NSLDS Financial Aid History

*Students who've previously attended other colleges may have a financial aid history that affects their eligibility for FSA funds at your school. You can review a student's financial aid history by using the National Student Loan Data System (NSLDS, online at **www.nsldsfap.ed.gov**). NSLDS will also help you track changes to the student's financial aid history through the postscreening and transfer monitoring processes.*

A person generally isn't eligible for FSA funds if he is in default on an FSA loan or has not made repayment arrangements or has failed the arrangements on an FSA grant overpayment. This rule also applies to a parent seeking a PLUS loan through the FFEL or Direct Loan program. For a parent to receive a PLUS Loan, neither the parent nor the student may be in default or owe an overpayment on an FSA loan or grant. There are several exceptions to these general rules on defaults and overpayments, as noted in the discussion below.

Any student applying for FSA funds must certify that he isn't in default on any FSA loan and doesn't owe an overpayment on any FSA grant or loan, or that he has made satisfactory arrangements to repay the overpayment or default. This certification statement is printed on the *Free Application for Federal Student Aid* (FAFSA).

A student is also ineligible if she has exceeded annual or aggregate loan limits. A student who inadvertently exceeded the limits can regain eligibility if she repays the extra amount borrowed, or makes arrangements to repay (see the loan limits citations in the margin).

Finally, a student is ineligible if his property is subject to a judgment lien for a debt owed to the United States, and a parent can't receive a PLUS loan if either the student or parent is subject to such a lien. For example, if the Internal Revenue Service (IRS) had placed a lien on a student's property for failure to pay a federal tax debt or make satisfactory arrangements for repayment, the student would be ineligible for FSA funds.

When the FAFSA is processed, the CPS matches the student against the National Student Loan Data System (NSLDS) to see if the student is in default or owes a repayment. You can also determine from NSLDS whether a student has exceeded the loan limits. The CPS doesn't perform any matches to determine whether or not the student is subject to a judgment lien for a federal debt, and you aren't required to check for such liens. However, if you know that the student is subject to such a lien, you can't pay him FSA funds.

FSA loans
➔ Federal Perkins Loans (including National Direct Student Loans and National Defense Student Loans)
➔ FFEL Stafford and Direct Loans, subsidized and unsubsidized
➔ Loans formerly known as Guaranteed Student Loans, Income Contingent Loans (ICL), SLS, and FISL
➔ FFEL and Direct PLUS loans
➔ FFEL and Direct consolidation loans

Federal default and debt
HEA Sec. 484(a)(3),
34 CFR 668.32(g)(1)
HEA Sec. 484(a)(3), 484(f),
34 CFR 668.32(g), 668.35

Financial aid history
34 CFR 668.19
Dear Colleague Letter GEN-96-13;
Federal Register notice
September 16, 1996

Loan limits and eligibility
See Volume 5 for Perkins Loan limits;
Volume 8 for Stafford Loan limits
HEA Sec. 484(f),
34 CFR 668.32(g)(2), 668.35(b)

Judgment lien example
When Charlotte provides her parents' tax return to the aid administrator at Brandt College, he notices that they've reported business income, but didn't report a business asset on the FAFSA. Charlotte explains that they didn't report the business as an asset because there's a lien against the business for a federal loan. The aid administrator tells her that the asset must still be reported, and also that her parents won't be able to borrow a PLUS Loan as long as they are subject to the lien.

NSLDS MATCH

To help you identify students with problems such as defaulted loans or overpayments, the CPS matches the student's FAFSA information with the student's financial aid history in the NSLDS database. You must resolve any conflicts between the NSLDS information and any other information you have about the student before disbursing FSA funds. For example, if the NSLDS shows that a student isn't in default but you have documentation showing that the student is in default, you must resolve this conflict before disbursing federal student aid.

The results of the NSLDS match are provided on the SAR and ISIR on the NSLDS Financial Aid History page. As is the case for other matches, a "C" next to the student's EFC indicates problems that must be resolved.

Successful match

The SAR and ISIR will contain the NSLDS financial aid history information only if the student's identifying information matches the database and there is relevant information for the student in the database. The financial aid history won't be provided on a rejected application. If the student has no defaults or overpayments, or has made satisfactory repayment arrangements on a defaulted loan, the NSLDS match flag will be 1 and no C code will appear on the output document. A match flag of 2, 3, or 4 indicates that the student has defaulted loans or owes an overpayment or both. You will need to document that the problem has been resolved before disbursing aid, as described previously.

