Don't Panic! You have options.

You graduated from school. Six months later you received your first student loan repayment notice and ignored it. You goofed and now your student loans defaulted. The money you borrowed is now considered a federal debt, and if at all possible, the federal government will get it back. Here's what you can expect:

- You won't be able to get more student aid.
- The notice of default will severely damage your credit rating.
- Your wages may be garnished.
- Your federal and state income tax refunds or other money owed to you may be taken to pay your defaulted loans.
- Up to 25% may be added to your loan for collection charges, and you will have to pay interest on this additional amount.
- You may be sued.

Don't let this happen to you. Call the KHEAA Default Aversion Section (1.800.928.5327), and let us help you keep from defaulting on your loans.

Repayment Options

When repaying your student loans, you should look at all the options carefully and choose the one that works best for you financially. Your options may include:

- Repayment schedule change
- Deferment
- Forbearance
- Consolidation

Repayment Schedule Change

Let's talk about your repayment schedule first because the best choice you can make is to start paying and continue until you are student loan debt free. Federal Stafford, PLUS and SLS borrowers have up to 10 years to repay their loans under the standard, graduated and income-sensitive options. Under the extended and income-based repayment plans, the repayment term can extend up to 25 years. You can change your repayment option each year.

- **Standard Repayment** is the traditional repayment option. Payments are set so you will repay the debt within the maximum repayment period. Monthly payments may be changed each year to reflect a change in interest rates. A minimum payment of $50 applies in most cases.

- **Graduated Repayment** allows your installment payments to change (usually increasing) over the repayment period.

- **Income-Based Repayment** sets payments based on your income and family size. The program covers almost all federal loans made to undergraduate and graduate students, past, present, or future. And any debt and interest remaining after 25 years of payments may be forgiven.

- **Income-Sensitive Repayment** is available if you provide the lender with information on the expected total gross monthly income you receive from all sources. Documentation must be provided each year so the lender can adjust your payment amount accordingly.

- **Extended Repayment** is an option if you owe more than $30,000 in student loans, as long as you don't owe anything on loans made before October 7, 1998. If you qualify, you can take up to 25 years to repay your loans.

- **Pay As You Earn (PAYE)** is available if you are deemed to have a partial financial hardship. Your maximum monthly payment will be 10 percent of your discretionary income and may change annually as your income and family size change. You may also qualify to have any unpaid interest paid on your behalf for up to three years. After 20 years of payments, any unpaid debt may be forgiven.

- **Revised Pay As You Earn (REPAYE)**, as with Pay As You Earn, your maximum monthly payment will be 10 percent of your discretionary income. Your payment may change each year depending on your income and family size. REPAYE is for most Direct Loans, and you do not have to pay the accrued interest on subsidized loans for the first three consecutive years of repayment. If you have only subsidized undergraduate-level loans, your loans may be forgiven after 20 years of qualifying payments. If you have at least one subsidized loan for graduate or professional school, your loans may be forgiven after 25 years on REPAYE.

KHEAA Default Aversion
800.928.5327
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You've looked at the repayment schedules, and they just aren't going to help you make your payments at this time. A deferment may be the answer.

Deferment

You may be able to get a deferment, which means you won't have to make payments for awhile. If you meet the conditions and have the required documentation, your lender has to give you the deferment. The government will pay the interest that builds up on subsidized loans during your deferment. You're still responsible for the interest that builds up on unsubsidized loans.

You can apply for a deferment in any of several ways. If you'd like, we'll mail you a form. You can also find the forms on kheaa.com, or you can ask whoever's servicing your loans. Your servicer's website should let you access information about your loans.

The most common deferments are:

In-School Full-Time or In School Half-Time

You must be enrolled at least half-time at an eligible school.

Graduate Fellowship Deferment

You must be in an eligible graduate fellowship program.

Unemployment Deferment

You must be looking for but not able to find a full-time job or working less than 30 hours per week.

Economic Hardship Deferment

You must earn less than the minimum wage, repaying your student loans will cause you hardship or you can't work because of illness or for other reasons.

Forbearance

If you don't qualify for a deferment, your lender may grant you a forbearance. This lets you temporarily stop making payments as long as you intend to repay the loan. During periods of forbearance, interest charges continue to build up while you temporarily delay or reduce payments. You may request forbearance to allow for:

- A short period of time during which you make no payments.
- An extension of time for making payments.
- A period during which you make smaller payments than were originally scheduled.

You should explain your circumstances to the lender or servicer, who will determine whether to grant a forbearance.

Consolidation

Consolidating your student loans may be an option. Consolidating lets you:

- Combine all of your eligible student loans into a single loan and make just one monthly payment.
- Lock in interest rates for the life of the loan.
- Extend your repayment period up to 30 years.
- Simplify your record keeping.

The benefits of consolidation differ for each borrower. Generally, monthly payments are less, but you may pay more interest over the life of the Consolidation loan. It's important to consider all factors when making the decision to consolidate.

Only the following loans may be consolidated:

- Federal Family Education Loans (Stafford, PLUS).
- Federal Insured Student Loans.
- Federal Perkins Loans.
- Health Education Assistance Loans.
- Health Professions Student Loans.
- Federal Nursing Student Loans.
- Federal Direct Loans (Stafford, PLUS).

Keeping Track of Your Student Loans

If you're behind on your payments because you don't know how many loans you have, how much you owe or whom you should pay, get the status on all of your loans at nslds.ed.gov or call 1.800.4FEDAID (1.800.433.3243).

KHEAA can help

KHEAA is committed to helping you avoid defaulting on your student loans.

If you're unable to resolve a loan delinquency problem and would like to speak with one of KHEAA's borrower advocates, call:

800.928.5327

You can also e-mail us at:

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