the same schedule noted above and at least in the amount stated above may be included in the calculation of the required minimum number of monthly payments. I will continue to meet my established monthly payment schedule

I also understand and agree to the following terms and conditions:

I agree that if I do not honor this agreement, the department can start garnishing my pay at the rate of 15% of my disposable pay or the installment payment amount then in effect, whichever is less, without giving me further notice or any new opportunity for a hearing before that garnishment starts. I understand that if the department starts garnishing my wages in the future, I can then object to garnishment, and the department will give me a hearing on my objection(s).

I agree that –

- The department will give me a hearing on objections I make in the future, but it will not delay or suspend garnishment while it hears and makes a decision on my objections;
- I can object in the future that garnishment would cause financial hardship to me and my dependents;
- I owe the amount stated in the notice of proposed garnishment I have just been sent, and I waive any future objection that I do not owe that amount;
- I can object to garnishment for reasons that arise after the date of this agreement;
- I can also object to garnishment, if I believe that I am entitled to have this debt discharged or that I am protected by law from administrative wage garnishment;
- I understand the agreement is void if I do not honor the terms of this agreement by making a minimum of nine (9) full monthly payments within twenty days of the monthly due date over a ten (10) month period. Should this occur, I will need to begin a new series of agreed-upon payments in order to qualify for rehabilitation of my loans;
- I cannot change the monthly payment amount without the department's agreement or the agreement of the collection agency servicing my account;

- I must continue to make monthly payments to the department beyond the required minimum period until I am notified in writing by the department or my new lender that the sale has been completed and that I am to begin making payments directly to my lender;
- Any interest that I owe at the time my loan (s) is sold will be capitalized by the lender, that is, the lender will add any unpaid interest to the principal I owe on the loan (s) and this will become the new principal balance on the loan(s). Interest will then accrue on this new higher principal. The department agrees to waive collection of any cost the department incurs as a result of the sale of my loan (s) under this rehabilitation agreement, unless I default on the loan(s) in the future and the department takes assignment of the loan(s). The department will collect as part of the debt then owed, the collection cost originally waived under this agreement. This will substantially increase the amount that will then be owed to satisfy the debt to the department;
- After the sale of my loan (s), any payments made to the department will be forwarded to my lender for credit to my account. Any involuntary payment (treasury offset) or post-dated check will be refunded to me at the address on my billing statement;
- My new lender will establish a new due date and will calculate a new monthly payment amount based upon the balance owed at the time of sale. The amount of the required monthly installment payment may substantially increase;

I have read the above and agree to the terms and conditions of the loan rehabilitation program and this repayment agreement.

Signature: _____ **date:** _____

[Sign and return this agreement to the address indicated below. Keep a copy for your records.]

Return signed agreement to: U. S. Department of Education
C/o: private collection agency address

Our business hours are: Monday-Thursday 8 am - 9 pm, Friday 8am-5pm and Saturday 8 am-12 pm (CST). Our phone number is 1 888 xxx-xxxx.

This communication is from a debt collector attempting to collect a debt and any information obtained will be used for that purpose.

Rehabilitation Checklist

Return your agreement notice immediately! Do not delay the process of your rehabilitation

1. Ensure your name is correct.
2. Ensure monthly payment amount and date repayment started is correct.
3. Ensure you sign and date agreement notice.
4. Ensure you sign exactly as your name appears at the top of page one of the agreement notice.
5. Do not mark up or make any changes to the agreement notice. This will invalidate the agreement notice and we will have to issue you another one.

6. If you have any questions regarding this agreement, call your account representative immediately at 1.888.XXX.XXXX.
7. Return your agreement notice immediately. Do not delay the process of your rehabilitation.

Two references are necessary to complete your application package. If you have not already given us two references over the phone, please complete them below using the following rules:

Both must have complete names (no initials, titles or nicknames)
 Both must have different addresses from you & each other
 Both must have different phone numbers from you & each other

Save time!! Fax your rehabilitation loan application today to: xxx-xxx-xxxx

This communication is from a debt collector attempting to collect a debt, and any information obtained will be used for that purpose.

F. AWG Rehab Agreement Letter (Perkins)

Repayment Agreement under the Perkins Loan Rehabilitation Program

Note: read this entire agreement before signing. Retain a copy for your records. Return a signed copy to the address shown at the end of this agreement.

