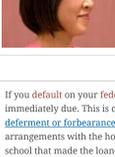


Home » How to Repay Your Loans » Understanding Delinquency and Default » Collections



If you default on your federal student loan, the loan may be placed with a collection agency, which will then contact you to obtain payment.

If you default on your federal student loan, the entire balance of the loan (principal and interest) becomes immediately due. This is called acceleration. Once your loan is accelerated, you no longer have access to [deferment](#) or [forbearance options](#) or to a [choice of repayment plans](#). In addition, if you do not make repayment arrangements with the holder of your loan—the U.S. Department of Education (ED), a guaranty agency, or the school that made the loan—and comply with the terms of the repayment arrangement, your loan holder may place your loan with a [collection agency](#).

If your loan is placed with a collection agency, you will be responsible for costs incurred by your loan holder to get payment. The holder of your loan can take other actions to collect as well.

ED currently contracts with several collection agencies to administer many of the collection activities of our accounts. Many guaranty agencies also contract with collection agencies for the same reason. Collection agency employees are trained to comply with the terms of the *Fair Debt Collection Practices Act*, which governs collection practices by debt collectors.

If your defaulted loan is placed with a private collection agency, you can expect the agency to first offer you the option of entering into a voluntary repayment agreement. If you do not agree to enter into a voluntary repayment agreement, or if you enter into a repayment agreement but don't continue making the payments you agreed to make, the collection agency will then begin the process of garnishing your wages ([Learn about wage garnishment](#)). If they are unable to garnish your wages (for example, because you are self-employed), they may recommend that ED refer your case to the U.S. Department of Justice for legal action. The Department of Justice may then sue you to collect on your defaulted loan.

There are certain things that private collection agencies are prohibited from doing in connection with their efforts to collect on a defaulted loan. Prohibited actions include, but are not limited to,

- harassing or abusing any person in connection with the collection of a debt;
- making false, deceptive, or misleading claims in connection with the collection of a debt; and
- using unfair or unreasonable means to collect or attempt to collect any debt.

If you believe that a private collection agency has engaged in prohibited practices, [you can file a formal complaint](#).

How do I know if the information on this page applies to me?

- How will my outstanding debt be collected?
 - Withholding Money From Your Tax Refund or Other Federal Payments (Treasury Offset)
 - Withholding Money From Your Wages (Wage Garnishment)
- If my loan is placed with a collection agency, what other costs might I incur?
- How do I contact a collection agency?
- How do I contact ED's Default Resolution Group?
- What should I do if I am contacted by someone who wants to charge me fees to get my federal student loan out of default?

If your federal student loan is in default, [find out what options you have for getting out of default](#).

How do I know if the information on this page applies to me?

The information on this page mostly applies to borrowers who have defaulted loans that are held by ED.

There are three federal student loan programs administered by ED:

- the William D. Ford Federal Direct Loan (Direct Loan) Program
- the Federal Family Education Loan (FFEL) Program
- the Federal Perkins Loan Program

All defaulted Direct Loans are held by ED. Defaulted FFEL Program loans may be held by ED or by a guaranty agency. Defaulted Federal Perkins Loans may be held by a school or by ED. ED's Default Resolution Group, at Federal Student Aid, oversees the collections process for all defaulted loans that are held by ED. [Find out how to contact ED's Default Resolution Group](#).

If you don't know who your loan holder is, you can find out by logging in to "My Federal Student Aid."

top

How will my outstanding debt be collected?

If you fail to make (and comply with) other arrangements to repay the debt, which could include entering into a loan rehabilitation agreement, ED can use a variety of methods to collect your defaulted federal student loan. [Find out more about getting out of default](#).

The government can collect your debt by withholding money from the following sources of income:

- your income tax refund and other federal payments
- your wages

Withholding Money From Your Tax Refund or Other Federal Payments (Treasury Offset)

Federal law related to the collection of debts owed to the government requires ED to request that the U.S. Department of the Treasury withhold money from your federal income tax refunds, Social Security payments (including Social Security disability benefits), and other federal payments to be applied toward repayment of your defaulted federal student loan. This withholding is called Treasury offset.

If you have a defaulted FFEL Program loan that is held by a guaranty agency, your state tax refunds may be also withheld and applied toward repayment of your loan, and you may lose your driver's license or other state-issued licenses.

Before the offset begins, a notice of pending offset will be sent to your last known address to inform you that the offset is scheduled to begin in 63 days. The notice may only be sent once and offsets will continue until your debt is paid.

You do have the right to request a review of your account to prevent the offset from occurring. If you are successful, then your tax refund and other federal payments will not be offset or the amount being offset may be reduced. If you are unsuccessful, then your tax refund and other federal payments will be offset.

If your Social Security disability benefits are being withheld, the withholding of those benefits will be suspended if the Social Security Administration (SSA) makes a determination that you are totally disabled, with medical improvement not expected. However, if the SSA later converts your disability benefits to retirement benefits, the withholding of your Social Security benefits may resume without notice.

