

Loan Bankruptcy/Discharge/Default Policy & Procedures

If a student has had a loan in bankruptcy, default, or discharge status, the student will be informed that they are initially not eligible to receive loans at Hagerstown Community College, but that they can make an appeal to have their eligibility restored. An appeal must consist of the Loan Bankruptcy/Discharge/Default Appeal Form and the items indicated for each specific situation.

Default

A student with a loan or loans in active default is not eligible to receive additional student financial aid. A student with a prior loan default who has satisfactorily resolved the situation through one of the methods below may request to have their eligibility for new student loans at Hagerstown Community College reinstated. This student must provide documentation of one of the following:

- **Repayment In Full** – Student must bring in a letter from the guarantee agency documenting that the loan has been paid in full. If the repayment in full is through a consolidation loan, the student must show that s/he has made at least six consecutive, on-time full monthly payments on the consolidation loan. Payments must be voluntary and made directly by the borrower. Payments obtained by wage garnishments, federal treasury offsets, and lump sum payments of future installments do not satisfy requirements.
- **Satisfactory Payment Arrangements** – Student must provide documentation from the loan holder that s/he has made repayment arrangements and has made at least six consecutive, on-time full monthly payments on the defaulted loan. Payments must be voluntary and made directly by the borrower. Payments obtained by wage garnishments, federal treasury offsets, and lump sum payments of future installments do not satisfy requirements.
- **Loan Rehabilitation** – Student must provide documentation from the loan holder that s/he has made repayment arrangements and has made at least nine consecutive, on-time (within 20 days of due date) full monthly payments on the previously defaulted loan. Payments must be voluntary and made directly by the borrower. Payments obtained by wage garnishments, federal treasury offsets, and lump sum payments of future installments do not satisfy requirements.

The student will also need to provide information on the cause of the default, how circumstances have changed since then, and how the student intends to pay back any new student loans. The student must sign a new Master Promissory Note for subsequent loans.

(Must have NSLDS loan status codes of DC, DN, DP, DX, PC, or XD to be eligible; codes DF, DT, DU, DW, DZ not eligible)

Bankruptcy

A student with a loan or loans in active bankruptcy status or that have been discharged in bankruptcy must provide Hagerstown Community College information on the cause of

the bankruptcy, how circumstances have changed since then, and how the student intends to pay back any new student loans. The student must sign a new Master Promissory Note for subsequent loans.

In addition to the above documentation, a borrower who lists a defaulted FSA loan in an active bankruptcy claim must provide HCC with documentation from the holder of the debt stating that it is dischargeable or with documentation from the holder of the debt stating that satisfactory repayment arrangements have been made to rehabilitate the loan. Satisfactory payment arrangements include borrower making nine consecutive, on-time (within 20 days of due date) full monthly payments. Payments must be voluntary. Payments obtained by wage garnishments, federal treasury offsets, and lump sum payments of future installments do not satisfy requirements.

(Must have NSLDS loan status codes BC, BK, DK, or OD to be eligible; codes DB, DL, DO not eligible)

Discharged

A student with a loan or loans that have been granted a final discharge by the Department of Education must obtain a physician's certification that s/he has the ability to engage in substantial gainful activity, must sign a statement that s/he is aware that the new FSA loan cannot later be discharged for any present impairment unless it deteriorates so that s/he is again totally and permanently disabled, detail how circumstances have changed since the loans were discharged and how the student intends to pay back any new student loans, and must sign a new Master Promissory Note for subsequent loans.

In addition to the above documentation a student who was granted a conditional discharge on or after July 1, 2002 and the three-year period has not yet elapsed, must sign a statement affirming that neither the conditionally discharged nor the new FSA loan can later be discharged for any present impairment unless it deteriorates so that s/he is again totally and permanently disabled, must acknowledge that collection will resume on the old loan, and must provide documentation that collection has begun again before they can receive the new loan.

A student whose loan was in default before it was discharged and reaffirmed or conditionally discharged must satisfactorily resolve the default before s/he is eligible to receive a new loan.

(Must have NSLDS loan status code DI, DS to be eligible).

Loan Bankruptcy/Discharge/Default Appeal Form

Student's Name: _____

Student's SSN: _____ Phone #: _____

Current Address: _____

Employer: _____ Major: _____

Reason for Appeal: (Circle one)

- Default – supply documentation requested under Default section
- Bankruptcy – supply documentation requested under Bankruptcy section
- Discharge – supply documentation requested under Discharge section

For all appeals (bankruptcy, discharge, prior default), please write the following statement in the space provided below or on a separate sheet of paper: I understand that I am requesting additional loan funds and I fully intend to pay them back according to my lender's repayment schedule once I have graduated or otherwise dropped below half-time enrollment.

For those who are appealing due to a prior discharge, please write the following statement in the space provided below or on a separate sheet of paper: I am aware that neither any conditionally discharged nor any new FSA loan that I am applying for can later be discharged for any present impairment unless it deteriorates so that I am again totally and permanently disabled. Also, I acknowledge that collection will resume on any of my conditionally discharged loans and agree to provide documentation of the resumption of collection.

Student's Signature: _____ Date: _____