

Preventing Default

If you have not yet borrowed, or if you currently have loans with CFI, you should review this section for some tips on avoiding loan default.

Borrow wisely. Before you borrow, you should be sure to understand the seriousness of the debt you will be undertaking. Borrow the lowest amount that you need and avoid overburdening yourself with other debts. Your school's financial aid administrator can assist you in determining an adequate amount to borrow.

Repay on time. You should understand the importance of paying back your student loans on time once they enter repayment. You want to avoid defaulting on these loans at all costs! (See "**Consequences of Default**" below.) Because of the far-reaching consequences if you default on your student loans, these loans should take priority when you pay your monthly bills.

Contact CFI. If you have loans with CFI that are currently past due, you should contact CFI immediately in order to arrange to bring your loans current. You can contact CFI toll-free at 1-800-722-2838 or locally at 919-821-4743.

Deferment and forbearance. If you are experiencing financial or other difficulties, you might qualify for deferment or forbearance on your loans. You should contact CFI immediately to ask about your possible eligibility.

Address changes. It is your responsibility to notify CFI immediately of any change in your address or telephone number throughout the life of your loan.

Consequences of Default

If you are past due on a FFELP loan, you risk defaulting on your loan. Default carries serious adverse consequences that unfortunately will have a long-lasting impact on you. These consequences include:

Loss of eligibility deferment and forbearance. If you default on your student loan, you will no longer be eligible for the types of deferments or forbearances on your loans that CFI offers.

Loss of eligibility for financial aid. Defaulted student loan borrowers immediately lose eligibility for any additional federal student financial assistance.

Acceleration of debt. If you default, your loans will immediately become due in full.

Collection fees. If you default, additional collection fees will be added to your loan debt that can increase the amount you owe by as much as 25%.

Negative credit record. Your default status will be reported to all national credit bureaus. This will adversely affect your credit rating and make it difficult for you to establish credit for credit cards, car loans, home mortgages, etc. for years to come.

Wage garnishment. A defaulted student loan borrower is subject to the garnishment of a significant portion of their wages. The North Carolina State Education Assistance Authority will notify your future employers about your default and will arrange for wage withholding for each pay period until your debt is paid in full.

Lawsuit. The North Carolina State Education Assistance Authority may sue you. This can result in wage garnishment and in the seizure of your current and future assets. The judgment we obtain against you will also have a long-term negative effect on your future credit record.

Seizure of tax refunds. Your future federal and state income tax refunds will be subject to seizure every year until your debt is paid in full.

Collection agency. Your account can be turned over to a professional collection agency for constant and intensive collection calls and letters.

Assignment to the U. S. Department of Education. Your account can be turned over to the U. S. Department of Education for actions to be taken against you directly by the federal government, including legal action.