PHOENIX – (April 11, 2018) – The student loan crisis has reached epic proportions. As college tuition continues to rise, student debt is following suit – and so is the rate of default. The Institute for College Access and Success reports that a staggering 8.5 million borrowers were in default as of June 30, 2017.

“People from all ages and all walks of life are defaulting on their loans, and the impacts can affect them for years to come,” said Jeremy Wine, student loan supervisor for Take Charge America, a national nonprofit credit counseling and student loan counseling agency. “Default is a hard lesson no one should have to learn. Paying student debt must take top priority.”

Wine details repercussions of loan delinquency and default – and why it’s important to take action quickly.

- **Delinquency and default:** A student loan is considered delinquent one day after a payment is missed. It remains delinquent until your past-due balance is repaid or your payment plan is adjusted. After 270 days, your loan goes into default in most cases, and you lose opportunities like federal forgiveness programs, deferment, forbearance and alternative repayment plans, as well as the ability to borrow more federal student loans.

- **Due in full:** Most debtors miss payments due to financial difficulty, but the situation gets worse if you default. The entire balance becomes due immediately, and outstanding interest is added to the principal. Interest continues to accrue on your new, higher balance – meaning interest is charged on interest.

- **Collection costs:** While collection fees vary, they can range from 20 to 40 percent – and are tacked onto your balance. For some loans, the costs can be discounted with loan consolidation or rehabilitation.

- **Credit score:** A payment that’s 90 days late is reported to the credit bureaus and dings your score. Too many late payments will bring down your score, making it harder to get a mortgage, rent an apartment or get a job. The default will stay on your report until you rehabilitate your loans.

- **Garnishment:** Loan holders may garnish up to 15 percent of your wages and your tax refund if your student loan is in default. If you’re married and filed your taxes jointly, they can garnish your spouse’s refund, too.

- **Licensing:** For medical providers, lawyers, teachers and other licensed professionals, some state boards may revoke or suspend your license if your loan is in default.

“If you have defaulted on your loan, all is not lost,” said Wine. “You have options that could include rehabilitation or consolidation, but you must move quickly to safeguard your financial health now and in the future.”
Borrowers seeking more information about student loan repayment options can visit Take Charge America at studentloans.takechargeamerica.org or call (877) 784-2008.

About Take Charge America, Inc.
Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped more than 1.6 million consumers nationwide manage their personal finances and debts. To learn more, visit www.takechargeamerica.org or call (888) 822-9193.

###