

STUDENT LOAN DEFAULT

What is default?

For a Federal Perkins Loan, default occurs if you don't make an installment payment when due or don't comply with the promissory note's other terms. Default for a FFEL or Direct Loan occurs if you become 270 days delinquent (if you're making monthly payments) or 330 days delinquent if you pay less often than monthly.

What happens if I default?

The consequences of default are severe:

- The *entire* loan balance (principal and interest) can be immediately due and payable.
- You'll lose your deferment options.
- You won't be eligible for additional federal student aid.
- Your account might be turned over to a collection agency. If so, you'll have to pay additional interest charges, late fees, collection costs, and possibly court costs and attorney fees. These costs will really add up, and it will take you even longer to pay off your student loan.
- As mentioned earlier, your account will be reported to national credit bureaus, and your credit rating can be damaged. You might find it very difficult to receive other types of credit, such as credit cards, car loans, or mortgages. Because many landlords do credit checks it might be hard to rent an apartment. Some employers check to see if you're responsible by looking at your credit rating, so bad credit could even affect getting a job. On top of this, your default will remain on your credit report for up to *seven years*.
- Your federal income tax refunds (and in some states, your state income tax refunds) might be withheld and applied toward your loan repayment. This happens a lot to defaulters, and it can really hurt if you were counting on that refund.
- Your employer, at the request of the loan holder, may withhold (garnish) part of your wages.
- You might be unable to obtain a professional license in some states.

Do these sound serious? They are, so don't let any of them happen to you! Make sure to contact your lender as soon as you think you might have trouble making payments. Don't ignore any calls or letters from your lender or servicer, either. Putting things off is never the answer because these loans won't go away; talk to your lender and discuss all of the options for making payments easier. Get the details from your lender/servicer on how you can benefit from these options. Don't default!

The Heart of Appalachia Educational Opportunity Center can assist you in getting your loans out of default!

Call to schedule an appointment today. A counselor will sit down with you one-on-one and walk you through each step.

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