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| CALSWEC-Logo-Color-Vertical-NoByline-transparent | **Repayments and Collections Policy Clarifications** | Insert your school’s logo here |

### Establishing the Repayment Plan

If a student, for any reason, is not able to meet the contractual obligation either during the education process or the employment period, a five-year repayment agreement must be established immediately with the student/graduate.

If the student/graduate refuses or you are unable to establish contact, follow the collection process and timeline below.

If the student/graduate is in a five-year repayment plan and misses three (3) consecutive payments and the student/graduate refuses to make further payments, or you are unable to establish contact, follow the collection process and timeline below.

### Collection Process and Timeline

*General Information:*

* The five-year repayment period begins when the repayment plan is established and the student begins paying. If the student does not immediately begin paying, the date of the plan marks the beginning of the five-year repayment period.
* Our understanding is that the Title IV-E stipend cannot be discharged in bankruptcy. Therefore, *Step Three* in the process is required *(see below).*

***Step One:*** To insure proper notification of the student/graduate, your school must send three (3) certified letters within nine (9) months. The notification should inform the student/graduate that they are in default of their stipend repayment and they must repay the amount owed. Be sure to let them know they must contact the school to set up a repayment agreement. Always include the five-year repayment agreement in these letters.

***Step Two:*** If no repayment plan is established during the initial nine-month period, the student/graduate must go into collections. This is done by referral to a collection agency. If after six (6) months, the collection agency is not able to establish a repayment agreement, then the student/graduate must be referred to the Tax Intercept Program.

***Step Three:*** When successful at recovering some of the stipend amount owed through the Tax Intercept Program, your school must seek reimbursement for five (5) tax cycles, at which time the student/graduate’s case will be closed by the Principal Investigator (PI).

### Repayment Plans Beyond Five (5) Years

The contract states that repayment agreements must not exceed five (5) years. However, if there is established financial hardship either through a collection agency or by a certified financial counselor, then a repayment agreement beyond five (5) years can be established. If a repayment plan beyond five (5) years is established, the school must make contact with the graduate on an annual basis to re-assess the ability of the student/graduate to either accelerate repayment or increase the monthly amount and to re-confirm financial hardship.

Overall, carrying repayment agreements beyond five (5) years must be an exception and should meet a high burden of financial hardship as determined by a collection agency or a certified financial counselor.

### Deferrals

When a student/graduate requests and receives a deferral of any kind, a repayment agreement must be established at that time, with a date for when payments will begin. At the point that the deferral period has elapsed, the five-year repayment cycle must begin.

If a student/graduate has an established repayment agreement and requests a suspension of repayment, they must meet the financial hardship burden indicated above. If that is met, an agreed upon deferral period must be specified. When that deferral period has elapsed, repayment must begin. The student/graduate will have a total of five (5) years in which to make payments, not including the approved deferral period.