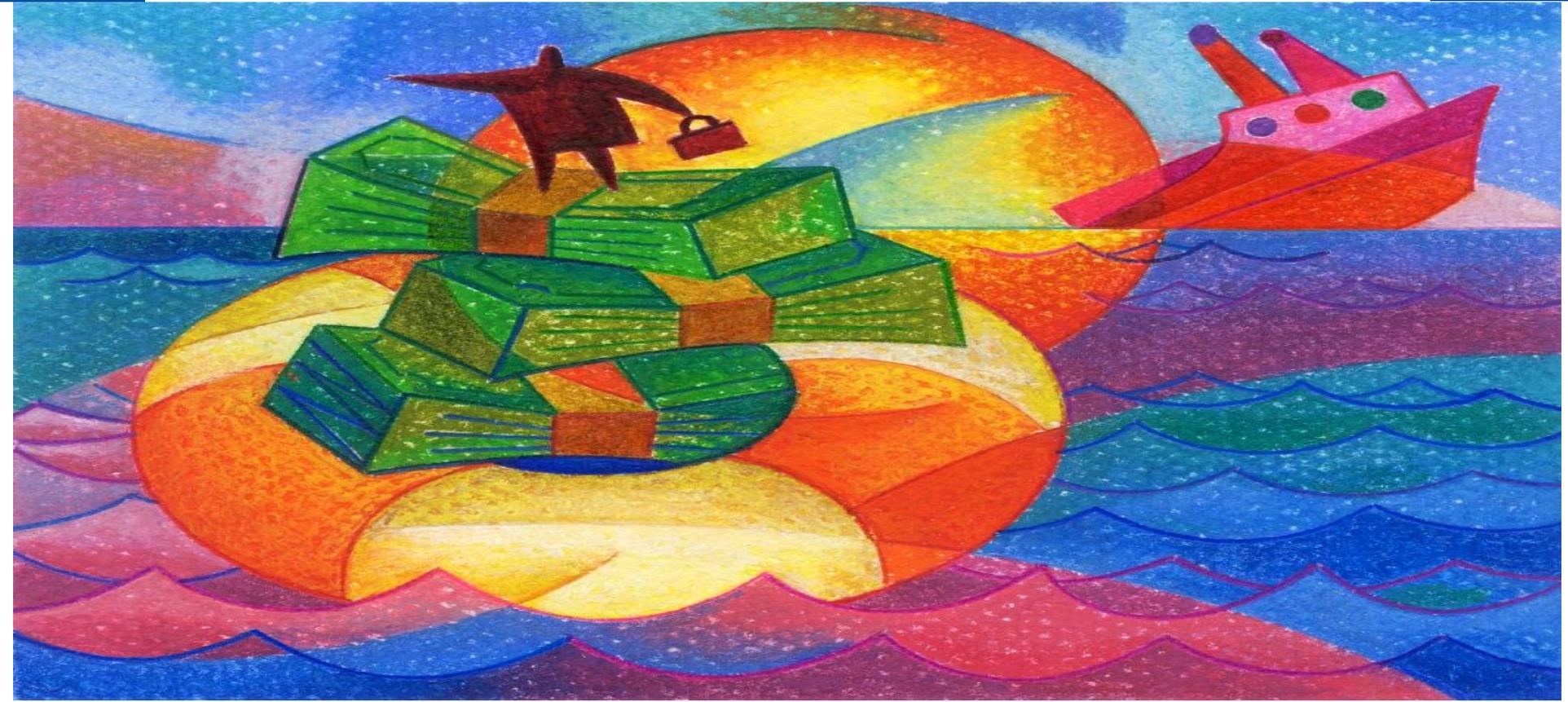




# SAVANNAH STATE UNIVERSITY FINANCIAL AID - STUDENT LOAN DEFAULT PREVENTION



# STUDENT LOANS

Avoid Defaulting on Your Student Loan

*Violating your loan agreement can have severe consequences.*



# WHAT IS DEFAULT?

Default occurs when you have made no payments on your student loan for at least 270 days. When you default you have violated your loan agreement, and the lender or servicer can request immediate payment in full.

You don't want to default on your student loans — take our word for it! Doing so can mean long-lasting, negative consequences to your financial future. Planning early for repayment can help you avoid those problems.

WHICH ONE DO YOU WANT TO BE?



# 10 TIPS TO HELP YOU AVOID DEFAULT

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 expect to repay.
  3. Keep all records regarding your loan. Make copies of all letters, canceled checks, and any forms 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.
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# 10 TIPS TO HELP YOU AVOID DEFAULT

6. If you have any questions, talk to your lender or student loan guarantor 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 student loan payments while in school. This will reduce the amount you owe after graduation.
10. Make loan payments on time.



# PAYMENT OPTIONS

What can I do?



