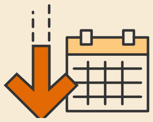
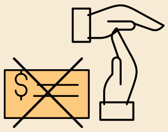
What to do when you can't make your federal student loan payment(s):



If you're concerned about making your student loan payments:

The first step is to know the repayment plans are available to you. **The Fidelity Student Debt** Tool * can help you figure out what your payments could look like on an income driven repayment plan called REPAYE. You could also look into how refinancing could help lower your monthly payments.

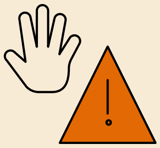
Fidelity Student Debt Tool -->



If you already have a low monthly payment and are having trouble making your payments:

Look into entering **deferment or forbearance.** They can relieve some short term financial stress and allow you to get your finances in order so that you can continue making your payments when ready.

See *page 2* -->



If you've already become delinquent or defaulted:

It's not the end of the world. There are two main paths for getting out of default, aside from immediately paying off the loan in full yourself: **loan consolidation** & **loan rehab**

See *pages 4 & 5* -->

*** If you are currently in deferment, forbearance, delinquent or in default:**

The Student Debt Tool currently does not handle these loan statuses. You can still use the debt tool however by entering these loans manually, and entering the monthly payment for each loan as equal to what you paid before entering that loan status. Doing this will show you a loan picture as if you were in repayment on those loans.

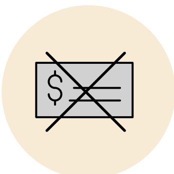
We'll be talking about these options as they pertain specifically to federal student loans.

This excludes private student loans. Why? Because federal student loans are governed by federal law, making the options consistent for everyone. Private student loans are not bound by the same federal laws, so their options can differ by lender. If your student loan is with a private lender, contact them to find out what options they offer.

LOAN STATUS:

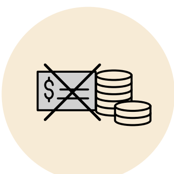
Deferment & Forbearance

If you can't make your monthly student loan payment, deferment, and forbearance are the first tactics to consider. Both allow you to stop making regularly scheduled monthly payments for a period of time.



With Deferment:

- You can defer paying your loan for up to 36 months in some cases
- Certain types of loans do not accrue interest; for those that do, accrued interest can be added to your loan balance increasing the overall lifetime cost



With Forbearance:

- Each forbearance may last a maximum of 12 months
- Your student loan continues to accrue interest
- Accrued interest can be added to your loan balance, increasing the lifetime cost for paying off the loan

Forbearance and deferment have specific eligibility requirements. You can learn more about these options, and their requirements, on the Federal Student Aid website. Keep in mind you'll likely need to fill out a form and send it to your federal loan servicer to request a deferment or forbearance. If you meet the requirements of your servicer you will be receive the status for which you applied.

If none of the eligibility requirements apply to you, a general forbearance may be possible. You'll need to work with your servicer and make a case for why you need the forbearance, such as financial difficulties or medical expenses. The final decision about general forbearance is in your servicer's hands, so be prepared to negotiate.

You'll be responsible for any monthly payments due until your federal loan's status change become official. Forbearances and deferments can take time, so it's best to submit your request as soon as possible. Missing payments while applying or waiting for approval for forbearance or deferment could put your eligibility at risk and put you in delinquency or default.

Deferment and forbearance are not permanent solutions. They're intended for temporary relief to help you through periods of financial hardship or other circumstances beyond your control so that you don't default on your federal student loan.

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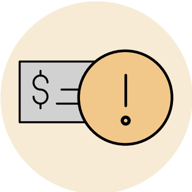
LOAN STATUS:

Delinquency & Default

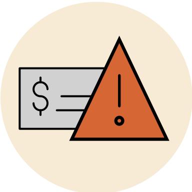


Delinquency means being past due on your federal student loan payments. When you miss a federal loan payment, your loan is considered delinquent and will remain delinquent until you repay the past due amount or receive deferment or forbearance.

You should repay the past due amount owed as soon as possible; the longer your federal loan is delinquent, the worse things can get until you default on your loan. If your federal loan is delinquent for more than 90 days, your federal loan servicer will report this status to the credit agencies. Your delinquent payments then appear on your credit report and can lower your credit score.