No data from match

There are several reasons why a student's output document may not have financial aid history information. As already mentioned, the financial aid history isn't provided on a rejected application. For the other cases, you can check the NSLDS flags reported in the "FAA Information" section to determine why there's no NSLDS financial aid history.

▼ *Partial match.* If the student's SSN is in the NSLDS database, but the first name and date of birth don't match what the student reported, then no financial aid history will be reported, and the output document will have a C code. The output document will have a comment explaining that the financial aid history isn't provided because the name and date of birth do not match, and directing the student to work with the school to resolve any discrepancies. A partial match **requires resolution**; otherwise you won't have information from the Department on defaults and overpayments.

If the student originally reported incorrect information, you can have her submit correct information, which will be sent through the match again.

You can also access NSLDS online and use the reported SSN to determine if the record belongs to the student by considering whether other information you have about the student is consistent with the NSLDS data. For example, if the name reported on the application is a nickname and the name in NSLDS is the actual name, you may assume that the record is the student's and use the NSLDS data to confirm the student's eligibility. Or if you know that the student attended a particular school in a particular award year, and NSLDS shows aid received at that school in that year, you may assume that the record belongs to the student. If you discover the discrepancy is due to the student misreporting the name or date of birth on the FAFSA, you should have the student make a correction. However, you may use the NSLDS record to determine the student's eligibility; you don't need to wait for the corrected data to be reported.

If you find that the financial aid history associated with the student's SSN doesn't belong to the student, you should assume that the student has no relevant financial aid information. You (or the student) may also contact the agency that reported someone else's data using the student's SSN, but you aren't required to do so. See Dear Colleague Letter GEN-96-13 for further discussion.

▼ *Student not in database.* If a match with NSLDS is completed but there's no information on the student in the database, then no financial aid history information can be provided. The output document will have a comment explaining that the student's SSN is not associated with any previous financial aid history. You can thus assume that the student has no financial aid history unless you have conflicting information.

▼ *No relevant history.* If a student's SSN matches a record in the NSLDS database but there's no relevant financial aid history information to report, then no information will be on the output document. For example, no data would be reported if the only information for a student was for a Pell grant received in the previous year because that information isn't needed to determine the student's eligibility for aid for the current year. The SAR and ISIR will have a comment explaining that the student's record was matched with NSLDS, but no information was found to print on the NSLDS page.

▼ *Processing problem.* If there was a problem with the match, the SAR and ISIR won't include financial aid history information. The output document will have a C code and a comment explaining that the CPS couldn't determine whether the student has loans in default and will direct the student to contact the financial aid administrator. You must get the student's financial aid history before disbursing aid. If the student has to make corrections, the FAFSA information will go through the match again when the corrections are submitted, and you can use the results of that match to determine the student's eligibility. You or the student can also request a duplicate output document. The FAFSA information will go through the match again when the duplicate is requested, so you might get match results the second time.

Example of misreported information on the FAFSA

When Sarven Technical Institute receives Tod's ISIR, it shows that there was a discrepancy with the NSLDS database, and so no financial aid history information is provided. The FAA asks Tod if he provided the correct name and birth date on the application. Tod says he wrote in the wrong month for his birth date, but his name is correct. The FAA checks the NSLDS database using Tod's SSN. NSLDS shows the correct birth date, but the first name of the student is Warren, not Tod. Sarven checks again with Tod, and this time he explains that Tod is a nickname, and Warren is his real name. Sarven determines that the financial aid history associated with the SSN belongs to Tod. It could disburse aid without requiring a correction, but Tod has other corrections to make, so Sarven will wait for the correction before disbursing aid.

Example of incorrect NSLDS data

Lydia is a first year undergraduate at Bennet College, and has never attended college before. When Bennet receives Lydia's ISIR, it shows that there was a partial match, and there's some data associated with her SSN. Bennet checks NSLDS directly, and it shows that a lender is reporting a loan made ten years ago (when Lydia was in elementary school) under her SSN, but with a completely different name and birth date. Bennet determines that this isn't Lydia's loan, and so she has no financial aid history in NSLDS. Bennet also suggests to Lydia that she should contact the lender and ask them to correct the NSLDS data, so it doesn't cause problems for her later on.

