

## YOUR FEDERAL LOAN REHABILITATION TERMS AND CONDITIONS

We congratulate you on your decision to participate in the Federal Loan Rehabilitation program. Please remember that you will gain the benefits of rehabilitation only if you return the entire signed Agreement below, including the Supplemental Information Sheet, and comply with all of the terms as set forth below. A sheet regarding repayment options for rehabilitated student loans is enclosed for your reference.

I understand and agree to the following conditions and benefits set forth by the Rehabilitation Loan Program:

- 1) I must make 9 qualifying, on time, voluntarily agreed upon scheduled monthly payments, as set forth above, calculated based on my Adjusted Gross Income (AGI) or total financial circumstances, within a 10-month period and will continue to make my agreed upon scheduled monthly payments if HESC holds my loan(s). To be considered timely, each payment must be received no earlier than 20 days before my due date and no later than 20 days after my due date.
- 2) I may object to the scheduled monthly payment amount set forth above verbally, by calling 800-242-1590 or in writing to HESC, at the address or fax number below within 15 days from the date of this Agreement. My signature on this document acknowledges my agreement to the scheduled monthly payment.
- 3) This rehabilitation agreement is null and void if I do not submit the documentation required to confirm the agreed upon qualifying monthly payment.
- 4) I am requesting my loan(s) be sold to a rehabilitating lender following satisfaction of all terms of this agreement. Upon sale, HESC will request all national consumer reporting agencies to remove any reference made by HESC of my defaulted status. Rehabilitation won't repair my credit completely – my previous missing payments may still show up on my credit report – but any default notation will be removed.
- 5) Unless I satisfy the conditions set forth in the following paragraph, collection costs of 16 percent of the total outstanding principal and unpaid interest will be added to the total of the unpaid principal and accrued interest on my loans at the time of the rehabilitation sale to the lender, after application of scheduled monthly payments. The lender will capitalize the collection cost; that is, the lender will add this amount to the principal I owe, and this entire sum will become the new principal amount of my loan(s). Unpaid interest will not be capitalized as part of the new principal but will remain as part of the total amount due. Interest will then accrue on the new, higher principal after the sale at the interest rate on my original Promissory Note.
- 6) Collection costs of 16 percent of the total outstanding principal and unpaid interest will not be added to the total unpaid principal and accrued interest on my loan(s) at the time of the rehabilitation sale to the lender, provided I satisfy the following conditions: 1. I enter into a satisfactory repayment agreement agreeing to rehabilitate my loans within 60 days of HESC's default loan purchase letter; 2. I sign, date, and return this entire agreement, and it is received by HESC within 60 days of the date reflected at the top of page one of this Agreement; 3. I make my first agreed upon monthly payment no later than 75 days after the date of the default

loan purchase letter and continue to make required monthly payments timely thereafter; 4. I fulfill all of the terms of this Agreement.

- 7) As required by Federal regulation, the first payment I make under the 9 qualifying monthly payments will be considered the first payment under the 10-year maximum loan repayment period – providing me up to 111 months (9 years and 3 months) to repay the rehabilitation loan in full. If I am a borrower with a consolidation loan balance greater than \$60,000, I may be entitled to a maximum repayment period of up to 29 years and 3 months. (Note: You may wish to discuss other repayment options, such as income-based alternatives, with your rehabilitation lender.)
- 8) The rehabilitating lender may calculate a new monthly payment, which may be higher or lower than my current scheduled monthly payment, based on Federal regulations. The lender will contact me with repayment information following the sale of the loan(s). I understand that I may be eligible for a different statutorily authorized repayment arrangement and that my monthly payments may increase or decrease depending on the option I select with the lender. If I have not received my billing statement within 45 days after the sale of my loan, it is my responsibility to contact the new lender to discuss my repayment options.
- 9) If my wages are currently in active Administrative Wage Garnishment (AWG), HESC will, unless otherwise directed, send a notification to my employer to suspend future garnishment after I have made 5 qualifying payments under my rehabilitation agreement. HESC will send a refund of any AWG payments received from my employer after a suspend notification is sent by HESC. AWG will be reinstated if I fail to maintain the required payment schedule established under this rehabilitation agreement. I may only obtain the benefit of a suspension of AWG while attempting to rehabilitate a defaulted loan once. (Note: All required paperwork must be returned prior to a suspend notification being sent to your employer.)
- 10) After the sale of my loan, any payments made to HESC will be forwarded to the rehabilitating lender for credit to my account.
- 11) If I have a judgement against my account, I understand that I must sign a stipulation to vacate and that I must meet all other eligibility requirements to participate in the Rehabilitation Loan Program.

If I object to the terms of the rehabilitation of my defaulted loan(s) or have any questions, I may contact Pioneer Credit Recovery, Inc. at 800-242-1590 or in writing to: Pioneer Credit Recovery, Inc., P.O. Box 130, Perry, NY 14530.

## REPAYMENT OPTIONS FOR REHABILITATED STUDENT LOANS

It is important for you to understand and select the best repayment option for you following rehabilitation. Upon completion of the rehabilitation process, it is important that you work with your new lender or loan servicer to discuss available repayment options so that you can select the most advantageous plan based on your financial circumstances. Information on various repayment plans is included below. HESC encourages you to consult with the Federal Student Aid website ([www.studentaid.ed.gov](http://www.studentaid.ed.gov)) for more detailed information regarding terms and eligibility for each repayment option.

**The Standard Repayment Plan:** Payments are fixed and made for up to 10 years (between 10 and 30 years for consolidation loans). This repayment plan saves you money over time because your monthly payments may be slightly higher than payments made under other plans, but you'll pay off your loan in the shortest time. For this reason, you will pay the least amount of interest over the life of your loan.

**The Extended Repayment Plan:** Payments are made for up to 25 years. If you need to make lower monthly payments over a longer period of time than under plans such as the Standard Repayment Plan, then the Extended Repayment Plan may be right for you.

**The Graduated Repayment:** Payments are lower in the beginning and increase every two years. Payments are made for up to 10 years (between 10 and 30 years for consolidation loans).

**Income Driven:** If your federal student loan payments are high compared to your income, you may want to repay your loans under an Income-Driven Repayment (IDR) plan. An IDR plan sets your monthly student loan payment at an amount that is intended to be affordable based on your income and family size. There are currently four different IDR plans, including an Income-Based Repayment (IBR) plan. Not all FFELP loans are eligible for each type of IDR plan. Certain FFELP loans must first be consolidated into a Direct Consolidation Loan to become eligible. For many borrowers, IDR plans are their best option and you should review the terms and eligibility requirements very carefully to determine if one is right for you.

**The Income-Sensitive Repayment Plan:** A payment plan for low-income borrowers who have FFELP loans. The payments under this plan increase or decrease based on your annual income and the term can be as long as 15 years.

Again, HESC strongly encourages you to review carefully the information on the [U.S. Department of Education website](http://www.ed.gov) for information concerning authorized repayment options.

You can also [visit MyMoney.gov](http://www.mymoney.gov) for information concerning managing your student loan debt, as well as general information concerning financial literacy.

**KEEP THIS DOCUMENT FOR YOUR RECORDS.**