



Federal Student Loans: Avoiding Default

If you fail to make payments (become “delinquent”) on your federal student loan as specified by the terms of your loan agreement, you may be in danger of defaulting on your loans. Default on Federal Student Loans occurs if you become 270 days delinquent (if you’re making monthly payments) or 330 days delinquent (if you pay less often than monthly).

It never pays to delay payment. The consequences of default are serious and may affect your credit rating and financial well-being for years.

Consider the following consequences of default:

- Your entire loan balance (principal and interest) can be immediately due and payable.
- You lose your loan forbearance and deferment options.
- You may not be eligible for additional Federal student aid in the future.
- Your account will be reported to national credit bureaus, and your credit rating will be damaged.
- Once you’ve defaulted, you may find it difficult to receive other types of credit – such as credit cards, car loans, or mortgages. In addition, since some landlords do credit checks, it may be more challenging to rent an apartment.
- Your Federal income tax refunds (and in some States, your State income tax refunds) may be withheld and applied toward your loan repayment.
- Your employer, at the request of your loan holder, may withhold (garnish) part of your wages.
- You may not be able to obtain a professional license in some States.

Ask for help. Your loan holder and loan servicer **are there to help** should you have difficulties making payments. **And don’t wait to call if you have any questions or concerns.**

Take matters into your own hands. Maintain a relationship with your loan holder or loan servicer. Report any change in your name, address, telephone number, or enrollment status to your loan holder or loan servicer. This will help you keep your information up-to-date and avoid any confusion that may cause you to miss payments.

Tips for Preventing Default

Avoiding loan default is in your best interests – take the steps needed to meet your repayment obligations and avoid default.

Here are some tips to help you avoid default:

- **Keep your eye on the prize.** Remember, it may take some sacrifices, but avoiding default is in your best interests. A good credit record will help provide you with greater financial independence and security.
- **Ask your loan holder or loan servicer** for advice about your repayment plan options upon entering repayment and if you run into financial difficulties.
- **Know the amount** of your monthly loan payments and when these payments are due.
- **Set reminders** on your calendar so that you don't forget to pay.
- **Send in loan payments when due each month, in the full amount.** Or, consider talking to your lender or loan servicer about having your payments automatically withdrawn from your checking account. Some lenders may even reduce your interest rate if you sign up for the automatic payment withdrawal system – and a lower interest rate will save you money in the long run.
- **Develop and maintain a realistic budget.** Tracking your monthly spending will help you better uphold your financial obligations. Review your current and projected income and then establish financial goals to take into account all of your “needs” and your occasional “wants.” If you're having trouble making ends meet, call your loan holder or loan servicer to see if alternative loan repayment plans are available.
- **Minimize** credit card and other high interest debt.
- **Get help.** People are there to help you! Talk to your loan holder and loan servicer for advice about avoiding default and for finding the repayment plan that best meets your needs.

Contact the financial aid office at the college or university you attend or a [nonprofit student loan provider near you](#) for more information. Also, consider visiting EFC's financial literacy online homepage at www.efc.org for additional information and tools that will help you make good financial decisions along your path to college.