I have been given an opportunity for a hearing to object to garnishment. I now withdraw any request for a hearing that I have filed.

I agree with the U. S. Department of education (department) that I will repay under the terms of this agreement my defaulted Perkins loans held by the department. I understand that compliance with this agreement is a prerequisite to rehabilitation of my loan (s).

() I understand that I must make 12 consecutive payments in the amount of \$«paymentamount», beginning «duedate», with each payment due on the same day each month thereafter until a minimum of twelve consecutive monthly payments have been made.

() I am currently making consecutive monthly payments. I understand that these payments, if consecutive and if made in amounts at least equal to the agreed-amount, will be included in the calculation of the required twelve consecutive monthly payments required for rehabilitation of the loan(s). I will continue to meet my established monthly payment due date.

I understand that I must complete a new series of twelve (12) payments in order to qualify for rehabilitation –

- If I fail to make the required number of payments over a twelve (12) month period,

- If I make any payment later than fifteen (15) days after its due date, or
- If a check is returned for insufficient funds.

I also understand and agree to the following terms and conditions.

- I cannot change the monthly payment amount without the department’s agreement or the agreement of the collection agency servicing my account.
- The department agrees to waive collection of any cost the department incurs as a result of the rehabilitation of my loan(s) under this agreement, unless I default on the loan(s) in the future. The department will collect as part of the debt then owed, the collection cost originally waived under this agreement. This will substantially increase the amount that will then be owed and needed to satisfy the debt to the department.

If I do not honor this agreement, the department can start garnishing my pay at the rate of 15% of my disposable pay or the installment payment amount then in effect, whichever is less, without giving me further notice or any new opportunity for a hearing before that garnishment starts. I understand that if the department starts garnishing my wages in the future, I can then object to garnishment, and the department will give me a hearing on my objection(s).

I agree that –

- The department will give me a hearing on objections I make in the future, but it will not delay or suspend garnishment while it hears and makes a decision on my objections;
- I can object in the future that garnishment would cause financial hardship to me and my dependents;
- I owe the amount stated in the notice of proposed garnishment I have just been sent, and I waive any future objection that I do not owe that amount;
- I can object to garnishment for reasons that arise after the date of this agreement, and
- I can also object to garnishment if I believe that I am entitled to have this debt discharged or that, I am protected by law from administrative wage garnishment.

I have read the above and agree to the terms and conditions of the Perkins loan rehabilitation program and this repayment agreement.

Signature: _____ **Date:** _____

[Sign and return this agreement to the address indicated below. Keep a copy for your records.]

Return signed agreement to: U.S. Department of Education
C/o: PCA address

Our business hours are: Monday-Thursday 8 am - 9 pm, Friday 8am-5pm and Saturday 8 am-12 pm (CST). Our phone number is 1 888 xxx-xxxx.

This communication is from a debt collector attempting to collect a debt and any information obtained will be used for that purpose.

I understand that I cannot change the monthly payment amount without (agency name) approval

Signature: _____ Date: _____

6. MISDIRECTED PAYMENT LETTERS

A. Misdirected Payment Letter for Employer

The misdirected payment letter to the employer should provide some basic payment information to assist the employer when sending in future payments: identify the borrower/employee in question, all checks must be made payable to the U.S. Department of Education, proper address to send AWG payments (NPC, P.O. Box 105081, Atlanta, GA 30348-5081)

B. Misdirected Payment Letter for Borrower

The misdirected payment letter to the borrower should provide some basic payment information to assist the borrower when sending in future payments: all checks must be made payable to the U.S. Department of Education, proper address to send payments (NPC, P.O. P.O. Box 105028, Atlanta, GA 30348-5028)

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7. **RECURRING CREDIT/DEBIT CARD PAYMENT LETTER**

When borrowers provide verbal authorization to use their credit/debit card for multiple payments (and language not inserted in the repayment letter), the following is language to be inserted into the PCA credit/debit card payment reminder letters:

- “This is to notify you that pursuant to your authorization on DATE, AGENCY NAME will process your credit/debit card payment in the amount of \$\$\$\$.\$\$ on DATE. If you have any questions/concerns, please contact AGENCY NAME at 888-888-8888 toll free.”

