



Consequences of Loan Default

10 Ways to Avoid Default

Your financial situation is strengthened when you avoid default. The best way to avoid default is to build a relationship with your lender or servicer, especially when you cannot make your payments. Your lender or servicer will assist you with any problems you may experience during the repayment of your student loan. Stay on top of the situation by following these 10 guidelines:

1. Understand your rights and responsibilities regarding your repayment obligation as well as your repayment options.
2. Borrow for college expenses only. Borrow only the amount you need and only what you can reasonably expect to be able to repay.
3. Keep all records regarding your loan. Make copies of all letters, cancelled checks, and any documents you sign.
4. Notify your lender or servicer when you have a change of address, phone number, or name, or if you change schools or your enrollment status.
5. Seek help as early as possible if you have any difficulty maintaining your student loan repayment arrangement.
6. Talk to your lender or student loan guarantor if you have any questions about the particular terms of your loan.
7. Keep credit card debt to a minimum or avoid credit card debt completely.
8. Create and maintain a budget that is within your monthly income.
9. Consider making nominal loan payments while in school. This will reduce the amount you owe after graduation.
10. Make loan payments on time.

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Straying away from these guidelines could result in dire consequences. The same can be true if you miss several payments on your loan. If it becomes 270 days past due, your loan will be considered in default. What happens if you default on your student loan? Failure to repay your loan may result in any or all of the following:

- Adverse credit when the default is reported to all national credit bureaus. This may affect your ability to obtain financing for cars, houses, etc.
- Default reported to the Internal Revenue Service, causing federal and/or state tax refunds to be withheld and applied to the loan balance
- Garnishment of your wages
- Collection of necessary costs involved with collecting your debt
- Your loan will be assigned to a collection agency
- Loss of other federal or state payments
- Loss of eligibility for further assistance from any Title IV Program
- Loss of eligibility for repayment options, deferments, and interest benefits as described on the Master Promissory Note
- Denial of professional licenses (in some states)
- Lawsuit and the liability of court-legal expenses