



# Ozarka College

*Providing life-changing experiences through education.*

## Avoiding Loan Default

<https://studentaid.gov/manage-loans/default/avoid>

### **Take Steps to Avoid Default**

Avoid default. Take the time to fully understand your loan agreement and the types of loans you are receiving. It's also important that you not borrow more than you need or more than you expect to be able to repay. Develop a sound—and realistic—financial plan.

If your federal student loan is delinquent, check out the Student Loan Debt Collection Assistant, which the U.S. Department of Education developed in partnership with the Consumer Financial Protection Bureau. The tool provides information about how to access the full range of special repayment options available to you.

### **Understand Your Loan and Loan Agreement**

Understand the type of aid you are receiving. Loans, unlike most grants, scholarships, or work-study funds, must be repaid.

- Know the type of loan you are receiving. Understand the costs of getting the loan, the interest rate, and the repayment terms for the loan.
- Read Know Before You Owe from the Consumer Financial Protection Bureau.
- Read your promissory note. It is a legal document. Signing a promissory note means you agree to repay the loan according to the terms of the note. You must repay all the loans you receive, even if you don't complete your education.

### **Manage Your Borrowing**

Borrow only what you need to pay for your college expenses.

- Create a budget to determine how much you really need to borrow.
- Contact your school's financial aid office to request a lower loan amount instead of borrowing the maximum amount you might be eligible to receive.

### **Track Your Loans Online**

Find information about all of your federal student loans by logging in to StudentAid.gov/aid-summary using your username and password (FSA ID).

## **Keep Good Records**

Keep the following important documents in an organized file:

- Financial aid offers
- Amount(s) of all student loans you borrow
- Account number for each student loan you receive
- Loan servicer contact information
- Loan servicer contact information
- Payment schedules
- Record of your monthly payments
- Notes about any questions you ask about your student loan, the answers, and the name of the person to whom you spoke
- Deferment or forbearance paperwork and notes of any phone calls to the loan servicer
- Documentation that you paid your loan in full

## **Notify Your Loan Servicer**

Tell your loan servicer when you

- need help making your monthly payments;
- graduate;
- withdraw from school;
- drop below half-time enrollment status at school;
- change your name, address, or Social Security number;
- transfer to another school; or
- experience a change in your life that might impact your loan payments.

## **What if I can't make my monthly payment?**

If you are having trouble making your monthly payments, contact your loan servicer immediately. Your loan servicer can help you understand your options. You may be able to

- switch repayment plans to get a lower monthly payment,
- consider an income-driven repayment plan,
- change your payment due date, or
- get a deferment or forbearance.

NEVER ignore delinquency or default notices from your loan servicer.

## **Consider Simplifying Repayment with Consolidation**

You might wish to combine your multiple federal student loans into a single Direct Consolidation Loan to simplify repayment. There may be tradeoffs, so understand the advantages and possible disadvantages of consolidation before you apply.