

Consequences of Default

What happens if I default on my student loan?

If you fail to repay your federal student loan, the holder of the loan will ask the guaranty agency to purchase the loan after 270 days (about nine months). At that point, you are in default of your student loan. The guaranty agency will purchase the loan from your holder and begin collecting on that loan. When you repay a defaulted student loan, the process is accelerated, making the entire balance (principal AND interest) due "in full" immediately.

Consequences of Default:

- You can be sued for the entire amount of your loan.
- Your credit rating will be severely damaged making it difficult to borrow money for a home, get an apartment, or to receive a credit card.
- Your federal treasury payments (including federal income tax refunds and state income tax refunds) will be withheld.
- Your wages may be garnished.
- You will not receive additional financial aid (and possibly state financial aid) unless you have already made arrangements to repay what you already owe from previous loans.
- You will be ineligible for deferments or forbearances.
- You may not be able to renew a professional license you hold which could affect your chances of getting employment.
- Your loan could be assigned to a professional collection agency.

Student loans that have defaulted can be "rehabilitated." Visit our website at www.FloridaStudentFinancialAid.org for more detailed information about loan rehabilitation.

How can I avoid defaulting on my student loan?

- Make your loan payments ON TIME and notify your lender or servicer when you change addresses.
- Contact your lender or servicer immediately if you start to have problems repaying your loan. They may be able to provide you with some financing options and give you information about deferments and forbearances.
- Keep a file of your loan documents. Make copies of all letters, cancelled checks, FAFSA application forms, and your SAR award letter. Keep all student loan information together for future reference.