For more detailed information about Treasury offset or the review process (including how to request a review), contact your loan holder. [If you don't know who your loan holder is, you can find out by logging in to "My Federal Student Aid."](#)

Withholding Money From Your Wages

Your loan holder can order your employer to withhold up to 15 percent of your disposable pay to collect your defaulted debt without taking you to court. This withholding ("garnishment") continues until your defaulted loan is paid in full or removed from default.

With garnishment, you have the right to

- be sent a notice that explains ED's intention to garnish your wages in 30 days, the nature and amount of your debt, your opportunity to inspect and copy records relating to your debt, your right to object to garnishment, and your option to avoid garnishment by voluntary repayment;
- be given an opportunity to enter into a written agreement under terms agreeable to ED to establish a voluntary repayment agreement;
- be given an opportunity for a hearing to present and obtain a ruling on
 - any objection you have to the existence, amount, or enforceability of the debt;
 - any objection that garnishment of 15 percent of your disposable pay would produce an extreme financial hardship; or
 - any objection stating that garnishment cannot be used at this time because you've been employed for less than 12 months after having previously been involuntarily separated from employment.
- have the garnishment action withheld by filing a timely request for a hearing, until the hearing is completed and a decision issued;
- not be discharged from employment, refused employment, or subjected to disciplinary action due to the garnishment, and to seek redress in federal or state court if such action occurs;
- initiate any legal action against your employer if the employer discharges, refuses to hire, or takes disciplinary action against you based on the garnishment action; and
- not have any information provided to your employer regarding the garnishment other than what is necessary for the employer to comply with the withholding order.

One way to avoid garnishment of 15 percent of your disposable pay is to negotiate repayment terms acceptable to ED or the private collection agency and ensure that ED receives the first payment no later than 30 days from the date the garnishment notice was sent.

Your other option to avoid garnishment is to make a request for a hearing. You should

- make a hearing request in writing, postmarked no later than 30 days from the date the garnishment notice was sent;
- make a request for a hearing, even if you are requesting copies of documents, because requesting documents doesn't delay a garnishment order;
- provide proof to support any objection made to the existence, amount, or enforceability of the debt; and
- pay any expenses you incur to obtain legal representation and to attend an in-person hearing. (All in-person hearings are held at one of the three regional offices: Atlanta, Chicago, or San Francisco. You are responsible for the cost of attending and the cost of any witnesses that attend on your behalf.)

Your loan holder will arrange the hearing. The hearing may be held in person or on the phone or may be based simply on records you submit to make your case. A decision about whether your wages will be garnished will usually be made within approximately 60 days from the day that your hearing request is received.

If you are successful in your hearing, then your wages will not be garnished (for a period of 12 months) or the amount garnished may be reduced (partial garnishments are reviewed annually).

If you are unsuccessful in your hearing, then your wages will be garnished at the full 15-percent rate allowed by law.

For more detailed information about wage garnishment or the hearing process (including how to request a hearing), contact your loan holder. [If you don't know who your loan holder is, you can find out by logging in to "My Federal Student Aid."](#)

top

Find out [what to do if you believe your loan has been placed in default by mistake](#).

If my loan is placed with a collection agency, what other costs might I incur?

After you default, you are liable for the costs of collecting your defaulted federal student loans. The largest of these costs is usually the cost of placing your loan with a private collection agency. Before a defaulted loan is placed with a private collection agency, ED will explain what you can do to avoid both the assignment to a private collection agency and the reporting of default status to credit agencies.

If you do not enter into a repayment agreement for your defaulted federal student loans, ED will refer your loans to a private collection agency. Private collection agencies earn a commission for any payments you make on loans that ED has referred for collection. When you make a payment, the remainder is first applied to the amount of the commission that the private collection agency earned, with the remainder of the payment being applied to interest and principal on your loan. This is one reason that defaulting on your federal student loans can significantly increase the total cost of your loans.

On each billing statement, ED projects an estimate of the total amount needed to satisfy the debt on the date of the statement, including collection costs.

While the cost of placing your loan with a private collection agency is usually the largest collection cost you may face if you default, there may be other collection costs, such as Treasury offset processing fees and costs associated with potential civil litigation from the Department of Justice.

top

How do I contact a collection agency?

For the loans that it owns, ED currently contracts with the collection agencies that are identified below. If you've heard from a collection agency but aren't sure how to get in touch with them, review the collection agency contact information below. If you do not know which collection agency your account may have been assigned to, you may [contact ED's Default Resolution Group](#) for the agency's address and phone number.

