

CHAPTER ELEVEN

DELINQUENCY AND DEFAULT

STUDENT'S RESPONSIBILITY

As outlined in the promissory notes staying current and not being delinquent or going into default is the **borrower's** responsibility.

REASONS FOR DEFAULT

- Deferments were not filed.
- Address changes were not reported.
- Loan was not repaid.
- Borrower does not respond to mailing.

PREVENTIVE MEASURES

- Lenders may sell certain student loans to servicers/secondary markets at any time. Borrowers should be notified by their original lender(s) when this occurs. Borrowers must pay special attention to their accounts to insure payments are received by the appropriate office. A delinquency status can occur simply by making payments to the original lender as opposed to the new lender or servicing center which currently holds the loans.
- File deferment or forbearance forms on time each year and keep copies for your records.
- Check for mail at least every two weeks, if using your parents' address and/or another address other than your residence.
- Send all correspondence to your lender/servicer **certified mail** and always keep a copy for your records.
- Stay in touch with your lender/servicer.

After a missed payment the lender should be in touch; however, according to the promissory notes, payments are the borrower's responsibility.

Once your loan enters default status it is too late. You may be required to repay the entire amount immediately. Therefore, it is imperative that you know the status of your account. Many lenders/servicers have on line capabilities which allow you to update and review your loan portfolio at your convenience.

CONSEQUENCES OF DEFAULT

- Loans guaranteed by the State will be repurchased by the State. The lender may not be willing to buy them back.
- Nationwide credit bureaus will be notified.
- SOIL (State Offset Income Liability) - the borrower's name will be sent to the State. State income tax refund will be withheld.
- FOIT (Federal Offset Income Tax) - federal refund will be withheld.
- University records will be withheld.
- Litigation will be initiated.
- Wages will be garnished.
- Liens will be placed on property.
- Licenses may be suspended.

REPAYMENT OF STUDENT LOANS SHOULD BE GIVEN TOP PRIORITY WHEN PLANNING YOUR FINANCES. THEY HAVE THE SAME WEIGHT AS ANY CONSUMER LOANS SUCH AS A MORTGAGE OR CAR PAYMENT. IT CAN SEVERELY DAMAGE YOUR CREDIT.