



The FindLaw Guide to Student Loan Debt

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After graduating from school you may be faced with large amounts of student loan debt. Here's some information on how to handle this debt, and what to do if you cannot afford payments.

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Introduction

You've graduated from school and have entered the working world. It's a great feeling, but you still have that little problem of repaying your student loans. There are plenty of options available when it comes to repayment, and this is where FindLaw and its attorney directory can help.

Most of the options for student loan repayment discussed in this article are limited to the most common kind of student loans, federal loans. You can call the National Student Loan System at 1-800-4-FED-AID, or visit their [website](http://www.nslds.ed.gov) (www.nslds.ed.gov) to determine what kinds of student loans you have.

What Happens if You Default

Of course, the best way to handle student loans is to pay them on time and whenever they are due. However, sometimes you may have trouble meeting your obligations. In extreme cases, failure to pay a student loan results in default. Delinquency begins the first day you miss a payment and the loan enters default when you remain delinquent for nine months.

Once your loan enters default, the lender has several ways of recovering its money. These include taking your tax refund, garnishing your wages, taking certain federal benefits, revoking your professional license, and suing you for the amount defaulted. Many of these actions can be taken with very little prior notice. If you have repaid the loan, or have taken any of the actions described below, you may win a challenge to the lender's claim.

Lower Your Monthly Payments

If you are having trouble making your payments because you are unemployed, or because you just aren't making enough money to pay your debts, many federal student loan lenders, as well as several private ones, will consider modifying your monthly payments. Lenders want you to pay back your loans, and may show some flexibility if it will save you from defaulting. Contact your lender to see which kinds of plans are available to you. The most [common plans](#) include:

- **Standard Repayment:** This often results in the highest monthly payment, but if you can afford it, the benefits might outweigh the financial difficulty. Since the loans will be paid off in the shortest time under this plan – a maximum of ten years – the total interest paid will be low.
- **Graduated Repayment:** This plan offers smaller monthly payments soon after graduation, and increases payments every two or three years. However, since the loan must still be paid within ten years, the later payments will be quite high.
- **Income Based Repayment:** Under this plan, the amount



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you pay depends on your income. The calculation for your monthly payments can vary, so consult your loan documents to determine how much you can pay every month.

You may also consolidate your loans; in other words, combine several different student loans so that you have a lower monthly payment over a longer period of time. Since you would take a longer time to pay off the loan, more interest may accrue, but this could be offset by an overall lower interest rate.

Put Repayment on Hold

If you fall on hard times and cannot make any kind of monthly payment, it could make sense to [postpone your payments](#). This postponement is called “deferment” when interest does not accrue, or “forbearance” when the interest keeps accruing.

In general, you must apply for a deferment. Contact your loan holder to get the necessary paperwork. While the conditions for deferment can vary, the following are some of the reasons most commonly accepted:

- Temporary total disability;
- Rehabilitation from a total disability;
- Unemployment;
- Uniformed military service;
- Teaching or serving a needy population.

Loan Cancellation

Much like a loan deferment, there are only certain situations in which you may be able to cancel your student loans. In some cases, only a portion of your loan is forgiven. The following are some of the situations which may show you qualify for cancellation:

- Death of the borrower
- Permanent total disability

- Identity theft (someone else borrowed money using your personal information);
- The borrower left school before attending 60% of the classes required for the degree.

Student Loans and Bankruptcy

Another option when you cannot pay back your student loans is to try to discharge your loans through bankruptcy. However, this is difficult, in fact almost impossible, to accomplish under current law. Your student loans can only be discharged if you can show that repaying your student loan would impose a severe hardship on you. This is a tough standard to meet. Courts generally consider a number of factors such as your age, health, income, expenses, and the time your financial difficulty is likely to persist.

In order to discharge student loans through bankruptcy, you will have to file a separate court action. You should consider hiring an attorney to guide you through the process.

STOP

Should I Talk to an Attorney?

If you have excessive student loan debt and have tried to lower your monthly payments unsuccessfully, you may want to speak with a consumer law attorney.

You can locate a consumer law attorney now by visiting <http://www.findlaw.com> and choosing among several quality-assured lawyers in your area.

For More Information

Regarding student loans and other debt related issues, please visit <http://bankruptcy.findlaw.com/debt-relief/>.

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