NSLDS Match

Result	Results flag	Match flag	"C" code or rejected application	Comment number and text	Action needed
Match conducted, student not in default or overpayment	1 Match found; NSLDS data sent	1		No comment	None
Match conducted. SSN matched, but name and DOB did not match.	2 Incomplete match; No NSLDS data sent	7	C code	138 The National Student Loan Data System (NSLDS), found your reported social security number on their database, but neither name nor date of birth on the NSLDS record matched. Therefore this SAR does not contain the financial aid history that is associated with your reported SSN.	Resolution required. Determine if the NSLDS record is that of the applicant by accessing NSLDS online using SSN only to retrieve the matching data. This will help determine whether that SSN belongs to the student being assisted. This method will reveal which data provider provided the conflicting SSN information. This provider may then be contacted directly to resolve the discrepancy. There is no need to wait for NSLDS to be updated before continuing the award process. If the record belongs to the student, use the information in NSLDS to determine eligibility for SFA funds.
Match conducted. Student not in the NSLDS data file	3 No match found.	1		140	None
Student is in the NSLDS data file, but there is no relevant data to print	4	1		137	None
Student has at least one loan in default	1 Match found; NSLDS data sent	2	C code	132 The National Student Loan Data System (NSLDS) indicates that you are in DEFAULT on a federal student loan. You are not eligible to receive any federal student aid until your default has been resolved.	The output document will also have comments indicating who holds the loan. The student must resolve the default before he or she can receive aid.

NSLDS Match (continued)

Result	Results flag	Match flag	"C" code or rejected application	Comment number and text	Action needed
Match conducted. Student owes at least one overpayment. (Pell, FSEOG, or Perkins loan.)	1 Match found; NSLDS data sent	3	C code	133 The National Student Loan Data System (NSLDS) indicates that you received at least one overpayment of federal student aid funds. You are required by law to repay any funds received from the federal student aid programs to which you were not entitled. You are not eligible to receive any federal student assistance.	The output document will also have a comment identifying who holds the overpayment. The student must resolve the overpayment before he or she can receive aid.
Student has at least one defaulted loan and owes at least one overpayment. (Stafford or PLUS and Pell, FSEOG, or Perkins0	1 Match found; NSLDS data sent.	4	C code	134 The National Student Loan Data System (NSLDS) indicates that you are in DEFAULT on at least one federal student loan and that you received at least one overpayment of federal student aid funds. You are not eligible to receive any federal student aid until your items have been resolved.	The required actions will be the same as for default and overpayment above.
Match not conducted due to processing problems		8		131	If corrections to the student's data are required, NSLDS match will be conducted again when corrections are sent to the CPS. If no corrections are needed, you must request a duplicate SAR/ISIR. When duplicate SAR/ISIR is requested, record will be sent through NSLDS match again.

Postscreening—changes after initial match

Once you have received the financial aid history through NSLDS, you aren't required to check for changes to the data before you disburse funds to the student. However, if you learn (from NSLDS or another source) that the student wasn't eligible or is no longer eligible, you must not deliver or disburse any more FSA funds and must help make sure the student arranges to repay the aid that he wasn't eligible for.

NSLDS uses a "postscreening" process to let you know when there are significant changes to a student's financial aid history. If NSLDS postscreening identifies changes that may affect the student's eligibility, the CPS will generate new output documents so that schools that are listed for receipt of the student's FAFSA information will automatically be notified. Items that have changed since the last transaction are marked on the output document with a "#" sign, and a system-generated flag of "N" (for NSLDS) will appear.

To help you identify output documents with changed NSLDS data, the output document will include an NSLDS transaction number in the "FAA Information" section with the other match flags. The NSLDS transaction number is the number of the last transaction on which the NSLDS data changed. If you receive an output document with an NSLDS transaction number later than the one on the output document you used to determine the student's eligibility, you should review the NSLDS data on the new document to be sure there are no changes affecting the student's eligibility.

