



Loan Default Prevention

A student loan is a serious obligation and must be repaid regardless of whether you:

- Finish school
- File bankruptcy
- Have a job in your field
- Change your name, address, telephone number, etc.
- Change schools
- Withdraw
- Transfer

GRACE PERIOD

Your federal direct student loan(s) have a 6 month grace period prior to repayment. This grace period begins the day after you graduate, withdraw from school, or drop below half time status (6 credits).

DEFERMENT

You have the right to postpone repayment of your loan(s) if you qualify for a deferment. Please contact the Department of Education at 1-800-4FED-AID or on-line at www.studentloans.gov for options that may be available to you.

Under certain circumstances you can receive a deferment that allows you to temporarily postpone loan repayments. A deferment is a period in which repayment of the principal balance is temporarily postponed if you meet certain requirements. During a deferment, the government pays the interest on subsidized loans. For all unsubsidized loans and PLUS loans, you are responsible for paying the interest that accrues during the deferment period, or allow it to be capitalized (added to the principal balance).

DEFERMENT CONDITIONS

- Enrolled at least half-time at an eligible postsecondary school.
- Study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled.
- Unable to find full-time employment (for up to three years).
- Economic hardship, which includes Peace Corps Service (for up to three years).
- A member of the National Guard or other reserve component of the U.S. Armed Forces who is called or ordered to active duty while enrolled at least half-time at an eligible school or within six months of having been enrolled at least half-time.
- While borrower is on active duty during a war or other military operation or national emergency and if the borrower was serving on or after Oct. 1, 2007.

REMEMBER: You **MUST** continue making payments on your student loan until you have been notified that your request for deferment has been granted.

FORBEARANCE

If you are unable to make a scheduled payment due to special circumstances, you may request a forbearance through the Department of Education. You should contact the Dept. of Education immediately if you are experiencing problems with repayment at 1-800-4FED-AID or online at www.studentloans.gov.

TYPES OF REPAYMENT

Six months from your last date of attendance, you will be required to begin making payments on your student loan(s). The following is a list of some of your payment options:

- **Prepayment:** Make payments while in school or during your grace period
- **Standard Repayment:** Monthly payments remain the same throughout repayment
- **Graduated Repayment:** Payment begins with small amounts that increase over time
- **Income Sensitive Repayment:** Payments are based on a percentage of your gross monthly income and are adjusted annually.
- **Income Based Repayment:** Your monthly payment is capped at an amount that is intended to be affordable based on your income and family size & your qualifications are reviewed annually. Payments can be as low as zero each month depending on your income.
- **Pay As You Earn Repayment Plan:** Your monthly payments are based on your income & family size with adjustments annually depending on income but to qualify you must have a partial financial hardship. You have a partial financial hardship if the monthly amount you would be required to pay under the 10 year Standard Plan is higher than the monthly amount calculated under the Pay As You Earn Option.
- **Income-Contingent Repayment Plan:** Payments are calculated each year and are based on your adjusted gross income, family size, and the total amount of your Direct Loans. Your payments change as your income changes. For more information on repayment options, please contact the Dept. of Education at 1-800-4FED-AID or www.studentloans.gov.

DELINQUENCY/DEFAULT

Delinquency

If you fail to make payments when due, your loans become delinquent. Delinquent loans can adversely affect your credit.

Default

If a loan becomes delinquent for 270 days, it will be declared in default. Consequences of default may include:

- Damage to your credit rating
- Garnishment of wages
- Legal action against you
- Collection charges
- Loss of deferment eligibility
- Loss of your professional license
- Increase in the interest rate on your loan
- Withholding of your federal and state income tax refunds
- Loss of eligibility for state and federal financial aid

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