8. **STATEMENT OF FINANCIAL STATUS**

Though ED is not formally requiring a specific format for capturing financial data to determine regular (non-AWG) reasonable and affordable payment plans, an example of a standard statement of financial status can be found at <http://www.ed.gov/offices/osfap/dcs/forms.html>. Agencies need to capture enough financial information to make an accurate assessment of the borrower’s current financial statement.

CHAPTER 5: Internal Mail Forms (IMF)

Internal Mail Forms (b)(7)(E) are informational tools designed to assist PCAs with borrower account maintenance. From asking questions, correcting account data and requesting borrower letters, IMFs are mechanisms to ensure that timely and proper customer service takes place with each borrower account.

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B. AWG IMFs

AWG IMFs are also handled by the Atlanta Regional. AWG IMFs address account issues related to updating AWG accounts, employer concerns, and AWG notifications. Items PCAs would use AWG IMFs for include the following:

- Correcting or updating new or pseudo FEINs*
- Requesting a merge of existing FEINs
- Re-issuing withholding orders
- Updating employer information on the L142 screen

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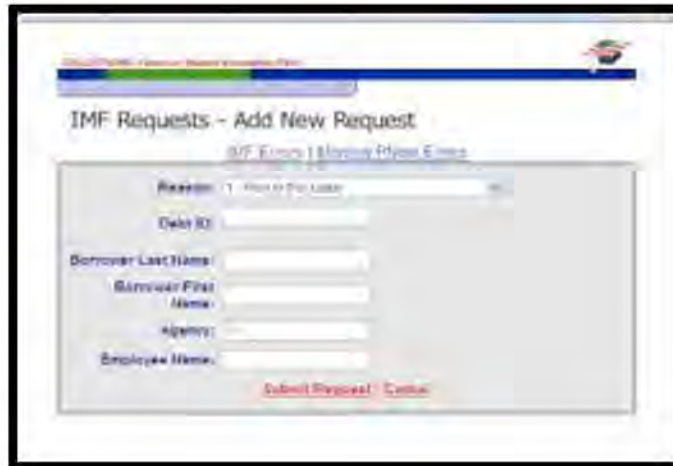
For a thorough breakdown and detailed discussion regarding AWG procedures, please see the AWG Compliance Branch PCA Training Manual (PCA Collection Website – Library)

A copy of the AWG IMF form can be found in Section 3, Appendix B of this Chapter.

2. ON-LINE IMFs

The on-line IMF website is the vehicle through which PCAs can request that certain account maintenance actions and updates be performed by the Department’s CSB contractor (Vangent).

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C. Initiating a request (adding an IMF)

- Populate each of the fields on the “Add New Request” form:
- Reason – see section D of this document for more detailed information on IMF types and requirements
- Debt ID – enter any debt ID from the account for which you are requesting action
- Borrower name – self-explanatory
- Agency – enter your three-digit AG number
- Employee name – enter your name as the IMF requestor
- Click “submit request” or “cancel” as appropriate

D. IMF Types (reasons)

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➤ Title IV reinstatement letter

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- This letter is sent to the borrower's school, not to the borrower, so the

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- Prior to submitting this request the PCA should check the (b)(7)(E) (b)(7)(E) for previous issuance of the U26 letter code. If the U26 (reinstatement letter) was previously sent and the borrower then fell out of compliance with his payment plan, the borrower may no longer earn reinstatement except by resolving the defaulted loan (through rehab, consolidation, PIF, SIF or discharge). Once a U26 has been sent, the borrower must make a timely monthly payment every month thereafter to maintain his eligibility. If a borrower's eligibility is questionable, refer the issue to your Rg4 monitor

➤ Closed school discharge application.