Note that if a student or school requests a duplicate output document, the request is also sent to NSLDS for matching. If the NSLDS data have changed, the request will be treated as a system-generated correction, and both the output document transaction number and the NSLDS transaction number will be updated.

Elimination of paper financial aid transcripts

In the past, you had to get a student's financial aid history by requesting a paper financial aid transcript from the previous schools the student attended. Since 1996, schools have also been able to get student financial aid histories through NSLDS.

With the introduction of the transfer monitoring process, schools are no longer required to respond to requests for a paper financial aid transcript. Paper FATs have been eliminated now that financial aid history for all students may be obtained through NSLDS.

34 CFR 668.19, as revised November 1, 2000

CHECKING THE FINANCIAL AID HISTORY FOR TRANSFER STUDENTS

Before disbursing FSA funds, you must obtain a financial aid history for a student who has received aid at another school, and you must inform NSLDS about the transfer student so that you can receive updates through the Transfer Monitoring Process. The financial aid history is used to identify students who are ineligible for any FSA aid due to default or overpayment on an FSA grant or loan, or for aid from a particular FSA program because they've reached that program's annual or aggregate limit.

▼ *Transfer Monitoring Process.* You must send NSLDS identifying information for students transferring to your school so that NSLDS can notify you of changes to the student's financial aid history using the transfer monitoring process. You may send information for students who have expressed an interest in attending your school, even if they have not yet formally applied for admission.

Through the transfer monitoring process, NSLDS will monitor a transfer student's financial aid history and alert you to any relevant changes—other than the default and overpayment information reported in the postscreening process—that may affect the student's current award(s). There are three steps: inform, monitor, and alert.

- You must identify students who are transferring to your school by creating a list of transfer students on the NSLDS website or by sending the list to NSLDS as an electronic batch file through TIVWAN/SAIG. You may use either method, both methods, or alternate between methods. A change in method used does not require prior notification to NSLDS. To begin using the "Inform" feature, you must designate a school contact on the School Transfer Profile Page (www.nsldsfap.ed.gov) prior to creating any Inform records. The School Transfer Profile tells NSLDS who will be submitting Inform files from or on behalf of your school, and how your school wants to receive an alert notice.

- NSLDS will monitor these students for a change in financial aid history that may affect their current awards and alert you when: a new loan or Pell Grant is being awarded, a new disbursement is made on a loan or Pell Grant, or a loan or Pell Grant (or a single disbursement) is cancelled. *Note: defaulted loans and overpayment information will not be monitored in the Transfer Monitoring Process, as they are already covered in the current Postscreening process.* If the student has not already listed your school in Step Six when filing the FAFSA, you would need to have the student add your school in order for you to receive the postscreening information.

- Finally, when NSLDS creates an alert for one or more of your students, it will also send an e-mail notice to your school's designated contact person. That person may then either review the alert list on the NSLDSFAP website or download a batch file, if batch alerts were requested, through TIVWAN/SAIG in report or extract format.

▼ *Reviewing the student's financial aid history.* If a student transfers to your school during the award year, you'll need to review the student's NSLDS financial aid history on the ISIR or on-line at the NSLDS Web site. Using the Financial Aid History, you can determine—-

- Whether the student is in default or owes an overpayment on an FSA loan or grant,

- The student's scheduled Pell grant and the amount already disbursed for the award year,

- The student's balance on all FSA loans, and

☀ **Transfer monitoring process**
Through this process for checking the eligibility of transfer students, you may either check the student's financial aid history on the NSLDS website for professionals, or wait seven days after you've submitted the student's information for monitoring to receive a response from NSLDS.

NSLDSFAP
www.nsldsfap.ed.gov

Dear Partner Letters GEN-00-12 and GEN-01-09

How to get the student's financial aid history.
There are several ways for you to get a student's financial aid history from NSLDS. You can—
- use the NSLDS Financial Aid History section of the ISIR,
- request an electronic data or print file of the financial aid history for specific students through TIV-WAN/SAIG, or
- log on to NSLDS directly and access the NSLDS data on-line for an individual student.

Targeted alert process

The preamble to the November 1, 2001 regulations explain why a separate transfer monitoring process was developed: if the ISIR were used to provide this information, "every school that the student listed on the FAFSA would be required to receive an updated ISIR every time new disbursements were reported to NSLDS, including the school that reported those disbursements." Note that the transfer monitoring process will not send unnecessary alerts to your school when you report award changes that you have made—it only alerts you to changes to the student's financial aid history at other schools.

