

Borrower's Rights and Responsibilities

Borrower Rights

Your school or lender must provide you with the following information about your loan:

- The name, address, phone number and other contact information of the lender, servicer, or secondary market that holds your loan.
- The amount of your total loan debt including principal, interest rate, and any other applicable fees and charges and the date you must start repayment.
- Information about the yearly and total amounts you can borrow.
- Information about the maximum repayment period and minimum repayment amount.
- Notification in writing if your loan is sold or transferred to another lender. You must direct all your loan payments and correspondence to this new holder.
- Information to request a deferment from your lender. If you are eligible for and granted a deferment, you may temporarily postpone your monthly loan payments for a specific period based on the date of your oldest loan.
- "Essentials" to apply to your lender for forbearance if you are experiencing a financial hardship that makes it difficult to meet your monthly loan payments. A forbearance can allow delay, reduce or extend your monthly payments for a period of time determined by your lender.
- Information regarding the possible consolidation of multiple student loans and a reminder that you can prepay your loan without penalty at any time.
- Information regarding the consequences and implication of defaulting on your student loan.
- An explanation of the fees you may be charged during the repayment period, such as late charges and collection or litigation cost if you are delinquent or default.

Borrower Responsibilities

- You must repay your entire student loan according to the terms of your Master Promissory Note (MPN) even if you do not complete your program of study, are unable to acquire a job after completing your program of study, or are dissatisfied with the education that you received.
- You must make your monthly loan payments on time even if you don't receive a billing statement from the holder of your loan.
- You must continue to make payments on your loan until you're notified that a request for a deferment or forbearance has been granted.
- You must complete and submit all requested forms and documents to your school, lender, guarantor, and/or servicer and notify the holder of your loan of any changes to you: name, address, phone number, employment status and your ability to make your monthly loan payments.
- Notify the holder of your loan if you re-enrolled in college on at least a half-time basis.
- Maintain copies of all your loan documents for your records.

Consequences of Default

The consequences of defaulting on your student loan can be very serious. Your loan will be in default, if you fail to repay it according to the terms of your Master Promissory Note. If you default on your student loan:

- You can be sued for the entire amount of your loan.
- Your credit rating will be severely damaged, making it difficult to borrow money for a car or home, or to receive credit cards.
- Your federal and state income tax refunds may be withheld and applied to your loan balance.
- Your wages may be garnished.
- Your account may be referred to a collection agency.
- You will not be eligible to receive further federal financial aid unless you make satisfactory arrangements to repay the amount due on your defaulted loan(s).
- You may be ineligible for assistance from federal benefit programs (business and home loans, public assistance, etc.).
- You will be ineligible for repayment deferments.
- You will be liable for the costs associated with collecting your loan.
- You may not be able to renew a professional license that you hold.

Preventing Default

Notify the holder of your loan immediately if you find you are not able to make payments. Your lender wants to help you avoid default, and will work with you to solve problems. Many alternatives are available to help borrower's prevent defaults.

Here are some tips to help keep you out of default:

- Make your payments on time.
- Notify the holder of your loan immediately if you change your address, name, or any contact information.
- Contact your lender to apply for a deferment or forbearance if you are experiencing financial problems and cannot make your payments.
- Consider changing your repayment schedule to another option that will work better with your financial situation.
- Explore combining or consolidating your student loans into one new loan for a longer payment period.
- Keep copies of all records and documents that you receive pertaining to your student loans. This is particularly helpful if you need to research information that you think might be inaccurate.

Loan Deferments

If you find yourself in a situation where you cannot make your loan payments, contact the holder of your loan to see if you can make some other payment arrangement. You may qualify for a deferment, which temporarily postpones your monthly payments for a specified period of time. The federal government will pay the interest on a subsidized Stafford Loan and a federal Perkins Loan during the deferment period. However, you are responsible for the interest payments for other loan programs such as the unsubsidized Stafford Loan. You can pay this interest every month, every three months, or have it capitalized (added to your loan principal). Capitalizing the interest, however, will result in paying interest on that interest, and increases your total debt.

Consider these options carefully and choose wisely. There are several deferments available to you if you are a federal Stafford, Plus or Consolidation Loan borrower. The types of deferments that you may qualify for depend on when you took out the loan.

Deferment Types

- Enrolled in at least half-time study at a postsecondary school.
- Study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled.
- Unable to find full-time employment (up to three years).
- Economic hardship (up to three years).
- Active military duty or qualifying National Guard duty during a war, other military operation, or national emergency (up to three years if your loan was first disbursed on or after July 1, 2001).
- If your loans were made before July 1, 1993, then your deferment options will be different than those listed here.

Forbearance

If you do not qualify for a deferment, and you are willing yet unable to make your loan payments, you may still qualify for a forbearance. You must call the holder of your loan and request an application you will be asked to clearly explain and provide documentation as to your financial situation and the reason you are unable to make your loan payment. Lenders have discretion in granting a forbearance and typically do so only in cases of extreme financial hardship and extenuating circumstances. A forbearance allows you to delay, reduce, or extend your payment for a specified period of time. However; unlike a deferment, the government does not pay the interest on your loans in forbearance – not even your subsidized loans. You are responsible for paying the interest on your loans either monthly, quarterly, or requesting that it be capitalized. To avoid default, you must also continue to make your monthly payments until the holder of your loan notifies you that you have been granted a forbearance.

Bankruptcy

Generally, student loans are not excused if you file bankruptcy.

Department of Education's Student Financial Aid Ombudsman

The Department of Education has created an Ombudsman office to assist student loan borrowers to resolve loan disputes and problems. If a borrower has made a reasonable effort to resolve the problem with the lender, guarantor, or school, but the dispute has not been resolved, he or she should contact the Ombudsman office.

Internet: <http://ombudsman.ed.gov>

Toll-free: 877-557-2575

Fax 202-275-0549

In Writing: U S Department of Education
FSA Ombudsman
830 First Street, NE
Fourth Floor
Washington, DC 20202-5144

Other Helpful Web Resources

www.nslds.ed.gov

NSLDS (National Student Loan Data System) is a centralized data source where a borrower can gather information regarding his or her loans. NSLDS stores information on Stafford, Direct, and Perkins loans.

www.nslc.org

The NSLC (National Student Loan Clearinghouse) web site can help borrowers determine who currently holds their loan. Many lenders sell their loans to maintain liquidity, so the original lender may not necessarily be the current holder of that loan.