**Alternative payment plans** — You may qualify for income sensitive, graduated, or lowered payment plans.

*Income sensitive payment plan* - If you choose this plan, your monthly payments will be adjusted annually, based on your expected total monthly gross income from all sources.

*Graduated payment plan* - If you choose this plan, you will usually make lower monthly payments at first, and your payments will increase over time.

*Extended payments* - This option allows borrowers with FFELP loans in excess of \$30,000 to repay over a 25-year period.

**Deferment** — You may postpone your payments if you qualify for an economic hardship, in-school, unemployment, or disability deferment. Qualification is determined by current economic, enrollment, employment, or disability status. You are entitled to any of these deferments if you qualify.



**Forbearance** — You may qualify for a mandatory or economic hardship forbearance. Your lender/servicer will determine if you are eligible for an economic hardship forbearance.

**Consolidation** — You may be eligible to consolidate your loans through your lender/servicer under the Federal Family Education Loan Program (FFELP) or through the Federal Direct Consolidation Loan Program (FDCLP). Loan consolidation often reduces your monthly student loan payment.



# WORKING WITH YOUR LENDER



# WORKING WITH YOUR LENDER

Your lender would rather work with you to help you repay your loan than have you completely give up on repaying it. If they don't know why you aren't making payments, they can't help you figure out if there's any help available to you.

Contact your lender if you:

- Leave school,
- Change schools,
- Change your graduation date ,
- Graduate,
- Change your enrollment status from full-time to less than half time,
- Change your deferment status,
- Change your name, address, and/or phone number, or
- Have trouble making your loan payment.

# CONSEQUENCES OF DEFAULT

Discover why defaulting on your student loans can negatively impact your life.

## WHY SHOULD YOU CARE?

**Because default can have long-lasting, negative consequences on your financial future!**



# WHAT ARE THE CONSEQUENCES OF STUDENT LOAN DEFAULT?

- Higher interest or denial of credit — Your credit can be seriously damaged if you default on your student loan. This damage to your credit will affect the interest rates on future loans you are offered and can result in denial of credit opportunities outright.
  - Responsible for collection fees and costs — When you have a defaulted loan, you are charged additional collection fees and costs associated with your loan collection that can substantially increase your loan balance.
  - Wages garnished — Under wage garnishment, a certain percentage of your income may be withheld by your employer and sent to your loan holder to pay for a defaulted student loan.
  - IRS funds withheld — If you default on your student loan, your loan holder has the authority to seize your tax refund and other federal payments to which you are entitled to apply toward your outstanding loan balance.
  - Lottery winnings withheld — If you win the lottery, the winnings can be seized and applied toward a defaulted loan.
  - Legal action — In extreme circumstances, the holder of a defaulted loan may take legal action against you to force you into repayment.
  - Professional license withheld — You may have your professional license (e.g., cosmetology, real estate, medical) withheld. To have the license reinstated, you must have an established repayment arrangement with your loan holder before a release letter will be sent to the licensing agency.
  - No more federal financial aid — If you default on your student loan, you will be ineligible for further federal financial aid unless your eligibility is reinstated.
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# EXCUSES, EXCUSES, EXCUSES...

- ❖ The monthly payments are too high for my income.
- ❖ I need to wait a while before I begin repayment to save some money.
- ❖ I can't find a job.

Whatever the reason is for not making your monthly student loan payment, you should contact your lender or guaranty agency. They will work with you to arrange a repayment option that is best for your financial situation.

## Remember

**By successfully managing the repayment of your student loans, you can meet your obligations, avoid financial problems, and help assure a clean financial record for your future.**



SORRY!

# OPTIONS AFTER DEFAULT

So, you defaulted on your student loan. Maybe you didn't have the money. Maybe you weren't very well organized. Whatever your reasons for defaulting, now what? Believe it or not, it's still possible to avoid some of the negative consequences and maybe even restore some of the benefits you lost when you went into default.



## **If default occurs, you should:**

Contact your guaranty agency, or the holder of your defaulted loan. The guaranty agency can counsel you about the best options for resolving your default.

Establish a new repayment agreement by:

- ✓ Reinstating your eligibility for federal financial aid by making six consecutive, on-time, full, voluntary monthly payments to the holder of each defaulted loan.
  - ✓ Rehabilitating your defaulted loan(s) by making 12 on-time, full, voluntary monthly payments to the holder of each defaulted loan.
  - ✓ Consolidating your loans. A defaulted borrower is eligible to consolidate if he or she makes three consecutive, on-time, full, voluntary monthly payments to the holder of each defaulted loan.
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- Stick to your repayment agreement. You can always get back on track by establishing a good repayment habit.
  - Apply for aid as early as possible if you need additional federal aid so that your school has your financial aid application data on file and is ready to award you once your eligibility for federal financial aid is reinstated.
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# OPTIONS AFTER DEFAULT

## **Satisfactory Repayment Arrangements and the Rehabilitation Program**

In addition, defaulted borrowers also have the options of Satisfactory Repayment Arrangements and the Rehabilitation Program. Not all default borrowers are eligible for these programs. Check with your lender or guarantor to find out if you can benefit from either of the following options.