- This application should be requested if:
 - The school closed while the borrower was attending, or
 - The school closed within 90 days of the borrower's withdrawal and the borrower did not complete his program of study
 - (b)(7)(E) after initiating this request to ensure that the borrower is eligible to receive an application. The CSB contractor may decline to send an application on the basis that the school is still open, etc., in which

case the PCA should advise the borrower of his ineligibility and resume collection

- Ability to benefit discharge application.
 - This application should be requested if:
 - The borrower did not have a high school diploma or GED at the time he attended the school for which the loan was borrowed and a diploma or GED was required for that program of study and the school did not test the student for his ability to benefit from the course of study, or
 - The borrower did not meet his state's legal requirements for employment in the occupation for which the program of study was intended because of age, a physical or mental condition, a criminal record or other reason
 - This application may be sent directly by the PCA to the borrower

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 - See section F of this Chapter for more information

- Request new Pnote for NDSL with a judgment
 - See NDSL-Perkins rehabilitation procedures for more detail on this type of request (Chapter 9 section 2)

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E. School-Based Discharges

If a borrower claims that certain actions or regulatory violations by the school occurred, the PCA will advise the borrower of the criteria and method for applying for a loan discharge. The criteria for each circumstance are:

- **School Closure**

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- **Ability to Benefit**

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- **Disqualifying Status Criteria**

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➤ **Unauthorized Signature Criteria (Signature not borrower's on PNote or check.)**

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➤ **Unpaid Tuition Refund**

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There are specific Loan Discharge Applications for each circumstance, which must be certified under penalty of perjury by the borrower and submitted with supporting documentation to:

Loan Discharge Unit
Federal Student Aid Room

The PCA may request the appropriate application be sent to the borrower by using the IMF on-line request. When the Loan Discharge Unit receives the application and it meets preliminary edits, the account will be recalled from the collection agency and moved to a discharge review location code. This process may take up to 90 days.

Reference: PCA Collection Website - Library

F. Locate Missing Promissory Note Requests

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- Populate the fields as follows:
 - Agency: your agency’s three-digit “AG” number
 - Borrower Last and First name
 - Reason for Pnote request: Select “borrower request” only if the borrower has demanded a copy of the note; if this reason is selected and no note is found, the account will likely be recalled from the PCA and returned to the agency or school that assigned it.
 - Complete debt ID: enter one complete debt ID from the account for which a Pnote is needed—this will be used to access the account
 - Additional partial debt IDs: enter just the first letter and last four digits of any other debts in the account for which you need a promissory note. Click “Add

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- Complete the Pre-Request Checklist by indicating whether you performed required steps or those steps are not applicable (N/A) for the type of loan. Further details about these required steps are found in Chapter 11.

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- Enter any additional comments or instructions (this will be required if you encountered certain problems when trying to locate the notes yourself).
- Enter your name in the “Employee Name” field
- Click “submit request” or “cancel” as appropriate

G. Viewing erroneous IMFs

- From the “Add new IMF” page, click “IMF Errors” or “Missing Pnote Errors” as appropriate

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- A report showing the errors will display. (b)(7)(E)

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3. **APPENDIX (Forms)**

A. **General Account IME**

INTERNAL MAIL FORM (IMF)

SECTION I

FROM: AG ____ REQUESTOR'S NAME & TEL#: _____
BORROWER'S NAME: _____ SSN: _____
DATE: _____

(circle one)

TO: ATLANTA SERVICE CENTER
ATTN: Contract Services Branch

TO: PIC
ATTN: Correspondence Unit

SECTION II

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OTHER:
EXPLANATION:

ED RESPONSE:

SIGNATURE OF LOAN ANALYST
DO NOT ALTER THIS FORM

DATE
Revised June 2009

B. AWG IMF

**Administrative Wage Garnishment
Internal Mail Form (IMF) Employer Update**

Date: _____
 Agency Name: _____ Agency Code: _____
 Requested By: _____ Contact Ph#: _____ Ext # _____
 Borrower Name: _____ SSN: _____

**Federal Employer Identification Numbers (FEIN) Update Request
(Supporting Evidence Must Be Attached For All Update Request)**

CORRECT FEIN / P-FEIN: _____
 Corporate / Company's Name: _____
 Attn (Dept & Contact's Name): _____
 ADDRESS: _____
 CITY/STATE/ZIP: _____
 TELEPHONE #: _____ EMP FAX #: _____

**Federal Employer Identification Numbers (FEIN) Merge Request
Attach L145 and L142 screens with supporting documentation**

CORRECT FEIN / P-FEIN: _____

Issue / Re- issue Withholding Order(s)

