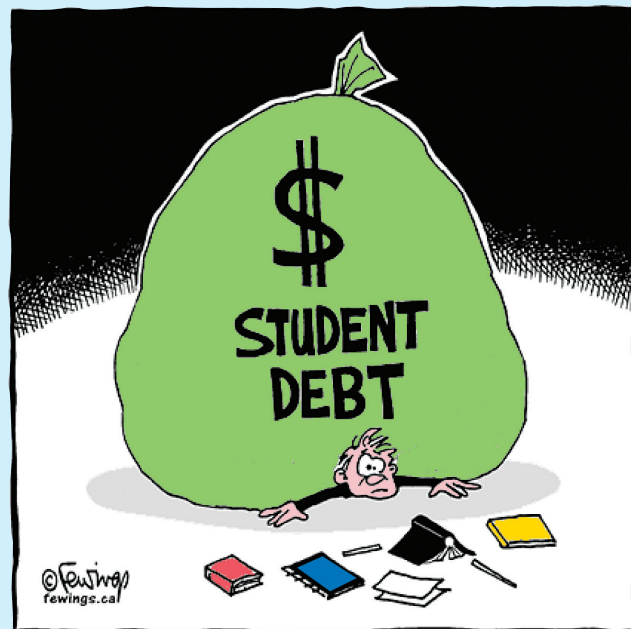


Student Loans

Weighing You Down?

Not Sure

What to Do?



You are not alone...

From start to finish, the student loan process is quite complicated. Education is expensive. Student loans are costly and have grown more so! The days of 3% interest rates are long gone.

There are many different kinds of loans, and the repayment terms vary. Those who fall behind on payments may be hounded by debt collectors, sued in court, or have their tax refunds seized. Getting out of default status or entering a loan rehabilitation or consolidation program is a daunting prospect. It is important that you obtain good advice and information about student loans.

Some tips for navigating the student loan thicket:

If you are deciding how to finance a college education

- Consult your school's Financial Aid Office for assistance in choosing the best options.
- Try getting grants, scholarships and work-study employment, before loans.
- Federal loans are better than private loans, and subsidized federal loans are better than unsubsidized federal loans.
- Look closely at the repayment terms of loans you are considering. Be aware, for example, that federal loan payments begin after graduation, while some private loans require repayment while you are still in school.
- Be especially careful in seeking a loan to attend a trade or for-profit school. Some of these schools may be more interested in attracting students than in helping you obtain a loan that you can afford to repay.

Do your best to make loan payments on time

- This may seem obvious, but once you are in re-payment status, it is best to make timely payments. There are various consequences to defaulting on a student loan (see below).
- If you are having trouble making payments, options may be available to lower your monthly payment. These include deferment of payments, and forbearance (stopping or reducing payments temporarily). These options generally become unavailable if you default.
- You may also be able to consolidate your loans into a single loan with one monthly payment.

If you default on a federal student loan

- "Default" usually means, for a federal loan, that you have not paid for nine months.
- Your credit will be affected, debt collectors will likely contact you, your salary may be garnished and your tax refund may be intercepted. Interest will continue to accrue.
- Also, you will not be eligible for deferment or forbearance.
- How to get out of default? For some loans, you can "rehabilitate" your status by making a certain number of on-time payments (typically for nine out of 10 months) at an affordable rate.
- Once you have rehabilitated your loan(s), you may wish to consider consolidating your loan(s) into one new direct consolidation loan with a fixed interest rate.

If you default on a private loan

- Many private loans go into default after only four months, as governed by the loan contract.
- To determine your options for remedying a default under a private loan, contact your loan servicer.
- You may be sued for nonpayment of a private loan.

Loan Forgiveness and Public Service

- If you work in public service, depending on the type of loan, you may be able to have part of your debt forgiven. Qualifying jobs include government work, law enforcement, some teaching jobs, and others.
- To qualify you must have made 120 monthly payments and you must not be in a default status.

Federal Loan Cancellation

- In very limited circumstances, you may be able to cancel your loan. These circumstances include permanent and total disability, and closure of the school while you were enrolled.

Student Loans and Bankruptcy

- Although Congress has severely limited the ability to discharge a student loan in bankruptcy, it is still possible to do so if a borrower demonstrates that repaying your loans would cause "undue hardship."

Where Can I Turn for Assistance?

If you are a DC 37 MELS-eligible City employee or retiree, call MELS at (212) 815-1111 for legal advice and assistance.

Some Other Resources:

- National Consumer Law Center, www.studentloanborrowerassistance.org.
- New York State Dept. of Financial Services (www.dfs.ny.gov), Student Protection Unit.
- U.S. Dept. of Education, Federal Student Aid (www.studentaid.gov).