



LOSFA

PRESS RELEASE



From the Louisiana Office of Student Financial Assistance

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LOSFA's Default Recovery Rate Improves Dramatically

BATON ROUGE - Figures recently released by the U.S. Department of Education show that during the first 5 months of the current Federal Fiscal Year (FFY), the Louisiana Office of Student Financial Assistance (LOSFA) saw a dramatic improvement in total recoveries of defaulted student loans. The new report ranks LOSFA 18th out of 35 guarantors with just under \$18.5 million in total recoveries. During the previous reporting period, ending 9/30/08, LOSFA ranked 26th.

The lower ranking in the previous FFY can be largely attributed to the sharp spike in defaulted student loans in Louisiana following Hurricanes Katrina and Rita. The subsequent recovery of those defaulted loans was substantially complicated by the displacements and disruptions that followed the storms.

LOSFA's strong performance in the current FFY can be attributed to the continued increase in defaulted accounts resolved through participation in the Federal Rehabilitation Program. This program is beneficial to defaulted student loan borrowers because all records of the default are removed from the credit bureaus and the borrower is once again made eligible for all the benefits of a borrower in good standing. The Rehabilitation Program requires the defaulted borrower to make 9 affordable monthly payments within a 10-month period, then have their loans purchased by LOSFA's rehabilitation lender, the Louisiana Public Facilities Authority (LPFA).

"In the current tight financial market, many Guarantors throughout the nation have been unable to secure a rehabilitation lender," said LOSFA Executive Director Melanie Amrhein. "We are fortunate that LPFA has stepped up to support Louisiana students by funding rehabilitation loans for our borrowers, ensuring they can benefit from this program," she added.

During the first 5 months of the current FFY, total LOSFA recoveries increased from \$14.3 million in the '07-'08 FFY to \$18.5 million this year. Rehabilitation dollars total over \$4 million dollars so far this FFY, which is more than double the amount rehabilitated during the same period in '07-'08, of \$1.7 million. This increase in rehabilitation dollars represents a large part of the overall increase in recoveries thus far in the FFY.

"Voluntary repayment is stressed during every contact with the borrower," said LOSFA Default Recoveries Administrator Byron Henderson. "The goal of LOSFA's Default Recoveries Section is to promote the benefits of voluntary repayment to borrowers," Henderson added. Those benefits include avoidance of garnishment, tax refund seizures, and denial of professional licenses and transcripts. These are all penalties of default and involve involuntary repayment of the debt. Voluntary payment also benefits the borrower in that it allows them to qualify for the Rehabilitation program and additional student loans.

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