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How to Negotiate Your Own Monthly Payment, Part 2

The Statement of Financial Status asks for pertinent identifying information, such as your Social Security number. The Department of Education also requests the name, phone number, and address of your employer. To some of you, this may seem like a big hassle. But it's nothing like the much greater hassle you could face down the road (keep reading about wage garnishments) if you get behind on your student loan payments and find yourself on the wrong side of the Department of Education. A much better alternative is to simply ask for help now.

State your case to the Department of Education as clearly and concisely as you can, letting the numbers speak for themselves. If your debts are unusually high, it can't hurt to include a brief statement—no more than one page, perhaps two at most—explaining the particulars of your circumstances. And here's a key point: make sure you know what the average costs are for various expenses in your region, like food, housing, transportation, and so on. You can find out this information by going to the website of the IRS.

If your expenses are out of whack with regional or national averages, be sure to state why it is that your costs are much higher. Don't just leave it up to some loan officer to look at the numbers alone and make a determination about you as if you were just a statistic. Give them a glimpse into the real life issues you're facing and your dire financial straits—without going overboard or being unnecessarily dramatic about things.

One of the best parts about this Statement of Financial Status is that the Department of Education puts you in the driver's seat. They ask you what's reasonable for you given your circumstances. They ask you to say how much you can afford to pay—and to show good faith by sending in a check for that amount. So the next step is for you to do just that: submit your statement and accompanying check for the proposed amount of the monthly payment you'd like, adhering to their rules precisely in all regards. Don't send cash; use a check or money order and write your Social Security number on it. I recommend that you mail the statement and check through the U.S. Postal Service, sending it certified mail, return receipt requested, to this address:

U.S. Department of Education
PO Box 4169
Greenville, TX 75403-4169

After this, it's a waiting game. You'll just have to sit tight and wait to get the department's response. If you've done a good job of documenting your expenses, and explaining why your bills are higher than normal, you should receive exactly what you requested. At the very least, you'll get a smaller payment than what your lender, guaranty agency, or the Department of Education originally sought.