

No More Federal Student Aid

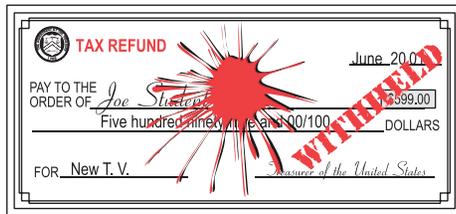
ANNE wants to return to school. The last time that she was in school she had a federal student loan, but she dropped out and didn't bother repaying her loan.



Anne defaulted on a student loan. Until she contacts the holder of her loan to make repayment arrangements and becomes eligible again, she can't get any more federal student aid.

No Tax Refund

JOE received a notice that the Internal Revenue Service (IRS) was going to apply his refund toward the repayment of his defaulted federal student loan.



The IRS, the Michigan Department of Treasury, and many other states can withhold a defaulter's tax refunds, garnish wages, put a lien on assets – all toward the repayment of a defaulted student loan.

DON'T LET IT HAPPEN TO YOU

No Job = No Car or Home Loan

CAROL was easily the most qualified candidate for a job relocation that was perfect for her, and she prepared to buy both a new car to drive to work and a new house.

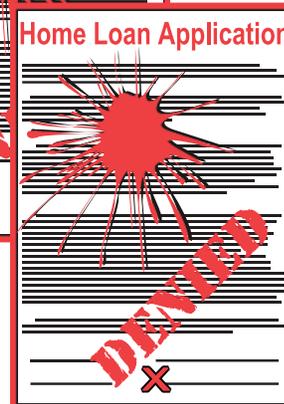
However, a routine credit check showed that Carol hadn't repaid her federal student loan – as she'd agreed to do – and the car and home loans weren't approved because of her poor credit history.



By not repaying her federal student loan, she didn't get the job . . . the car . . . or the home.



It took only one default to make Carol a three-time loser.



DON'T LET IT HAPPEN TO YOU

Pay Now or Pay More Later

DAVID took out a \$5,000 federal student loan at a 6.8% interest rate, to be fully paid within ten years (120 months). His initial payment breakdown was as follows:

Original loan amount	\$5,000.00
(Monthly payment for ten years \$57.54)	
Total interest to be paid	+ 1,904.82
<u>Total loan amount (with interest)</u>	<u>\$6,904.82</u>

After two years of forbearance had expired, where no payments were required but interest accrued, David still did not make any payments for almost two more years and his loan went into default. Then it cost him more:

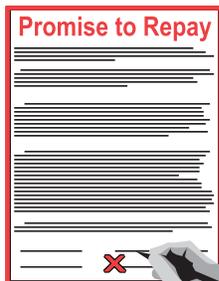
Original loan balance	\$5,000.00
Interest added after two years of forbearance	+ 680.00
Interest added after 330 days overdue (default)	+ 307.40
Guaranty agency's added collection fee (24%)	+ 1,436.98
Interest added for no payment after one more year	+ 407.14
New balance	\$7,831.52
(New monthly payment for ten years \$90.12)	

A year after default, the federal government bought his loan and then forwarded his account to a collection agency where he ended up paying:

Total interest, capitalized interest and collection cost to be paid	+ 5,814.89
<u>Total loan amount - after default - (with interest/costs)</u>	<u>\$10,814.89</u>

As a borrower, you can pay what you owe, or default and pay much, much more!

When you take out a Federal Stafford, Federal PLUS, or Federal Consolidation loan, you sign an agreement that you'll repay it.



That agreement is called a Promissory Note. Keep it along with the other documents you receive. Those documents tell you how and when you must repay.

If you have any questions about your loan, if you're having trouble making the payments, or if you have a name, address or telephone number change, contact your lender.

Remember, if you're having any problems with your loan, be sure to continue making payments, until the problem is resolved.

If you don't repay your loan, you'll go into delinquency, then into default, then the state and the federal governments both may take action against you to recover this legal debt. You could even be sued.

Remember, once you take out one of these federal loans, **you must repay it** – even if you decide not to finish your education.

A default blots your record and is hard to erase!

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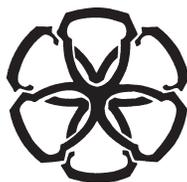
Questions about your rights and responsibilities as a borrower?

Contact:

Michigan Guaranty Agency
P.O. Box 30047
Lansing, MI 48909-7547

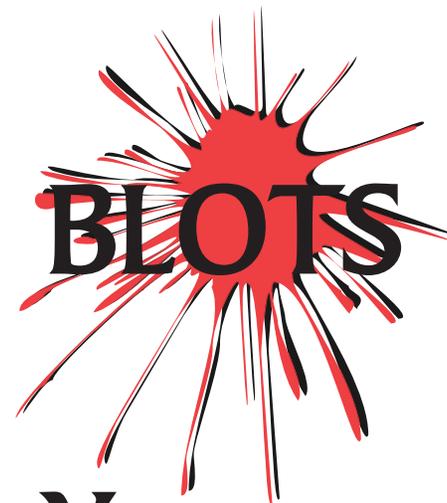
1-800-MGA-LOAN
1-800-642-5626

Email: mga@michigan.gov
Web site: www.mgaloan.com



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Loan Default



Your Record



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