

The Hidden Truths of Student Loans



Educate Yourself on Some Important Student Loan Points

Your Loan Servicer is There to Help

Your loan servicer is crucial to your student loan and will help you with your questions and concerns. They aim to help keep your account in good standing and work with you however possible. Remember, you are not alone if you need assistance navigating your student account.

- ▶ Find out who your servicer is at [StudentAid.gov](https://studentaid.gov).

If You Withdraw from School, You Still Must Repay Your Loan

If you withdraw before completing your degree, you still must repay your student loan. A portion of your loan could be returned depending on your time at the school. Review your school's refund policy to determine if any funds can be returned. Also, dropping out can impact your future salary.

- ▶ Learn more about what you can earn with a degree at YouCanDealWithIt.com/learn-earn.

If You Can't Find a Job, You Are Still Responsible for Repaying Your Loan

Regardless, you are still responsible for paying your student loan even if you can't find a job. Fortunately, you can postpone payments under certain circumstances.

- ▶ Learn more about deferments and forbearances at YouCanDealWithIt.com/postpone.

You could qualify for a payment as low as \$0 per month on an Income-Driven Repayment (IDR) plan. Contact your servicer to ask about IDR plans you may qualify for. Deferment and forbearance options are different for Direct and private education loans. Contact your servicer to discuss your options if you have private education loans.

The Amount You Have to Repay can be More Than You Originally Borrowed (Principal Balance)

You are responsible for paying the interest that accrues on your unsubsidized loans from the disbursement date, plus the principal.

The government pays the interest that accrues on your subsidized loan while you are in school, during your grace period, and authorized periods of deferment.

Your outstanding interest that remains unpaid by the end of any periods mentioned above will be capitalized (i.e., added to the principal balance of your loan).

- ▶ Learn more about interest at YouCanDealWithIt.com/interest.

Be Cautious of Private Education Loans

Private education loans are issued through third-party institutions and can help bridge the gap when savings, grants, scholarships, and federal loans do not meet your college costs.

Be aware that private education loans are generally more expensive than federal loans, and the rules for repaying them are usually stricter. These loans have different repayment, deferment, and forbearance options than Direct Loans.

NOTE: A variable interest rate on a private education loan can change anytime throughout the year.

Carefully review the loan program information beforehand to know the “rules” before applying!

If You Don't Pay Your Student Loan, There Are Consequences

If payments for your federal loans become 270 days delinquent, your servicer will place your loans in default. Don't let this happen! If you have difficulty making your loan payments, contact your servicer immediately. Defaulting on your student loans will have devastating consequences, such as:

- **Damage to your credit rating:** This affects your ability to get future loans, such as an auto loan or mortgage, obtain housing, and even employment.
- **Garnishment of your wages:** Your servicer has the right to take money directly from your paycheck to help repay your federal loans, and they don't need your permission to do so.
- **Withholding of your tax refunds:** Looking forward to a big payday at tax time? Not if your loans are in default. Your tax refund can be sent to your servicer to help pay your federal loans.
- **Loss of eligibility for federal and state financial aid:** If you ever want to return to school and receive financial aid to help with the costs, you might not qualify if your loan is in default.

► Learn more about default at YouCanDealWithIt.com/default.

If You Declare Bankruptcy, Your Loans Most Likely Won't “Go Away”

Student loans can be difficult to discharge in bankruptcy, so you may still be responsible for repaying the debt. You should consult a bankruptcy attorney about the impact of bankruptcy on your student loans, including whether they may be dischargeable.

► Learn more about bankruptcy at YouCanDealWithIt.com/bankruptcy.