



# Financial Aid Awareness: Facts and Tips

## Borrowing responsibly

- Over borrowing and relying on student loans as a “pay check” can result in a student hitting aggregate loan limits
- Once a student hits their aggregate limit, they are no longer eligible to receive student loans from the federal government, regardless of program completion
- Borrowing only what is required to cover educational expenses is key in ensuring a student is not accumulating excessive debt that will need repaid after leaving school

## Monitoring your student debt

- Log on to the National Student Loan Data System: [NSLDS.ed.gov](https://nslds.ed.gov)
- You will need to provide the following information to access the website:
  - FSA ID (Username and Password) used to complete FAFSA (if you do not remember your FSA ID-Username and/or Password-you can retrieve it by going to [fsaid.ed.gov](https://fsaid.ed.gov))
- Review your financial aid history including:
  - Outstanding principle balance on loans
  - Outstanding interest
  - Aggregate loan amounts
  - Pell Lifetime Eligibility Used (LEU)
  - Dates and name of school(s) where funds were disbursed
  - Status of loans (in grace period, in repayment, forbearance, etc.)
  - Loan servicer name, address, and phone number

## Repayment options

- Students are required to either begin repaying their loans, or making arrangements with their loan servicers, in any of the following scenarios:
  - Drops in enrollment to a less than half-time status (less than 6 credit hours)
  - Withdraws completely from school
  - Graduation
- For a complete list and comprehensive explanation of repayment plans, go to: <https://studentaid.ed.gov/sa/repay-loans/understand/plans>

## Deferment vs. Forbearance

- A **deferment** is a period during which repayment of the principal and interest of your loan is temporarily delayed.
  - There are a variety of qualifying situations warranting a deferment:
    - At least ½ time enrollment in school
    - A period of economic hardship, or unemployment
    - Active military service
  - Contact your servicer immediately if you feel a deferment is necessary
- If you can't make your scheduled loan payments, but don't qualify for a deferment, your loan servicer may be able to grant you a **forbearance**. With forbearance, you may be able to stop making payments or reduce your monthly payment for up to 12 months.

Interest will continue to accrue on your subsidized and unsubsidized loans (including all PLUS loans).

- 2 Types: Discretionary and Mandatory

### **Default prevention and consequences**

- Default means that a borrower has failed to make payments on their student loan(s) according to the terms of the Master Promissory Note (MPN), the binding legal document signed at the time the loan was taken.
- The entire unpaid balance of your loan and any interest is immediately due and payable.
- You lose eligibility for deferment, forbearance, and repayment plans.
- You lose eligibility for additional federal student aid.
- Your loan account is assigned to a collection agency.
- The loan will be reported as delinquent to credit bureaus, damaging your credit rating. This will affect your ability to buy a car or house or to get a credit card.
- Your federal and state taxes may be withheld through a tax offset. This means that the Internal Revenue Service can take your federal and state tax refund to collect any of your defaulted student loan debt.
- Your student loan debt will increase because of the late fees, additional interest, court costs, collection fees, attorney's fees, and any other costs associated with the collection process.
- Your employer (at the request of the federal government) can withhold money from your pay and send the money to the government. This process is called wage garnishment.
- The loan holder can take legal action against you, and you may not be able to purchase or sell assets such as real estate.
- Federal employees face the possibility of having 15% of their disposable pay offset by their employer toward repayment of their loan through Federal Salary Offset.
- It will take years to reestablish your credit and recover from default.

Prepared by the Youngstown State University Office of Financial Aid and Scholarships