

## Avoid Defaulted Loans

MI-LOAN Program student loans DEFAULT when payments become 120 days delinquent. Upon default, the entire unpaid balance, including accrued interest, will become immediately due and payable. Forbearance is not an option on defaulted loans. In addition, the loan will be reported to all of the national credit bureaus as a collection account.

Once a loan reaches default status, the following will occur:

- The account will be turned over to the Michigan Department of Treasury, Collections Division.
- State income tax refunds may be withheld and applied to the unpaid balance.
- Legal action may be taken, which could result in wage garnishment and / or seizure of bank account assets.

Borrowers and cosigners with defaulted loans should immediately contact the Michigan Department of Treasury, Collections Division toll-free at 800-950-6227 to make payment arrangements which will allow future Rehabilitation of the defaulted loan.