**L102 Screen Must Be Clearly Documented With Reason The Order Must Be Re-issued
Check one:**

Fax Telephone Number: _____

Employer Requested Borrower Name / SSN Changed
 Employer Name/FEIN Information Changed
Borrower Intercepting Order
 Original Order Never Received By Employer _____
 Miscellaneous Reason See L102 Screen _____

Resend/Fax: (b)(7)(E) [redacted] _____

Resend/Fax: (b)(7)(E) [redacted] _____

Send/Fax: (b)(7)(E) [redacted] _____

Comments:

Revised June 2009

CHAPTER 6: ACCOUNT REPAYMENT

Obtaining payments and assisting the borrower towards account resolution is one of the main goals associated with the Education Collections Contract. Through repayment, borrowers are able to enter payment programs, improve credit, obtain additional financial aid and ultimately satisfy debts.

1.

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When attempting to obtain payments from borrowers,

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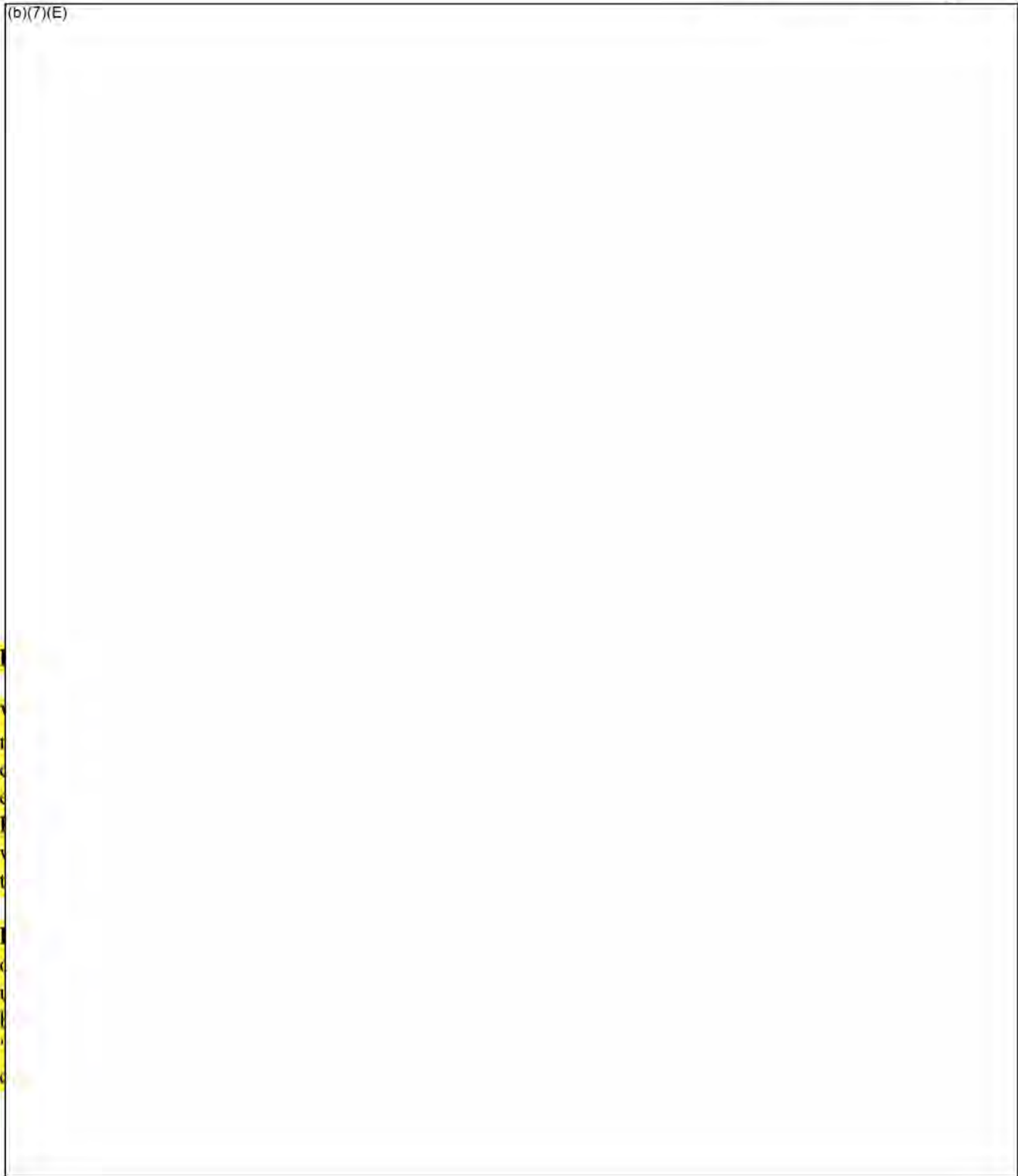
establish a repayment schedule.