See the preamble to November 1, 2001 General Provisions amendments FR Volume 65, No. 212, page 65669

• The amount and period of enrollment for all FSA loans for the award year.

In most cases, the financial aid history on the ISIR will be enough. There are some cases where you might want to check NSLDS for more information. For example, if the student has more than 12 loans, the ISIR won't have detailed information for some of the loans. If you need that level of detail for those loans, you can get the information from NSLDS. Or, as discussed previously, you might need to use NSLDS to resolve a partial match situation (see "Partial Match," p.46).

▼ *Timing of the disbursement.* To pay the student, you'll need to get a valid ISIR, which will include the student's NSLDS financial aid history. Among other things, the ISIR will tell you if the student is in default or owes an overpayment. The postscreening process will send another ISIR to you if the student subsequently goes into default or overpayment status.

When you initiate transfer monitoring for a student, NSLDS will check and alert you to any significant award changes that have occurred since you last received an ISIR for the student. If you initiate transfer monitoring before your school begins receiving ISIRs for a student, transfer monitoring will begin tracking changes in the student's financial aid history as of the date of your request or any future date up until the start of enrollment.

The regulations state that a school may not make a disbursement to the student for seven days following the transfer monitoring request to NSLDS, unless it receives an earlier response from NSLDS or checks the student's current financial aid history by accessing NSLDS directly. Therefore, it's usually a good idea to submit the student's name to NSLDS for Transfer Monitoring as soon as possible, even if the student has not yet decided to enroll at your school.

▼ *Consequences when a transfer student subsequently is found to be ineligible for all or part of an aid disbursement.* If the school has followed the proper procedures for obtaining financial aid history information from NSLDS, it is not liable for any overpayments if the student's situation subsequently changes. However, the student will be liable for the overpayment in this situation, and you may not pay the student further FSA funds until the overpayment is resolved. (See Chapter 8 for information on resolving overpayments.)

NSLDS Loan Status Codes
2002-2003 SARs & ISIRs

Code	Status	Eligible for SFA funds
AL	Abandoned Loan	Yes
BC	No Prior Default Bankruptcy Claim, Discharged	Yes, because loan was not in default and was discharged
BK	No Prior Default Bankruptcy Claim, Active	Yes, because loan was not in default
CA	Cancelled (For Perkins means Loan Reversal)	Yes
CS	Closed School Discharge	Yes
DA	Deferred	Yes
DB	Defaulted, then Bankrupt, Active. (Perkins: all bankruptcies; FFELP and Direct Loans: Chapter 13)	No, unless debtor can show that loan is dischargeable. See Dear Colleague letter GEN-95-40, dated September 1995
DC	Defaulted, Compromise	Yes, because compromise is recognized as payment in full
DD	Defaulted, Then Died	No, because if borrower is reapplying, then loan status is in error
DE	Death	No, because if borrower is reapplying, then loan status is in error
DF	Defaulted, Unresolved	No
DI	Disability	Yes
DK	Defaulted, Then Bankrupt, Discharged. (Perkins: all bankruptcies; FFELP and Direct Loans: Chapter 13)	Yes, because defaulted loan has been totally discharged
DL	Defaulted, in Litigation	No
DN	Defaulted, Then Paid in Full Through Consolidation Loan	Yes
DO	Defaulted, Then Bankrupt, Active, other. (FFELP and Direct Loans in Chapters 7, 11, and 12)	No, unless debtor can show that loan is dischargeable. See Dear Colleague letter GEN-95-40, dated September 1995
DP	Defaulted, Then Paid in Full	Yes, because loan was paid in full
DR	Defaulted Loan Included in Roll-up Loan	Yes, because the loan was combined with other loans and subrogated to the Department, which reported the same information to NSLDS in one loan. The status of that record will determine eligibility.
DS	Defaulted, Then Disabled	Yes, because loan debt is cancelled
DT	Defaulted, Collection Terminated	No
DU	Defaulted, Unresolved	No
DW	Defaulted, Write-Off	No
DX	Defaulted, Satisfactory Arrangements, and Six Consecutive Payments	Yes, assuming student continues to comply with repayment plan on defaulted loan, or is granted forbearance by the GA