Account Control Technology, Inc. P.O. Box 11750 Bakersfield, CA 93389-1750 1-866-887-2800	Action Financial Services P.O. Box 3250 Central Point, OR 97502 1-888-253-4239
Allied Interstate, LLC. P.O. Box 26190 Minneapolis, MN 55426 1-800-715-0395	Alltran Education P.O. Box 9088 Woodridge, IL 60517 1-888-377-5000
Bass & Associates P.O. Box 66080 Tucson, AZ 85728-5478 1-855-533-1107	Central Research P.O. Box 1460 Lowell, AR 72745-1460 1-844-804-8467
Coast Professional Inc. P.O. Box 2899 West Monroe, LA 71294 1-800-964-0881	Collection Technology, Inc. P.O. Box 2300 Rancho Cucamonga, CA 91730 1-800-620-4284
Collectro, Inc.dba EOS CCA P.O. Box 5369 Norwell, MA 02061-5369 1-800-896-4539	ConServe P.O. Box 457 Fairport, NY 14450-0457 1-866-633-7945
Credit Adjustments Inc. P.O. Box 5640 Manchester, NH 03108 1-800-347-9623	Delta Management Associates, Inc. P.O. Box 18001 Bedford, NH 03110-8001 1-866-441-1957
FH Cann & Associates P.O. Box 877 North Andover, MA 01845 1-877-677-9126	Financial Asset Management Systems, INC. (FAMS) P.O. Box 451437 Atlanta, GA 31145-1437 1-888-680-4326
FMS Investment Corp. P.O. Box 1423 Elk Grove Village, IL 60009-1423 1-877-291-8405	GC Services P.O. Box 27346 Knoxville, TN 37927 1-877-244-7901
Global Recoverable Solutions, Inc. 2120 Barrett Park Drive, Suite D Kennesaw, GA 30144 1-888-327-2305	Immediate Credit Recovery Inc. P.O. Box 965156 Marietta, GA 30066 1-866-401-7190
National Credit Services P.O. Box 766 Bothell, WA 98041-0766 1-800-445-9346	National Recoveries, Inc. P.O. Box 120666 St. Paul, MN 55112 1-877-221-9729
Performant Financial Corporation 323 North Canyon Parkway, Suite 100 Livermore, CA 94551 1-866-256-0057	Pioneer Credit Recovery, Inc. P.O. Box 228 Arcade, NY 14009 1-888-287-0317
Premiere Credit of North America, LLC. P.O. Box 19980 Indianapolis, IN 46219 1-855-217-0914	Professional Bureau of Collections of Maryland P.O. Box 3725 Englewood, CO 80155 1-844-225-5501
Progressive Financial Services P.O. Box 24098 Tempe, AZ 85285 1-800-745-2345	Reliant Capital Solutions P.O. Box 307290 Gahanna, OH 43230 1-877-404-8853
The CBE Group, Inc. P.O. Box 930 Waterloo, IA 50704-0930 1-800-410-8089	Transworld Systems, Inc. 507 Prudential Road Horsesham, PA 19044 215-441-3000
U.S. Department of Treasury Debt Management Services P.O. Box 786 Birmingham, AL 35201 1-855-837-2894	Van Ru Credit Corporation P.O. Box 1027 Skokie, IL 60076-8027 1-888-337-8331
Windham Professionals, Inc. P.O. Box 400 East Aurora, NY 14052 1-877-719-4440	

top

How do I contact ED's Default Resolution Group?

There are a variety of ways to contact ED's Default Resolution Group.

Regular Correspondence Address	U.S. Department of Education P.O. Box 5609 Greenville, TX 75403-5609
Payment Address	U.S. Department of Education National Payment Center P.O. Box 105028 Atlanta, GA 30348-5028 NOTE: If you mail a payment, you must write your name and account number on the face of your check or money order, and make it payable to the U.S. Department of Education. If you don't know your account number, you may provide your Social Security number instead.
Phone	1-800-621-3115 1-877-825-9923 TTY

top

What should I do if I am contacted by someone who wants to charge me fees to get my federal student loan out of default?

Contact the Default Resolution Group. If you are contacted by a company asking you to pay "enrollment," "subscription," or "maintenance" fees to help you get out of default, you should walk away. The Default Resolution Group can help you get your loan out of default for free. [Want to learn more? Read our blog post called "Don't Be Fooled: You Never Have to Pay for Student Loan Help."](#)

top

Prepare for College Explore Careers Career Search Checklists to Get Ready Choosing a School School Search Understanding College Costs Applying to Schools Budgeting Finding Help	Types of Aid Grants and Scholarships Loans Work-Study Jobs Aid for Military Families Avoiding Scams	Who Gets Aid Basic Eligibility Criteria Non-US Citizens Staying Eligible Regarding Eligibility	FAFSA® Process: Applying for Aid Estimate Your Aid Filing Out the FAFSA Dependency Status The FSA ID Next Steps After FAFSA Correcting Your FAFSA Comparing School Aid Offers Receiving Aid	How to Repay Your Loans Making a Payment Repayment Plans Loan Consolidation Deferment and Forbearance Forgiveness, Cancellation, and Discharge Understanding Default Contact the Default Loan	More Info Contact Us Feedback and Complaints Glossary Resources Announcements Events Data Center
--	---	---	--	---	--