

Consequences of Delinquency and Default

Your credit rating is damaged

If you default on your loan, by law, the national credit bureaus will be notified. When this happens, your credit rating is damaged, making it more difficult for you to qualify for credit in the future, such as a mortgage or auto loan. You will also be subject to delinquent debt collection procedures.

You are subject to wage garnishment

A portion of your paycheck may be taken to fulfill your loan obligation. This can also include any Social Security Administration benefits, such as disability or SSI.

You will be subject to further expenses

If you default, up to 18.5 percent of your outstanding balance can be added to your account to fulfill collection costs. Interest charges will also continue to accumulate on your account.

The federal government can seize your income tax refund

If the federal government owes you an income tax refund or other form of payment, those funds may be taken and applied to your defaulted student loan balance.

You may face a lawsuit

Your guarantor or the federal government may bring a civil claim against you for repayment of your loan.

Deferment and forbearance options are taken from you

Loan default disqualifies you for deferment or forbearance options from your lender. Under normal conditions, your lender may be able to lessen or suspend your payments for a short amount of time to meet your needs.

Your debt is not eliminated

The debt you owe will remain due until it's paid in full. If it's not paid, guarantors, collection agencies and/or the federal government will continue to seek full payment from you until your outstanding debt is resolved.

You will be ineligible for more federal student aid

Until you've made arrangements to pay your defaulted loan, you won't be able to receive any more federal student aid.