

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 the lender 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 lender's discretion. Interest continues to accrue on all loan types.

Get A Head Start by Checking Out These Sites

www.slgfa.org

Our website offers a variety of information and services for students enrolling in or preparing for college and parents with college-bound children.

www.mapping-your-future.org

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

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.

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

The Student Loan Guarantee Foundation of Arkansas is a private, nonprofit organization established in December 1966. From its inception, SLGFA's purpose has been to provide student loan guarantees for students pursuing a higher education. This goal remains in line with its mission to maintain and expand access to higher education through the Federal Family Education Loan Program.

Building on a proud legacy, SLGFA continues to guarantee loans to benefit students and parents in achieving their dreams.

If you have questions or concerns about repayment or your student loans, in general, please contact our Default Prevention Department at 800.622.3446, ext. 655 or check out our website at www.slgfa.org.



**Student Loan Guarantee
Foundation of Arkansas**

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*Student Loan
Default Prevention*

Erase the Debt: Managing Student Loans



www.slgfa.org

Manage Your Educational Debt

As a borrower under the Federal Family Education Loan Program (FFELP), 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:

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 payment 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. No scheduled payment amount can be more than 3 times greater than any other scheduled payment amount. Generally, the loan must be repaid within 10 years.

Income-Sensitive: This repayment plan is calculated from your actual earnings, starting with payments that increase or decrease as your income fluctuates. Each payment must at least equal the interest accrued on the loan between scheduled payments. No scheduled payment amount can be more than 3 times greater than any other scheduled payment amounts.

Extended: This repayment plan is only available on or after October 7, 1998 to new borrowers who have accumulated FFELP loans totaling more than \$30,000. It is based on fixed standard or graduated repayment amounts over a period not to exceed 25 years. Payments must be at least \$50 a month and will be more, if necessary, to repay the loan within the required time period.

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 lender or servicer, especially when you cannot make your payments. Your lender or servicer 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.
- 2. Borrow for college expenses only.** 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 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.
- 6. Talk to your lender or student loan guarantor** 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? Failure to repay your loan may result in any or all of the following:

- Adverse credit when the default is reported to all national credit bureaus. This may affect your ability to obtain financing for cars, houses, etc.
- Default reported to the Internal Revenue Service, causing federal and/or state tax refunds to be withheld and applied to the loan balance
- Garnishment of your wages
- Collection of necessary costs involved with collecting your debt
- Your loan will be assigned to a collection agency
- Loss of other federal or state payments
- Loss of eligibility for further assistance from any Title IV Program
- Loss of eligibility for repayment options, deferments, and interest benefits as described on the Master Promissory Note
- Denial of professional licenses (in some states)
- Lawsuit and the liability of court-legal expenses

DON'T GET STUCK WITH THESE CONSEQUENCES!

“SLGFA’s Default Prevention Department is committed to working with borrowers to resolve delinquent student loan accounts.”

— Tonyia Hatfield
Department Manager