

INSTRUCTION LETTER

INSTRUCTION NUMBER: WIOA # 18-03
TO: Upstate Workforce Area Contractors
SUBJECT: WIOA Participation and Federal Student Loan Defaults

DATE ISSUED: August 3, 2018 **DATE EFFECTIVE:** Immediately **DATE EXPIRES:** Indefinitely

PURPOSE: To issue revised state policy regarding serving individuals who are in default on a federal student loan. This policy rescinds State Instruction 95-011

REFERENCES: Workforce Innovation and Opportunity Act, Public Law 113-128, Sections 134(c)(3)

BACKGROUND: The U.S. Department of Education released new data in October 2017 regarding student debt and repayment, which indicates student debt is at an all-time high. Based on trends over the past twenty years, the latest data suggests that 40% of new borrowers from 2003-2004 are likely to default by 2023.

Workforce Innovation and Opportunity Act (WIOA) programs provide resources and increase access to the services, education, and training that individuals need to succeed in the labor market. WIOA funding for training is limited to participants who are unable to obtain grant assistance from other sources to pay for the cost of training or require assistance beyond that available from other sources.

POLICY: An individual who is in default on a federal student loan, but is otherwise eligible, may receive WIOA Title I services. WIOA funds may be used for classroom training for an individual in default on a federal student loan. However, prior to receiving WIOA-funded classroom training, the participant must enter into an agreement with the loan servicer to begin the process of curing the federal student loan default. Once the participant has provided evidence of this agreement, WIOA funds may be used to pay for training regardless of where the participant is in the process of fully curing the default. Documentation of the agreement must be saved in SC Works Online Services (SCWOS) with a corresponding case note.

When applicable, case managers must provide counseling on how to cure a student loan default. There are two ways to get out of default on a student loan in addition to payment in full: Loan Rehabilitation and Loan Consolidation. There are pros and cons to each and limitations on which option an individual may choose. Attached is a desk reference to assist case managers in providing information to a participant. This information is not exhaustive. Case managers should provide any additional information as necessary to help the participant cure the default.

ACTION: Ensure that all appropriate staff receive and understand this policy.

INQUIRIES: Questions may be directed to Dana Wood wood@upstateworkforceboard.org or 864-596-2028 TTY:711.


Ann Angermeier, Director

Source: Source: State Instruction Letter 18-03, Replaces Local Instruction Letter 08-05