



Default Resolution: A Roadmap for Agencies



Why Student Loan Borrower's Need Assistance

- **Student loan regulation and repayment programs are extremely complex.**
 - 30+ types of loans (in the federal portfolio alone)
 - 19 broad categories of repayment options
 - More than 50 loan statuses
 - Over 10 relevant loan origination periods
 - Results in nearly 800 unique solutions with varying rules to navigate
- **Programs never stop changing**
 - There are near-constant program revisions that can change eligibility overnight
 - The recent overhaul of existing regulations, temporary relief options and eligibility requirements have created even more confusion amongst
- **Borrowers need clarity, guidance, and assistance with filing documents to implement their plan**
 - The current student loan system and repayment programs don't reach all borrowers, and for many Americans student loans continue to be a barrier for them participating in the economy
 - Bad advice and over coming paperwork challenges a hurdle that even with the relief efforts is still a problem for borrowers
- **Delinquency Rates at an all time high – more borrowers need assistance now more than ever**

SDS Highlights



Unique consumer self-service application

- Counseling expertise designed into decision support solution

Comprehensive analysis of all federal student loan repayment plans

- Default Resolution Strategies
- Cancellation and Forgiveness options considered
- Recommended solutions based on consumer's goals

Optional Solutions to assist the consumer/debtor as needed

- Document Preparation (RapidWrite™) solution to simplify completion and increase accuracy
- Expert counseling can be scheduled if needed by the consumer/user (Flexible Counseling Configurable)

Eliminates the need to be a student loan expert to offer student loan debt resolution services

- Designed to work with agencies/partners
- Promo codes available if needed for special programs
- Deployed as three components either separate or combined as needed



How SDS can be used with your Clients

Standard Mode

- Ideal for consumer self service
- Client enters/uploads data, completes analysis and selects their solution
- Doc Prep and Expert Counseling available

Expert Mode

- Ideal when counseling is desired with every client
- Client is working one-on-one with counselor/attorney
- Client only has visibility to eligible solutions AFTER counseling

BK Adversary (Bankruptcy Attestation)

- For clients who are also filing bankruptcy
- Add clients through SDS Agency Portal or through Software Integration (coming)
- Analyzes client's potential for discharge according to latest DOJ guidance
- Automated preparation of Attestation form



Updates: Delinquency and Default

Student Loan Delinquency



- 31% of borrowers are now 90+ days delinquent—highest ever recorded.
 - An increase from 20.5% in February of 2025
 - Contrast with 2020, when only 11.5% were delinquent.
- Major contributing factors:
 - SAVE plan administrative forbearances
 - Extended hardships and paused payments
- Many borrowers still don't know they've entered delinquency.
- Advice: Counselors must flag risk early—delinquency leads to default.

Outlook on Delinquency



- Delinquency is decreasing credit scores by 120-170 points
 - The rise in delinquencies has disproportionately impacted borrowers who had previously been in prime or above credit tiers, with many dropping multiple tiers after falling behind
- A recent study by Transunion suggests:
 - Delinquency rates may begin to stabilize
 - Default will rise at an alarming rate
 - By September it is predicted that approximately 5 million borrowers will transition from delinquency to default

Collections Resumed

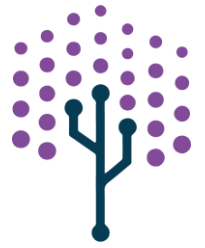


- More than 5 million borrowers are in default.
- As of May 5, full-scale collections resumed.
 - Tax offset resumed
 - Wage Garnishment to follow, expected June/July
 - 2 million borrowers are eligible for Wage Garnishment
 - Notices to be sent in June
 - Borrowers have 30 days to take action to resolve or set up qualified payment arrangements
 - Social Security Offset on Hold
 - Approximately 450,000 borrowers over the age of 62 are in default

Garnishments Begin



- Garnishments can be:
 - Up to 15–25% of wages
 - Tax refund offsets (already underway)
 - Social Security garnishment – on hold (excludes SSDI)
 - 15% over the amount of \$750
- No court order required for federal loans.
- Borrowers unaware of their status could be surprised by deductions.
- Garnishments are preventable—but only with timely borrower action.



The SDS Approach to Default Resolution

How SDS Can Help Your Clients Succeed



- SDS helps borrowers:
 - Explore **every repayment option** (even with SAVE paused)
 - Get out of default via rehab or consolidation
 - Understand and compare plans
 - Track and document steps toward forgiveness
 - Avoid delinquency
- Counselors can:
 - Use SDS to generate repayment scenarios
 - Track client progress
 - Document eligibility for reporting

Bonus: SDS is free for borrowers to view options.


SDS & Default Resolution Analysis



- SDS navigates all options for Default Resolution
 - **Advanced Default**
 - Stopping Wage Garnishment, Tax Offset or Social Security Offset
 - Appealing Wage Garnishment, Tax Offset, or Social Security Offset
 - **Default Resolution**
 - **Rehabilitation**
 - 1% Program
 - 15% Repayment Program
 - Financial Income Statement
 - **Consolidation**
 - Forced Income Driven Repayment
 - 3 Qualifying Payments then Consolidation
 - **Setting up qualifying payment arrangements**
 - Reasonable and Affordable Payments
 - Income Driven Repayment Plans

SDS & Default Resolution Analysis



 Student Debt Solutions

Hi, rloehr ▾

Progress Tracker

- ✓ Get Started
- ✓ Profile
- ✓ Income & Goals
- ✓ Loan Information
- ✓ Questionnaire
- Review
- Build Your Plan
- Plan Summary
- Filing Tools

Need Help?


Personalized expert assistance is available.