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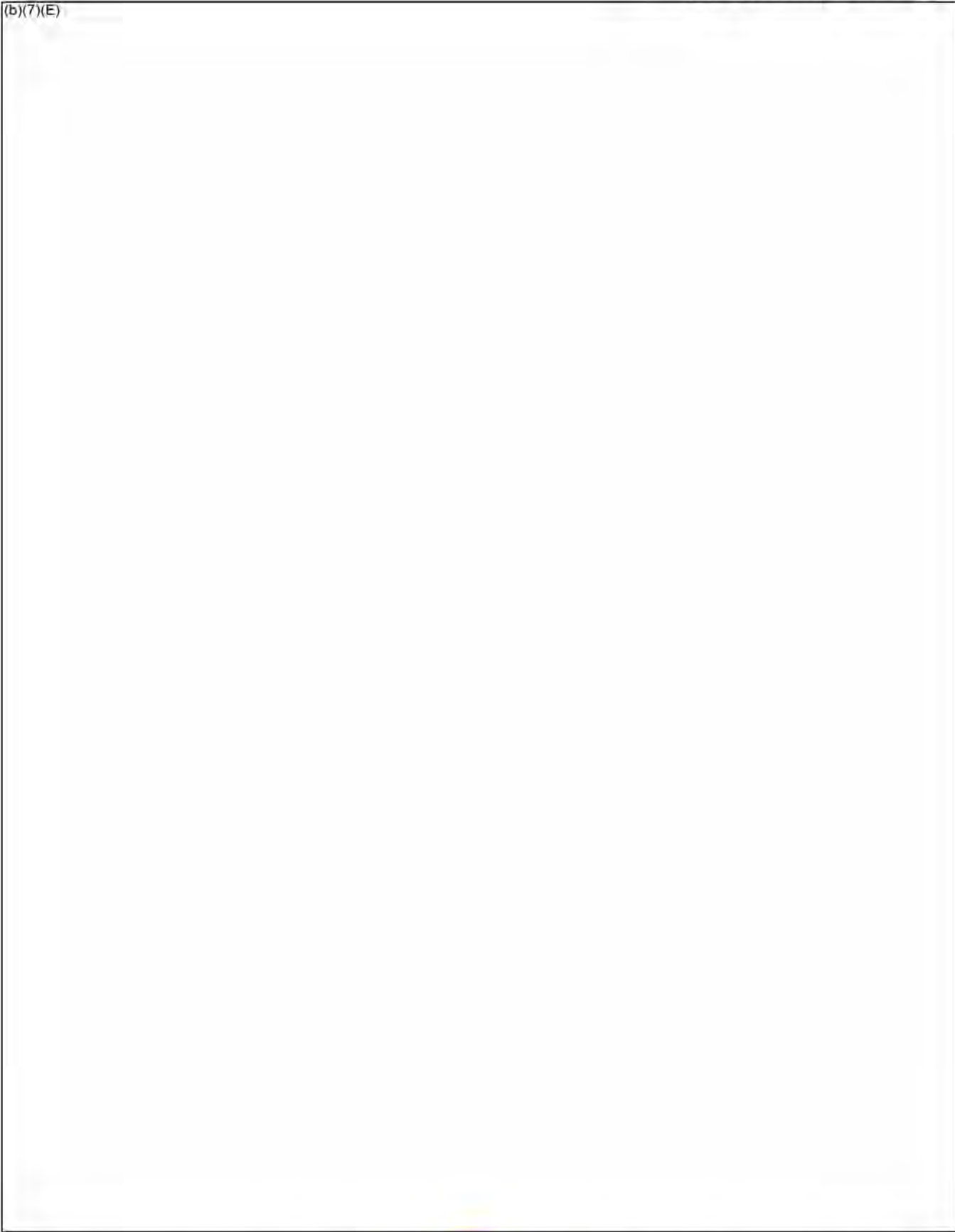
Distribution authorized to the Department of Education and its Private Collection Agency contractors only. Other requests shall be referred to the Federal Student Aid Acquisitions Group.