- A lower credit score can affect all areas of your financial life. It can lead to higher interest rates for other types of loans, or being denied lending or financing entirely.
- Most federal loans default after 270 days of delinquency. Check with your federal loan servicer about the rules regarding your loans specifically. The date of default for a Perkins loan, for example, may be at the federal loan holder's discretion and not the traditional 270 days.
- Usually, you can resolve delinquency by consolidating your loans or by applying for deferment or forbearance. Once you default, this is an entirely new status with its own consequences and remedies.

Default has serious consequences covered on the Federal Student Aid website, see the site for the full list, but here are some main points:

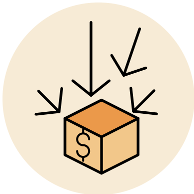


- Depending on the type of student loan, after a specific number of days in delinquency, the loan is then considered to be in default. This is a much more permanent and consequential status than being delinquent.
- Your full balance (including principal, accrued interest, and outstanding fees) becomes due immediately.
- You can no longer apply for deferment or forbearance
- Since you owe the balance of your debt in full, you can be taken to court, your wages may be garnished, and any tax refunds you receive may be redirected to pay your debt

Every default is different. You may default on your loan and never have to deal with a court order or wage garnishment but we want you to be aware of the potential consequences and how they may affect you.

GETTING OUT OF DEFAULT:

Consolidation

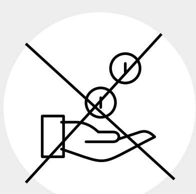


With a federal consolidation, you pay off the defaulted loan immediately by taking on a fresh federal loan equal to the total amount owed on the defaulted loan. Once consolidated, the defaulted loan is paid off (but it's not removed from your credit report, so keep that in mind).

Loan consolidation for a loan (or loans) in default is similar to a normal consolidation. It can, in the case of default, be done on just one loan or it can combine multiple federal loans whether defaulted or not into one new loan.

There are a few caveats to be aware of when consolidating a loan in default. We'll cover some here but for a full understanding of your unique situation, talk to your loan servicer.

- If you consolidate your loan, the new consolidated loan must be repaid through one of the income driven repayment plans.
    - The standard 10-year repayment and graduated repayment options will not be available unless you make **three on-time, full monthly payments**. You can talk with your servicer to determine the amount and timing of these if you wish to go on a repayment plan other than the income driven plans.
- If the defaulted loan which you wish to consolidate is subject to a court order against you or any form of wage garnishment, you'll need to resolve those issues, possibly with the help of a lawyer, as you cannot consolidate a defaulted loan until a judgment has been lifted.
- If you choose to go the consolidation route and aren't affected by any of the caveats above, visit the StudentLoans.gov website to begin the process.



You should never have to pay the government or any business to consolidate a federal loan. It's a free process you can do yourself on the federal site. Once consolidated, your loan will be treated as a new loan and is eligible for deferment, forbearance, and forgiveness (should they be applicable).

GETTING OUT OF DEFAULT:

Loan Rehabilitation

Loan rehabilitation allows you to rehabilitate your defaulted loan to bring it back into good standing. This process typically takes 9-10 months. Once the process is complete, the loan will no longer show as defaulted on your credit report, a clear advantage over consolidation if rehabilitation is a viable option.

Loan rehabilitation is a bit more straightforward than consolidation with fewer caveats.

- Rehabilitation requires making 9 "affordable" payments within 20 days of the due dates during a period of 10 consecutive months.
- Once you have completed this rehabilitation process your loan will no longer be in default or show as defaulted on your credit report, and will be eligible for all available repayment plans (as well as deferment, forbearance, and forgiveness).
- There are two ways to determine what an "affordable" payment is for loan rehabilitation.
    - The default method is similar to the income driven repayment plan calculations: 15% of your annual discretionary income divided by 12.
    - If that payment amount still does not seem affordable to you, you can work with your servicer to determine an amount which is more reasonable by providing them with a bit more information in addition to your income such as your other monthly expenses and debt payments.
- You will have the option of choosing whichever calculation results in a lower payment and the amount can be as low as $5 per month.

After determining these payment amounts with your loan holder and making the **9 on time payments,** your loan will be fully rehabilitated, it will no longer show as defaulted on your credit report, and you will be able to resume paying it back albeit potentially at a higher amount due to accrued interest or other changes you may have made.

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