[Learn More](#)

Questionnaire


(1) Are you inquiring about someone else's loans?	No	✓
(2) Are you employed?	Yes	✓
(3) Are you disabled?	No	✓
(4) Are you currently a student or enrolled to begin classes within three months?	No	✓
(5) What best describes your current employment status?	Employed Full-time	✓
(6) What sector best describes your occupation?	Private Sector, For-Profit	✓
(7) Which of the following degrees have you earned? Select all that apply.	High School Degree, Bachelors Degree	✓
(8) Have you ever filed for bankruptcy? If so, select which kind(s):	I have never filed bankruptcy	✓
(9) Do you believe you can dispute your student loans because of the balance owed or issues with the school?	No	✓
(10) Do you currently receive any state or federal hardship assistance?	No	✓
(11) Are you experiencing any of the following collection efforts? Select all that apply.	None of the above	✓
(12) What best describes how you receive your income? Select all that apply.	Private Sector W-2 Wages	✓
(13) Have you previously completed a loan rehabilitation program (since August 2008) to come out of default?	Unsure	✓
(14) Can you afford to pay, at minimum, 90% of the original principal and interest of the defaulted loan amount?	No	✓

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SDS & Default Resolution Analysis



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Progress Tracker

☒ Get Started

☒ Profile

☒ Income & Goals

☒ Loan Information

☒ Questionnaire

☒ Review

☐ **Build Your Plan**

☒ Cancellation

☐ **Default Resolution**

☐ Perkins Loans

☐ Choose Your Solution

☐ Plan Summary

☐ Filing Tools

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Default Resolution for Perkins Loans

We have identified that you have loans in default. This can present serious consequences such as penalty fees and garnishments. Don't worry. You have choices to get out of default and avoid further issues.


Loan Rehabilitation - Perkins Loans

A loan rehabilitation is a monthly repayment program that you will set up with the Department of Education or other collection entity so that you can reconcile your default status on your student loans. Your monthly payment will be set to 1% of your outstanding student loan balance. Once you have made 9 on time payments over a 10-month period your loans will be returned to current status with any negative information removed from your credit report.

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SDS & Default Resolution Analysis



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Progress Tracker

- ✓ Get Started
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 - ✓ Cancellation
 - Advanced Default
 - Wage Garnishment
 - Choose Your Solution
- Plan Summary
- Filing Tools


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Advanced Default Wage Garnishment

We have identified that you have loans in default. This can present serious consequences such as penalty fees and garnishments. Don't worry. You have choices to get out of default and avoid further issues.

**Expert Assistance Recommended:** This repayment option involves factors that may be better understood with professional assistance. We recommend personalized expert assistance to help navigate the details.


Objecting a Wage Garnishment because of Recent Termination from Previous Employer

The Department has the authority to offset up to 15% of your disposable pay or benefits. To avoid the offset you must take action immediately. You can submit an appeal because of the claim that you were involuntarily terminated from your previous employer within the last 12 months.

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Assisting Clients with Default

Appealing Wage Garnishment



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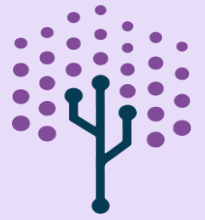
- **Determine Hearing Type**
 - Hearings can be:
 - Written
 - Telephone
 - In Person
 - Must show good reason why a paper review is not sufficient for oral hearing (phone/in person)
- **Submit Request for Hearing**
 - Request for Hearing will come with notification paperwork
 - If Notification was not received, call Default Resolution Group to request information on how to request a hearing
- **Submit Supporting Evidence:**
 - Include all relevant documents with the request
 - If submitting additional evidence later:
 - Ask for the record to be held open
 - Describe the evidence and its relevance
 - May request a brief extension for submission
- **Await Decision**
 - Decision must be issued within 60 days of the request
- **Request Reconsideration, if needed**
 - Borrower can object the decision
 - Garnishment will continue until reconsideration decision

Loan Rehabilitation



- **Loan Rehabilitation**
 - A one-time opportunity to remove a federal student loan default from a borrower's credit history and to regain federal student loan eligibility
 - Requires borrower to make 9 of 10 consecutive, timely payments
 - Payments under rehabilitation:
 - Formerly based on a based on a percentage of the total student loan debt
 - Now based on 15% of a borrower's discretionary income, as calculated by Ed
 - Borrowers can further document their income to prove hardships using a Federal Income Statement (FIS) if the calculated repayment is unrealistic

Consolidation



- Simpler, but affects the borrower's credit differently:
 - Doesn't clear the default from the borrower's credit history
 - Shows for seven years as a paid collections account
- Must select an approved repayment plan (IBR or ICR) and consent to the IRS sharing certain tax information with Ed
- Borrower is no longer subject to tax offsets, garnishments, or collections
 - Any judgments must be vacated and/or garnishments lifted before consolidation
- New loan balance subject to the addition of relevant collection fees (18.5%)
- Direct Consolidation Loans cannot be re-consolidated, so borrowers can generally only consolidate out of default once



Consolidation Vs. Rehabilitation

	Rehabilitation	Consolidation
Time to See Benefit	9-10 Months	60-90 Days
Implementation Hassle	Potential for Financial Disclosures and Negotiations	Little to None
Size of Payment	Approximately 15% of Discretionary Income	Approximately 15% of Discretionary Income
Ongoing Payment	Can choose once Rehabilitation is complete	Must be on an approved payment plan(Income-Driven)
Affect on Credit	Removal of default status eventually but stays in default until Rehabilitation is complete	Defaulted Debt Paid in Full





Our Next Webinar is July 16th at 2pm EST

- Topic: **SDS Enhancements & What's Coming Next**
- Stay ahead with the latest updates and enhancements in Student Debt Solutions. We'll cover upcoming features, improvements to agency tools, and how your feedback shapes our development roadmap.



Thank You

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Video Demo: [SDS Video Demo](#)