

Loan Default Prevention

Investing in your education is one of the most valuable decisions you can make for your future, and we are here to support you every step of the way. Our commitment is not only to help you build a successful career but also to ensure that you manage your student loans wisely. We understand the significance of your investment and the potential challenges of loan repayment. That's why we've developed a comprehensive Loan Default Prevention Plan designed to keep you on track and secure your financial future. The plan below outlines practical steps to avoid default and underscores the importance of proactive management, so you can focus on your career without the burden of financial setbacks.

Failing to make student loan payments for 270 days results in default, at which point the entire balance—including principal, interest, and collection fees—becomes immediately due. Default indicates that you have not met the repayment terms outlined in your promissory note, the legal agreement you signed when taking out your loan. In the event of default, your school, loan servicer, loan guarantor, and the federal government may take various actions to recover the debt.

Twelve Ways to Avoid Default

1. **Borrow Wisely** – Only borrow what you need for necessary college expenses and what you can realistically repay.
2. **Know Your Rights & Responsibilities** – Understand your repayment obligations and all available options before committing to your loan.
3. **Understand Your Loan Terms** – Familiarize yourself with the specifics of your loan, including repayment conditions, deferment, and forbearance options.
4. **Create a Budget** – Develop and maintain a monthly budget that aligns with your income to ensure you can meet your repayment obligations.
5. **Manage Other Debts Wisely** – Keep credit card and other debts to a minimum or avoid them altogether to protect your financial health.
6. **Make Early Payments** – Consider making small payments while still in school to reduce your principal balance and future interest charges.
7. **Consider Income-Driven Repayment Plans** – If your payments are challenging, switch to a plan that adjusts your monthly obligations based on your income and family size.
8. **Set Up Automatic Payments** – Enroll in automatic payments to ensure you never miss a due date, and take advantage of any available interest rate discounts.
9. **Keep Records** – Save copies of all loan documents, letters, canceled checks, and any other related paperwork for future reference.
10. **Stay in Touch with Your Loan Servicer** – Promptly notify your servicer of any changes in your address, phone number, name, school enrollment, or status.

11. **Seek Help Early** – If you encounter payment difficulties, reach out to your loan servicer immediately to explore your options before falling behind.
 12. **Explore Loan Forgiveness & Assistance Programs** – Research programs like **Public Service Loan Forgiveness (PSLF)** or **Teacher Loan Forgiveness** that may help reduce or eliminate your loan balance.
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Consequences of Default

- **Damage to Your Credit** – Default is reported to all national credit bureaus, potentially impacting your ability to secure loans for vehicles, homes, or other financial needs.
 - **Tax Refund Seizure** – The IRS may withhold federal and/or state tax refunds to help repay your outstanding balance.
 - **Loss of Federal & State Aid** – Defaulting can render you ineligible for additional student aid or other government benefits.
 - **Wage Garnishment** – A portion of your paycheck may be deducted automatically to satisfy the debt.
 - **Collection Costs** – You may incur additional fees related to the collection process.
 - **Assignment to a Collection Agency** – Your loan could be transferred to a collection agency, resulting in further fees and penalties.
 - **Loss of Repayment Flexibility** – Default may result in the loss of access to deferment, forbearance, and income-driven repayment options outlined in your Master Promissory Note.
 - **Professional Licensing Issues** – In some states, a loan default can lead to the denial or revocation of professional licenses.
 - **Legal Action** – You could face lawsuits, incurring court costs and legal fees.
 - **Limited Housing & Employment Opportunities** – A default on your credit report may affect your ability to rent an apartment or secure employment that requires a solid credit history.
 - **Increased Loan Balance Due to Fees & Interest** – Late fees, capitalized interest, and collection charges can significantly inflate your total debt, making repayment even more challenging.
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Taking proactive steps to manage your loans is essential for avoiding default. If you need assistance or have any questions about your student loans, contact your loan servicer immediately. For further details, visit the [Federal Student Aid website](#). For an individual meeting to best support you simply come to the Financial Aid office and we would be happy to support you.