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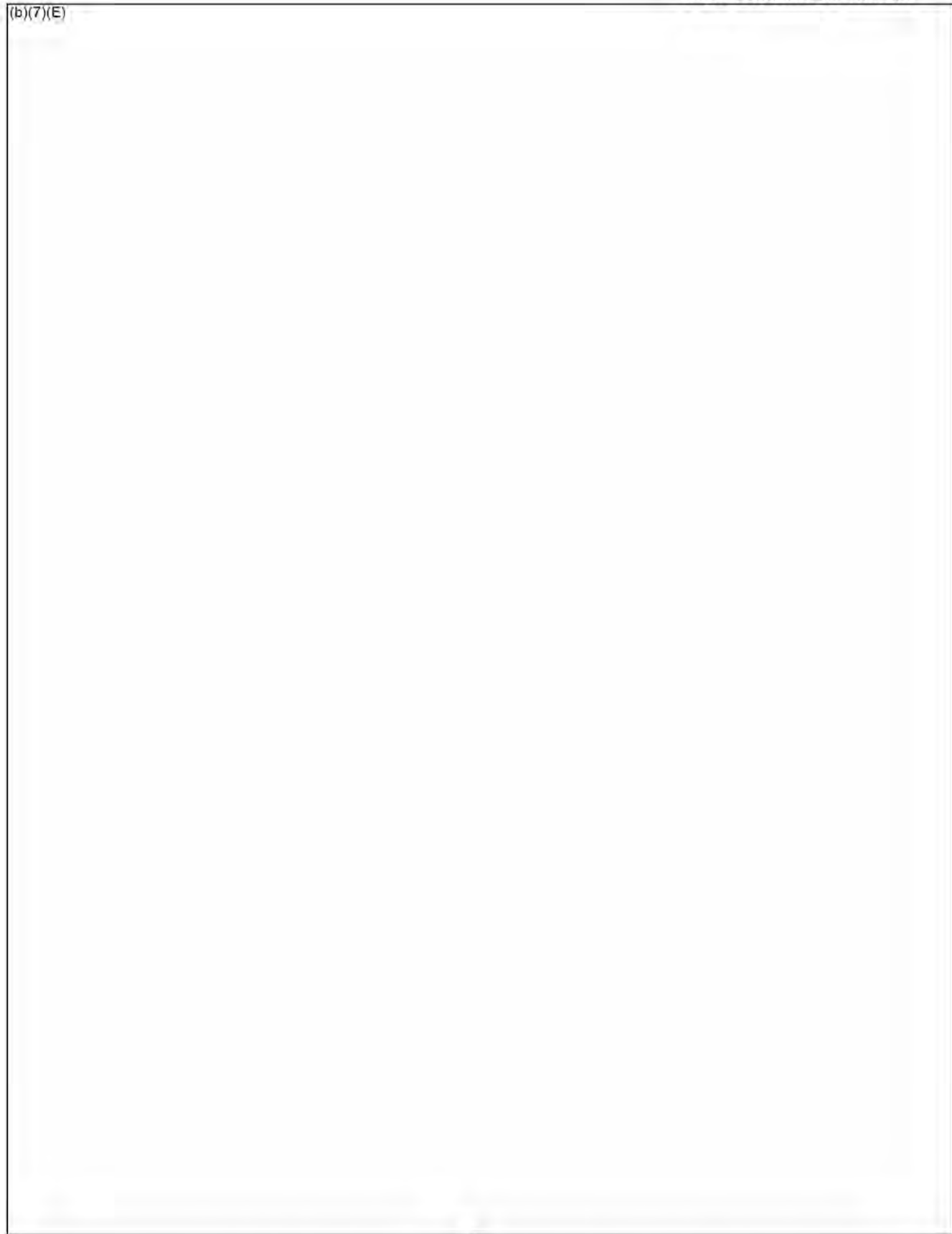
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Distribution authorized to the Department of Education and its Private Collection Agency contractors only. Other requests shall be referred to the Federal Student Aid Acquisitions Group.

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