# OPTIONS AFTER DEFAULT

## SATISFACTORY REPAYMENT ARRANGEMENTS

If you are in default, the Satisfactory Repayment Arrangements program can restore eligibility consideration for Title IV benefits (i.e., federal grants, federal student loans) to you so that you may obtain additional financial aid. However, complying with the requirements outlined for Satisfactory Repayment Arrangements will not remove the default status from your account or credit history.

### To participate in this program:

- You must make the request for Satisfactory Repayment Arrangements with the guaranty agency that holds your student loan.
- You must make six (6) consecutive monthly loan payments of a reasonable and an affordable amount on the scheduled due dates. The monthly payment amount will be determined after considering the balance on your account and your ability to pay.
- A monthly budget detailing your expenses may be required.
- You must continue to make payments after the initial six-month period.

## REHABILITATION PROGRAM

This program is also designed to restore financial aid eligibility to defaulted borrowers. If you meet the requirements outlined in the Rehabilitation Program, several things may result:

- An eligible lender could purchase your defaulted student loan.
- Your defaulted student loan would then be removed from default status.
- The default entry on your credit report would be removed. Your student loan benefits (deferments, repayment options, forbearance eligibility, etc.) might also be re-established.

To find out if you're eligible to participate in this program, contact the agency that guaranteed your student loan.

### To participate in the program,

you must make twelve voluntary consecutive monthly payments of a reasonable and an affordable amount on the scheduled due dates. The monthly payment amount will be determined after considering the balance on your account and your ability to pay. You might have to supply a monthly budget detailing your expenses.

**After the initial twelve-month period, payments must be continued if a deferment or forbearance has not been granted.**

# DEFERMENT AND FORBEARANCE

Sometimes a borrower is faced with circumstances that make it difficult to make payments on a loan. If you face such a situation, you might qualify for a deferment or forbearance that will allow you to adjust or postpone your loan payments.

## Deferment

A deferment is a period of time during repayment in which your lender postpones your regular loan payments, if you meet certain conditions. During a deferment period, the government will pay the interest on your subsidized loan. If you have an unsubsidized loan, you must pay the interest that accrues during the deferment (or let it accrue and have it added to the principal when the deferment is over).

**Generally, a deferment is a borrower entitlement. So, if you demonstrate eligibility for a deferment and provide the lender with the necessary documentation required to establish eligibility, your deferment request may not be denied.**

## In general, deferments are granted for:

- Enrollment in school, on at least a half-time basis;
- Study in a graduate fellowship program;
- Participation in a rehabilitation training program for disabled individuals;
- Unemployment;
- Economic hardship; or
- Military service.

Other types of deferments might also be available to certain borrowers. Check with your lender or the company that services your loan for more information.

**Remember, you must apply for deferments; they aren't granted automatically**

# DEFERMENT AND FORBEARANCE

## Forbearance

A forbearance is a period of time during which your lender may reduce or suspend your regular loan payments, or lengthen your repayment period because you have a financial hardship (but do not qualify for a deferment). Unlike deferments, the federal government will not pay the interest that accrues on subsidized loans during a forbearance period.

A forbearance is usually granted at the lender's discretion. However, most lenders are willing to help you through tough times to prevent default. **But it's your responsibility to contact the lender as soon as you realize you are experiencing financial hardship.**

# DEFERMENT REQUESTS AND DOWNLOADABLE FORMS

Deferment requests must be made by speaking or writing directly to your lender. To apply for a deferment, download the appropriate form, complete and sign the form, and mail the form to your lender or the company that services your loan. (Do not mail the forms to SSU— that will only delay the process.)

Remember that each deferment request must be approved before your payments will be postponed. Check with your lender or the company that services your loan for more information.



## MAKE IT HAPPEN

SSU wants you to have a future that is free of financial stress.

Prevent defaulting on your student loan today by calling your lender.

**You'll be glad you did!**



# QUESTIONS? WE'VE GOT ANSWERS!

**Visit your Financial Aid Office today!**

Apply for Financial Aid

[www.fafsa.gov](http://www.fafsa.gov)

Access Your Federal Loan Records

[www.nslds.ed.gov](http://www.nslds.ed.gov)

Direct Loans

[www.dlsvicer.ed.gov](http://www.dlsvicer.ed.gov)

Georgia Student Finance Commission

[www.GAcollge411.org](http://www.GAcollge411.org)

