

# DON'T PANIC! You HAVE OPTIONS.

KHEAA Default Aversion  
800.928.5327  
default\_aversion@kheaa.com



You graduated from school and six months later you received your first repayment notice. You kept ignoring the phone calls and letters from your servicer, guarantee agency and school. You goofed and your student loans defaulted. Now what? 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 loans, grants and other aid.
- All national credit bureaus will be notified of the default, severely damaging 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.
- If your job requires a license, you may not be allowed to renew your license.

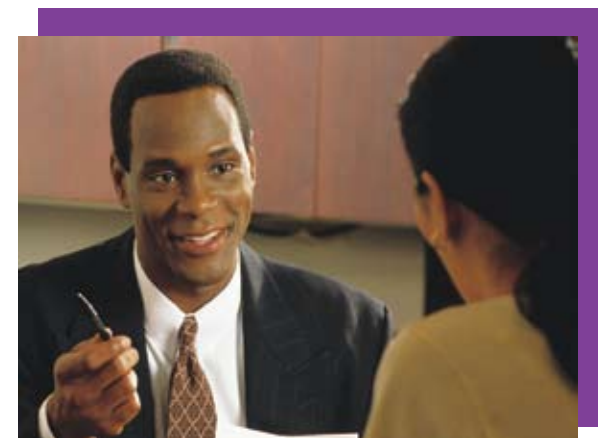
Don't panic, and don't let this happen to you. It's not too late, and you have options. Call the Default Aversion Section at KHEAA (1.800.928.5327), and let us help you make informed decisions on the best way for you to keep from defaulting on your loans. Your options may include:

- Repayment schedule change
- Deferment
- Forbearance
- Consolidation

## Repayment Options

Let's talk about **Repayment Options** first because the best choice you can make is to start paying and continue until you are student loan debt free. In general, 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 repayment plan, the repayment term can extend up to 25 years based on when you received your loans and how much you owe. 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-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.

You've looked at the repayment options, 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 [www.kheaa.com](http://www.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.

For a complete list of deferments and eligibility requirements, see the chart below.

## Forbearance

When you don't qualify for a deferment, your lender may grant you a forbearance. This will allow you to 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.



# Deferment Eligibility Chart for the Federal Family Education Loan Program (FFELP)

Form	Deferment Type	Time Limit	Stafford and SLS Loans			PLUS Loans				Consolidation Loans	
			Pre 7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87 to 6/30/93	New <sup>2</sup> Borrower 7/1/93	Loans Before 8/15/83	Pre 7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87 to 6/30/93	New <sup>2</sup> Borrower 7/1/93	Pre 7/1/93 Borrower <sup>8</sup>	New Borrower 7/1/93 <sup>9</sup>
<b>Borrower-Based Deferments</b>											
SCH	In-School: Full Time	None	•	•	•	•	•	•	•	•	•
	In-School: Half Time <sup>7</sup>	None		•	•			•	•	•	•
EDU	Graduate Fellowship	None	•	•	•	•	•	•	•	•	•
	Rehabilitation Training	None	•	•	•	•	•	•	•	•	•
	Teacher Shortage	3 Years		•							
	Internship/ Residency Training	2 years	•	•		•					
TDIS	Temporary Total Disability <sup>3</sup>	3 Years	•	•		•	•	•		•	
PUB	Armed Forces or Public Health Services <sup>4</sup>	3 Years	•	•		•					
	National Oceanic and Atmospheric Administration Corps <sup>4</sup>	3 Years		•							
	Peace Corps, ACTION Program and Tax-Exempt Organization Volunteer	3 Years	•	•		•					
UNEM	Unemployment	2 years	•	•		•	•	•		•	
	Unemployment	3 Years			•						•
PLWM	Parental Leave <sup>5</sup>	6 Months	•	•							
	Mother Entering/Reentering Work Force	1 Year		•							
HRD	Economic Hardship	3 Years			•				•		•
PLUS <sup>6</sup>	In-School: Full Time	None						•			
	In-School: Half Time	None						•			
	Rehabilitation Training	None				•	•	•			
<b>Loan-Based Deferments</b>			<b>Stafford Loans</b>			<b>PLUS Loans</b>				<b>Consolidation Loans</b>	
MIL	Military	3 years	Loans first disbursed on or after 7/1/2001			Loans first disbursed on or after 7/1/2001				All underlying Title IV loans must have been first disbursed on or after 7/1/2001	

