

Approach	Effect on Title IV Eligibility	Effect on Credit Rating
<p>Satisfactory repayment arrangement:</p> <ul style="list-style-type: none"> • Borrower voluntarily must make 6 full, on-time, consecutive monthly payments on defaulted loan or judgment obligation if defaulted loan is subject to a judgment • Borrower may resolve a defaulted Title IV loan through a satisfactory repayment arrangement only once 	<p>Eligibility to receive Title IV aid re-established as long as payments continue, but not benefits and privileges of defaulted loan's promissory note</p>	<p>Loan remains in default status</p>
<p>Loan rehabilitation:</p> <ul style="list-style-type: none"> • Removal of loan from default status even though loan has not been completely repaid • Borrower may rehabilitate a defaulted Federal Perkins, FFEL, or Direct Loan only once • Loan must not be subject to a judgment • Borrower voluntarily must make 12 full, on-time, consecutive monthly payments • FFEL not rehabilitated until after all required payments made and loan sold to eligible lender • If defaulted Federal Perkins Loan, school: <ul style="list-style-type: none"> ➤ Determines monthly payment amount ➤ May charge collection costs on rehabilitated loan up to 24% of loan's unpaid balance and interest • If defaulted FFEL or Direct Loan, monthly payment must be affordable and reasonable as defined in section 682.405(b)(1)(i) of the FFEL regulations • FFEL collection costs, not to exceed 18.5% of loan's unpaid balance and accrued interest, may be added to rehabilitated loan 	<ul style="list-style-type: none"> • Eligibility to receive Title IV aid re-established • Benefits and privileges of defaulted loan's promissory note 	<p>Defaulted loan removed from borrower's credit history</p>
<p>Bankruptcy</p> <ul style="list-style-type: none"> • Loan is discharged through bankruptcy proceeding; or • If loan is in active bankruptcy, borrower demonstrates to loan holder's satisfaction that defaulted loan qualifies for discharge under applicable bankruptcy law 	<p>Eligibility to receive Title IV aid re-established</p>	<p>Discharge of defaulted loan through bankruptcy reported to credit bureau, and information remains part of credit report for up to 7 years after loan is discharged</p>