If you don’t make your loan payments, you risk going into *default*. Defaulting on your student loan(s) has serious consequences. Loans must be repaid.

What is default?

To default means you failed to make your payments on your student loan as scheduled according to the terms of your *promissory note*, the binding legal document you signed at the time you took out your loan.

How is missing a payment a problem?

Your loan becomes *delinquent* the first day after you miss a payment. The delinquency will continue until all payments are made to bring your loan current. Loan servicers report all delinquencies of at least 90 days to the three major credit bureaus. A negative credit rating may make it difficult for you to borrow money to buy a car or a house (you will be charged much higher *interest* rates). You also may have trouble signing up for utilities, getting home owner's insurance, getting a cellphone plan, or getting approval to rent an apartment (credit checks usually are required for renters). It is important to begin repaying as soon as you receive a bill. Keep track of your student loan and learn how to manage your loan repayments.

How do to avoid default?

If you are having trouble making payments on a loan from the William D. Ford Federal *Direct Loan* Program immediately contact your loan servicer, the agency that handles the billing and other services for your loan.

What should you do if my loan is in default?

If you have defaulted on any of your federal student loans, take the following steps:

- Contact the agency that is billing you.
- Explain your situation fully.
- Ask them what options are available to get out of default.
- Ask them to work with you.

What are the consequences of default?

The consequences of default can be severe:

- The entire unpaid balance of your loan and any interest is immediately due and payable.
- You lose eligibility for *deferment*, *forbearance*, and repayment plans.
- You lose eligibility for additional *federal student aid*.
- Your loan account is assigned to a collection agency.

- The loan will be reported as delinquent to credit bureaus, damaging your credit rating. This will affect your ability to buy a car or house or to get a credit card.
- Your federal and state taxes may be withheld through a tax offset. This means that the Internal Revenue Service can take your federal and state tax refund to collect any of your defaulted student loan debt.
- Your student loan debt will increase because of the late fees, additional interest, court costs, collection fees, attorney's fees, and any other costs associated with the collection process.
- Your employer (at the request of the federal government) can withhold money from your pay and send the money to the government. This process is called wage garnishment.
- The *loan holder* can take legal action against you, and you may not be able to purchase or sell assets such as real estate.
- Federal employees face the possibility of having 15% of their disposable pay offset by their employer toward repayment of their loan through Federal Salary Offset.
- It will take years to reestablish your credit and recover from default.

What if your loans are in default, but you think it's an error?

If you believe your loan has been placed in default by mistake, you may be able to correct the error. Contact your loan servicer if you feel there is an error.

To find information on your federal student aid, visit the National Student Loan Data System (NSLDS). Servicer information is located at the NSLDS website www.nslds.ed.gov.

Information provided by the Department of Education and additional information can be located at www.studentaid.gov.