

August 2008



DCSD

Debt Counsel for Seniors & the Disabled

HELP WANTED:

**DCSD is looking
for Debt
Counselors.
Flexible hours.
Good Pay.
Opportunity to
help seniors and
the disabled. Be
part of this
expanding debt
relief business.**

**If you or a family
member or friend
is interested,
please call 1-800-
992-3275 ext 1004
and speak to Tess.**

New Rules for Student Loan Disability Discharges, Effective July 1

The government has an aggressive arsenal of collection tools to use against borrowers who are behind on federal student loans. This is why the limited, but powerful, statutory loan discharge programs are so important—they are one of the few tools available to borrowers to completely eliminate student loan debt.

The total and permanent disability discharge is available to borrowers regardless of the type of school they attended or when they took out their federal student loans. The tricky part is getting through the Department of Education's (DOE) bureaucratic maze and proving that a borrower meets the eligibility criteria. Final rules issued in November 2007 make the maze somewhat easier to deal with, as of July 1, 2008.

Disability Onset Dates Will No Longer Be Required

The most important change that the new rules make to the disability discharge program is that physicians will no longer have to specify a disability onset date for a borrower seeking a disability discharge. Instead, the doctor certifies that the borrower is totally and permanently disabled as of the date the doctor signs the form.

The standard for total and permanent disability remains the same, requiring a doctor to certify that the borrower is unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death. If the DOE accepts the doctor's certification, the borrower is preliminarily approved for discharge. The borrower is then placed in a three-year conditional period, starting on the date the doctor completed and certified the application. Under current rules, the conditional period begins from the doctor-certified disability onset date. If the onset date is more than three years earlier than the application date, the conditional period is completely retroactive.

The rules for the conditional period remain the same. Borrowers qualify for a final discharge as long as any annual earnings from employment do not exceed 100% of the poverty level for a family of two, and as long as they did not receive a new federal student loan during the conditional period.

The new rules should make the process more efficient for some borrowers. Under the current system, many borrowers are disqualified when their doctor provides a disability onset date that is earlier than the date the borrower took out the student loan. The borrower is not eligible in these circumstances unless she only had a medical "condition" at the time she took out the loans which later substantially deteriorated to the point of total and permanent disability. However, the Department has been very restrictive (and often wrong) in implementing these rules. Further, many doctors are confused by the current application form which requires them to provide a date when the condition began and a date when the total permanent disability began.

For help with this procedure call the Department of Education Ombusman at 1-877-557-2575.

SHOULD YOU SELL YOUR LIFE INSURANCE POLICY TO RAISE CASH FOR NECESSITIES

Law-makers in several states recently passed legislation to outlaw a practice that critics say preys on America's elderly: an insurance transaction in which investors persuade seniors to purchase high-dollar life insurance policies and then transfer a significant portion of the death benefits to strangers.

Known as stranger-originated life insurance, or STOLI, the practice has become prevalent nationwide, particularly as Baby Boomers inch toward retirement and insurance options are aggressively marketed to an aging U.S. populace.

The essence of a STOLI transaction is this: An investor entices a consumer; almost always someone elderly, to take out a large life insurance policy, often in excess of \$1 million. The investor frequently sweetens the deal by paying the premiums for the consumer. In exchange, the insured person agrees to sell the policy making the investor the beneficiary for an upfront, fast-cash cut of what will be the policy's eventual death payout.

The insurance industry, one of the most powerful lobbying groups in the nation, has complained bitterly about STOLI, alleging it is blatant fraud for a consumer to buy a policy with the express goal of turning a profit by selling the policy to an outside investor.

State legislators have agreed in large numbers, saying that such "wagering on death", as the practice has become known, should be criminal.

The selling off of life insurance policies is not new. An entire industry-known as the viatical or life-settlement industry emerged in the late 1980s in response to the AIDS crisis, when thousands of people found themselves suddenly too sick to work and desperate for cash.

Even the life-settlement industry has been critical of STOLI. Doug Head, executive director of the Life Insurance Settlement Association, likened the practice to "a kid outside the 7-Eleven getting a bum to go in and buy booze for him."

Yet Head also cautioned against many of the legislative steps that some states are taking. He worries about blanket bans on selling life insurance policies for five years after they are purchased, a move he believes takes too much control away from consumers who might be selling their policies for valid reasons.

As much as the insurance industry has painted STOLI as a predatory practice, many consumers have enjoyed their windfall. Those who rake in big profits for doing next to nothing other than signing up for big insurance policies have frequently been happy with the deals they've cut, Head said.

Head questioned how prevalent STOLI has become, indicating that the insurance industry wants states to ban it because it cuts into profits by reducing the standard number of lapsed policies.

Before deciding whether you wish to sell your life insurance policy consider the real reason doing so. If you need the money to pay for something you need to improve the quality of your life, you may want to sell. In other words sell only if you need to.

REFER A FRIEND AND/OR FAMILY MEMBER & RECEIVE \$10 OFF YOUR NEXT BILLING STATEMENT! HELP SAVE THEM FROM THE STRESS & THREATS OF DEBT COLLECTORS

Fill out the required information & send this coupon to the DCSD office with your monthly fee

Your Name: _____

Your Client ID: _____

Name of Referral: _____

Address of Referral: _____

Phone Number of Referral: () _____

If the person (s) you refer join DCSD you will receive \$10 off your next billing statement.

REFER BY PHONE TO SYLVIA OR BONNIE AT 1-800-992-3275 ext. 1700