



Update on Student Loans

The Education Department is working on two fronts. On one hand, the department makes it very easy for students who want to get a college education to qualify for loans, while on the other hand the department is making sure that taxpayer money funding these student loans is in fact repaid.

To enforce repayment, the Education Department can automatically begin withholding as much as 15 percent of a defaulted borrower's after tax wages. Unlike private lenders, the federal government does not need court approval to garnish wages for student loan default. Federal and private loan borrowers should be aware that these loans usually cannot be erased when a borrower enters bankruptcy. To enforce repayment, the federal government has the right to withhold a portion of a defaulted borrower's Social Security retirement and disability benefits, income tax refunds and lottery winnings. By the end of March 2013, the number of borrowers whose wages were being garnished for federal student loan repayment grew to 2.5 million.

The following are some strategies for borrowers to ease their student loan repayment burden.

*Consolidation of all loans into one loan with one fixed interest rate and one payment. Exception, federal government and private lender student loans should not be consolidated because upon consolidating the borrower will lose the repayment options that are associated with federal student loans.



*Extending the repayment period from 10 years to 30 years, a borrower can tailor to his or her cash flow.

*Income-dependent plans for low income earners.

*Deferment and forbearance, If borrower is unemployed or are facing other types of financial hardship such as large out-of-pocket medical bills, monthly payments are temporarily suspended.

It's important after student graduates, to do a complete analysis of options and costs. Potentially large amount of dollars can be saved by reviewing the choices.

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