

WHAT ARE THE CONSEQUENCES OF DEFAULT?

- The entire unpaid balance of your loan and any interest is immediately due and payable.
- You lose eligibility for deferment, forbearance, and repayment plans.
- You lose eligibility for additional federal student aid.
- Your loan account is assigned to a collection agency.
- The loan will be reported as delinquent to credit bureaus, damaging your credit rating. This will affect your ability to buy a car or house or to get a credit card.
- Your federal and state taxes may be withheld through a tax offset. This means that the Internal Revenue Service can take your federal and state tax refund to collect any of your defaulted student loan debt.
- Your student loan debt will increase because of the late fees, additional interest, court costs, collection fees, attorney's fees, and any other costs associated with the collection process.
- Your employer (at the request of the federal government) can withhold money from your pay and send the money to the government. This process is called wage garnishment.
- The loan holder can take legal action against you, and you may not be able to purchase or sell assets such as real estate.
- Federal employees face the possibility of having 15% of their disposable pay offset by their employer toward repayment of their loan through Federal Salary Offset.
- It will take years to reestablish your credit and recover from default.