Code	Status	Eligible for SFA funds
DZ	Defaulted, Six Consecutive Payments, Then Missed Payment	No, loan is back in active default status
FB	Forbearance	Yes
FC	False Certification Discharge	Yes
IA	Loan Originated	Yes
ID	In School or Grace Period	Yes
IG	In Grace Period	Yes
IM	In Military Grace	Yes
IP	In Post-Deferment Grace (Perkins only)	Yes
OD	Defaulted, Then Bankrupt, Discharged, other. (FFELP and Direct Loans in Chapters 7, 11, and 12)	Yes, because defaulted loan has been totally discharged
PC	Paid in Full Through Consolidation Loan	Yes. Does not matter whether consolidation loan was through FFELP or Direct Loan, nor whether underlying loans were in default
PF	Paid in Full	Yes
PM	Presumed Paid in Full	Yes
PN	Non-defaulted, Paid in Full Through Consolidation Loan	Yes
RF	Refinanced	Yes, because defaulted loans cannot be refinanced
RP	In Repayment	Yes
UA	Temporarily Uninsured – No Default Claim Requested	Yes
UB	Temporarily Uninsured – Default Claim Denied	Yes, because the loan is not a federal loan while temporarily uninsured
UC	Permanently Uninsured/Unreinsured – Non-defaulted Loan. Perkins: Non-defaulted Loan Purchased by School	Yes
UD	Permanently Uninsured/Unreinsured – Defaulted Loan Claim Denied. Perkins: Defaulted Loan Purchased by School	Yes, because the loan is no longer a federal loan
UI	Uninsured/Unreinsured	Yes, does not matter if the loan was in default
XD	Defaulted, Satisfactory Arrangements, and Six Consecutive Payments	Yes, assuming student continues to comply with repayment plan on defaulted loan, or is granted forbearance by the GA

EFFECT OF BANKRUPTCY OR DISABILITY CANCELLATION

A student who has filed bankruptcy or had a loan discharged for disability might need to provide some additional documentation before receiving aid.

Bankruptcy

A student with an FSA loan or grant overpayment that has been discharged in bankruptcy remains eligible for FSA loans, as well as FSA grants and Federal Work-Study (NSLDS status code BC for loans that did not default and status code DK for loans that defaulted prior to the bankruptcy discharge). A borrower doesn't have to reaffirm a loan discharged in bankruptcy in order to be eligible. The Bankruptcy Reform Act of 1994 prohibits denial of aid based solely on a bankruptcy discharge.

A borrower who lists a defaulted FSA loan or grant overpayment in an active bankruptcy claim is eligible for further FSA funds if the borrower provides you with documentation from the holder of the debt stating that the debt is dischargeable (NSLDS Status Code DO).

A borrower who includes a non-defaulted FSA loan in an active bankruptcy claim, so that collection on the loan is stayed, is eligible for FSA funds as long as he has no loans in default (including the stayed loan).

Total and permanent disability cancellation

Perkins, Stafford, and PLUS loan borrowers can have their loans discharged for a total and permanent disability. Starting July 1, 2002, there is a three-year conditional period beginning the day the student became disabled and during which she will not have to pay on the loan. If she meets the disability discharge requirements for those three years, the loan will be discharged.

If a borrower whose loan is discharged wishes to take out another FSA loan, he must obtain a physician's certification that he has the ability to engage in substantial gainful activity, and he must sign a statement that he is aware the new FSA loan can't later be discharged for any present impairment unless it deteriorates so that he is again totally and permanently disabled. If the prior loan was discharged between July 1, 2001 and June 30, 2002 inclusive, then the student must also reaffirm the loan if less than three years have passed since the date the student became disabled. If the prior loan was *conditionally* discharged on or after July 1, 2002 and the three-year period hasn't yet elapsed, the student must also sign a statement that collection will resume on the old loan (which collection must begin before receiving the new loan) and that unless his condition substantially deteriorates, the old loan cannot be discharged in the future for any impairment present when he began the conditional discharge or when he tried to get the new loan. If a defaulted loan was discharged and then reaffirmed or was conditionally discharged and payment resumed on it, the student must make satisfactory repayment arrangements before receiving the new loan.

