

## Don't Be Overwhelmed by Debt

If you are unable to make payments on your student loan, you may be eligible for a deferment or forbearance.

**Deferment** is the postponement of payments for which you may qualify under certain circumstances. Your eligibility is affected by loan type and the specific terms stated on your promissory note. If you have a subsidized Federal Stafford Loan, the government will pay the interest on your loan during the deferment period. If you have an unsubsidized Federal Stafford Loan or Federal PLUS Loan, you are responsible for paying the interest that accrues during the deferment.

**Forbearance** is a period of time during which your loan holder may reduce or suspend your regular payments. When you are willing but temporarily unable to make full or partial payments and do not qualify for a deferment, forbearance may be granted at the loan holder's discretion. Interest continues to accrue on all loan types during forbearance.

### Get A Head Start by Checking Out These Sites

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

Our website offers informational resources for students enrolling in or preparing for college and parents with college-bound children.

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

Mapping Your Future's mission is to counsel students and families about college, career, and financial choices through a state-of-the-art public service website.

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

The Federal Student Aid website is a good source for information about the financial aid process. It will guide you from beginning to end, including loan repayment.

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

The U.S. Department of Education's website allows you to explore college or career training and compare programs, costs, and academic requirements at more than 9,000 postsecondary schools. It provides a guide to information about grants, loans, work-study, and tax credits for education as well as how to apply for them.

## About SLGFA

SLGFA was established in December 1966 and has become a mainstay in the financial aid community by maintaining long-standing relationships with the Arkansas schools, students, and families that we serve.

Teaching financial literacy and debt management skills are a priority at SLGFA. We conduct workshops and training for students, parents, and schools. SLGFA's Default Prevention Department consists of trained counselors and staff who provide information and options to borrowers who are experiencing difficulties making their payments.

If you have questions or concerns about repayment of your student loan, don't be afraid to ask for help. Having trouble making payments? Contact DANA\* at 800.622.3446, ext. 655 or at [dpdana@slgfa.org](mailto:dpdana@slgfa.org) for information and/or forms you might need to avoid default.

\*DANA is **Default Assistance Now Available**, a service provided by SLGFA's Default Prevention Department.



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Little Rock, Arkansas 72202-1884

Phone: 800.622.3446

E-mail: [slgfa@slgfa.org](mailto:slgfa@slgfa.org)

Website: [www.slgfa.org](http://www.slgfa.org)

[www.facebook.com/slgfa](http://www.facebook.com/slgfa)

[www.youtube.com/teammslgfa](http://www.youtube.com/teammslgfa)

*Student Loan*

*Default Prevention*

## Solving the Puzzle of Student Loan Management



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

## Manage Your Educational Debt

As a borrower of a Federal Student Loan, it is up to you to accept the responsibility of repaying your student loans. The key elements of debt management are knowledge and planning. Learning about your educational debt will allow you to plan for repayment. Be aware of your choices by reviewing the various repayment options available below; then contact your loan holder to see if you qualify.

### REPAYMENT OPTIONS

**Standard:** The monthly payments for this plan are fixed and remain the same until the loan is repaid in full. The minimum monthly payment is \$50 and may be higher in order to pay off the loan in 10 years.

**Graduated:** This plan starts with low payments that steadily increase over time and is a good alternative if you anticipate your income to steadily rise. Each payment must at least equal the interest accrued on the loan between scheduled payments. Generally, the loan must be repaid within 10 years.

**Extended:** This plan is only available to new borrowers on or after October 7, 1998, who have a minimum balance of \$30,000 in student loans. It is based on fixed or graduated repayment amounts over a period not to exceed 25 years.

**Income-Sensitive (for FFELP loans only):** This repayment plan is calculated from borrower's actual earnings, starting with payments that increase or decrease as income fluctuates. Each payment must at least equal the interest accrued on the loan between scheduled payments. Repayment term is up to 15 years.

**Income-Contingent (For Direct Loans only):** In this plan, payments are adjusted based on borrower's gross monthly income but cannot be lower than the monthly interest amount. Payment amount and eligibility is verified annually. Repayment term is up to 15 years.

**Income-Based:** Beginning July 1, 2009, this new repayment plan will be offered to borrowers who have a partial financial hardship as defined by Federal regulations. The maximum repayment period may exceed 10 years.

## 10 Ways to Avoid Default

Your financial situation is strengthened when you avoid default.

The best way to avoid default is to build a relationship with your loan holder, especially when you cannot make your payments.

Your loan holder will assist you with any problems you may experience during the repayment of your student loan.

Stay on top of the situation by following these 10 guidelines:

1. **Understand your rights and responsibilities** regarding your repayment obligation as well as your repayment options. Much of this information is located on your Master Promissory Note (MPN).
2. **Borrow only what is necessary.** Borrow only the amount you need and only what you can reasonably expect to be able to repay.
3. **Keep all records regarding your loan.** Make copies of all letters, cancelled checks, and any documents you sign.
4. **Notify your loan holder** 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.
6. **Talk to your loan holder** if you have any questions 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 loan payments** while in school. This will reduce the amount you owe after graduation.
10. **Make loan payments on time.**

## Consequences of Default

Straying away from these guidelines could result in dire consequences. The same can be true if you miss several payments on your loan. If it becomes 270 days past due, your loan will be considered in default. What happens if you default on your student loan? If you default:

- Your loan holder will require you to immediately repay the entire unpaid amount of your loan.
- All or part of your federal and state refunds and other federal or state payments may be taken.
- Your wages may be garnished so that your employer is required to send part of your salary to pay off your loan.
- You may be sued and have to pay reasonable collection costs, plus court costs and attorney fees.
- You may be denied a professional license.
- You will lose eligibility for other federal student aid and assistance under most federal benefit programs.
- You will lose eligibility for loan deferments.
- Your default will be reported to national consumer reporting agencies, which can affect your ability to obtain financing and/or employment.

