

Federal Perkins Loan Rehabilitation

Federal Perkins Student Loan rehabilitation is achieved by making nine consecutive, on-time monthly payments on a defaulted Perkins Loan. Rehabilitation removes a loan from default. (A borrower may regain eligibility for Title IV funds after six consecutive, on-time monthly payments; however the loan is still considered to be in default.) A borrower must make a request to Graduate Theological Union (or its contracted collection agency) in order to pursue rehabilitation of a defaulted Perkins Loan.

- Nine payments are required. For example, a borrower is not allowed to make six monthly double payments.
- The nine payments must be made monthly, even if the borrower had been on a quarterly or semi-annual repayment plan prior to defaulting.
- There can be no gaps in the nine payments. If a borrower misses a payment, the "streak" is broken and the borrower must begin again in the attempt to make the nine consecutive payments.
- The definition of "on-time" is at the discretion of the school.
- The payment amount is determined jointly by the school (or its representative, i.e. collection agency) and the borrower. There is no minimum payment amount. This is true even if the borrower's promissory note dictates a minimum payment amount; the terms of the promissory note do not apply to defaulted loans.
- **A borrower may rehabilitate a loan only once**, but there is not limit to the number of times a borrower may attempt to make nine consecutive, on-time monthly payments.

All defaulted Perkins Loan borrowers are eligible for rehabilitation. This includes borrowers who have a judgment rendered on their loan. However, borrower payments on a loan on which a judgment has been rendered must be "voluntary." Any payments that are equal to the amount the borrower is required to make under the judgment are considered voluntary.

The benefits of rehabilitation are the following:

- restoration of Title IV eligibility;
- restoration of benefits and privileges of the promissory note and a return to regular repayment status;
- a new repayment period of up to ten years; and
- removal of the default from the borrower's credit history.