Total and permanent disability
The condition of an individual who is unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death.

Clarification
Reaffirming a loan that was discharged between 7/1/01 and 6/30/02 means that the loan must be reinstated because it was discharged. This is different from resuming payment on a loan for which the conditional discharge period has not elapsed; the loan in this case has not been discharged.

Example: documenting loan "Paid in Full"

Eddy had a Stafford Loan as an undergraduate that went into default while he was out of school. When he applies for financial aid so he can go to graduate school, his ISIR shows that the loan is still in default. Eddy tells the aid administrator at Guerrero University that he paid off the loan last year. The aid administrator asks Eddy to bring in a letter from the guaranty agency documenting that the loan has been paid and advises Eddy that he should ask the guaranty agency to update his status in NSLDS.

Additional ways of reestablishing eligibility for Perkins loans

Reauthorization added a provision to the Perkins Loan Program that reestablishes the borrower's eligibility if she meets any of the conditions that would remove her Perkins Loan from the school's cohort default rate. This provision only allows the borrower to regain eligibility for Perkins loans, not the other FSA programs. See Volume 5.

Satisfactory repayment and rehabilitation

HEA Sec. 428F(a) and (b), 464(h)(1) and (2);
General Provisions
 34 CFR 668.35(a)(2),
Perkins 34 CFR 674.5(f),
FFEL 34 CFR 682.200(b), 682.405,
Direct Loans 34 CFR 685.102(b),
685.211(e)

Rehabilitation example

Eric makes the 12 payments required for rehabilitation of his defaulted loan. His original lender isn't handling student loans anymore, so the guarantor finds another lender to purchase the loan. It takes the guarantor three months to arrange the purchase, and Eric needs to keep making the agreed-on payments on time. Once the new lender has the rehabilitated loan, Eric can apply for an in-school deferment.

RESOLVING DEFAULT STATUS

A student who is in default on an FSA loan can't receive further FSA aid until he or she resolves the default. The student can resolve the default in a number of ways.

▼ *Repayment in full (including consolidation).* A student can resolve a default by repaying the loan in full and thereby regain eligibility for FSA funds (NSLDS Status Code DP). If the student and the loan holder agree on a compromised amount for settling a loan and the student repays the amount agreed upon, that also counts as paying the loan in full (Status Code DC). If a defaulted loan is successfully consolidated, then it is also counted as paid-in-full (Status Code DN). However, if the loan holder simply writes off the loan, the loan isn't paid in full, and the student remains ineligible for FSA funds (Status Code DW).

The student regains eligibility whether repayment was completed voluntarily or involuntarily (that is, through IRS offset or wage garnishment). Although a student who has repaid her defaulted loan in full is eligible for aid, you can still consider the default to be evidence of a student's unwillingness to repay loans and deny the student future Perkins Loans (see *Volume 5*).

If a student has paid a defaulted loan in full but the SAR and ISIR have a comment showing that he is ineligible because of the default, the student must give you documentation proving that the loan has been paid in full.

▼ *Satisfactory repayment arrangements.* A student in default on an FSA loan can be eligible for FSA aid if he has made repayment arrangements that are satisfactory to the loan holder. After the student makes six consecutive, full, voluntary payments on time, he regains eligibility for FSA funds (NSLDS Status Code DX).

You can pay the student as soon as you have documentation that she has made satisfactory repayment arrangements. For example, the lender may update the code for the loan in NSLDS to DX once six payments have been made; you could then use that as confirmation of the repayment arrangement. You may also use a written statement from the loan holder indicating that the student has made satisfactory repayment arrangements as documentation of the arrangement.

▼ *Loan rehabilitation.* Although a student can regain eligibility for all FSA funds by making satisfactory repayment arrangements, the loan is still in default. After the student makes more payments, the loan may be rehabilitated (that is, it won't be in default any more), and the student has all the normal loan benefits, such as deferments. A loan will not be be rehabilitated until the borrower makes 12 consecutive, full, voluntary payments on time (see *Volume 5* for more information on rehabilitation in the Perkins/NDSL program , and *Volume 8* for FFEL and Direct Loans.)