<sup>1</sup> "New Borrower" 7/1/87 to 6/30/93: A borrower whose first FFELP loan was made on or after July 1, 1987, and before July 1, 1993, or who had an outstanding balance on a loan obtained on or after July 1, 1987, and before July 1, 1993, when he or she obtained a loan on or after July 1, 1993, or who had no outstanding balance on a Federal Consolidation loan made before July 1, 1993, that repaid a loan first disbursed before July 1, 1987.

<sup>2</sup> "New Borrower" 7/1/93: A borrower whose outstanding FFELP loans were all made on or after July 1, 1993, and when his or her first FFELP loan was made on or after July 1, 1993, had no outstanding FFELP loans that were made before July 1, 1993.

<sup>3</sup> A deferment may be granted during periods when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment because the borrower is caring for a dependent (including the borrower's spouse) who is temporarily totally disabled.

<sup>4</sup> Borrowers are eligible for a combined maximum of 3 years of deferment for service in NOAA, PHS, and Armed Forces.

<sup>5</sup> A parental leave deferment may be granted to a borrower in periods of no more than 6 months each time the borrower qualifies.

<sup>6</sup> Deferment for parent borrower during which the dependent student for whom the parent obtained a PLUS loan meets the deferment eligibility requirements.

<sup>7</sup> A borrower who received a Federal Consolidation loan before July 1, 1993, that repaid a loan made before July 1, 1987, or who had an outstanding balance on a FFELP loan obtained prior to July 1, 1987, when the Federal Consolidation loan was obtained, is eligible for in-school deferment only if the borrower attends school full time.

<sup>8</sup> A borrower with a Federal Consolidation loan made before July 1, 1993, or a borrower who receives a Consolidation loan on or after July 1, 1993, who has any outstanding FFELP loan(s) at the time of consolidation that was first disbursed before July 1, 1993.

<sup>9</sup> A borrower who receives a Federal Consolidation loan made on or after July 1, 1993, who has no outstanding FFELP loans at the time of consolidation that were made on or before July 1, 1993.

## Consolidation

Consolidating your student loans may be a practical debt management tool for you.

Consolidation loans let 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 loan consolidation will 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 (Subsidized and unsubsidized Stafford, PLUS)
- Federal Insured Student Loans.
- Federal Perkins Loans.
- Health Education Assistance Loans.
- Health Professions Student Loans.
- Federal Nursing Student Loans.
- Federal Direct Loans (Subsidized and unsubsidized 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 who you should pay, get the status on all of your loans at [nslds.ed.gov](http://nslds.ed.gov) or call 1.800.4FEDAID (1.800.433.3243).

KHEAA's default aversion staff is dedicated to helping you understand your options and resolve any loan delinquencies you may have. Our program gives us resources, tools and services that let us provide you with the assistance you need for repaying your student loan.

Don't just sit there and hope your loans will go away. Let us help. E-mail [default\\_aversion@kheaa.com](mailto:default_aversion@kheaa.com) or call **1.800.928.5327**.

## 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**.



P.O. Box 798  
Frankfort, KY 40602-0798  
Toll-free: 800.928.5327  
Fax: 502.696.7655  
[www.kheaa.com](http://www.kheaa.com)



*KHEAA does not discriminate on the basis of race, color, national origin, sex, religion, age, sexual orientation, gender identity, veteran status or disability in employment or services and provides, upon request, reasonable accommodations to afford individuals with disabilities an equal opportunity to participate in all programs and activities. Printed 9/07 with state funds KRS 57.375.*