



EdFed

Federal Lender Code 834241

America's Top Student Loan Consolidator

175 South Lake Ave, Suite 200, Pasadena, California 91101

Tel: (800) 821.5659

Fax: (213) 895.7306

www.Edfed.com

Who's in Default?

Personally, I think it's a shame that so many people slip into default, especially in situations where it could have been readily prevented if only the borrower knew his or her options. In other cases, student loan defaults could be staved off if only school officials did more to help those who are at risk of having their student loans go into default because, believe it or not, there is plenty of evidence out there that suggests clear patterns of who is more apt to default on a student loan and who is not.

Here's the skinny: According to a survey by the Texas Guaranty Loan Agency, you're more likely to default on a student loan if you:

- Drop out of school.
- Work in a job different from your area of study.
- Don't know about your loan repayment options.

Borrowers who do not finish their degrees are ten times more likely to default on their student loans than people who leave school with a diploma. Drop-outs are also twice as likely to go into default on a student loan as unemployed people, according to a May 2005 report called *Borrowers Who Drop Out: A Neglected Aspect of the College Student Loan Trend*, by Lawrence Gladieux and Laura Pern of the National Center for Public Policy and Higher Education.

When you think about it, these "at risk" categories make sense. The person who drops out of school doesn't earn a degree. That means his or her job prospects are generally far more limited than the person with a degree. Without a college diploma, the drop-out may have to take a lower-paying job, leading to difficulty in repaying student loans.

Also, consider the plight of those working in fields different from what they studied in school. You can imagine that many of these individuals tried initially to get jobs in their industry in a bid to leverage their degrees and put their higher education to use. But maybe the job market was flooded with applicants. Maybe there was an economic downturn. Maybe the jobs in their field dried up. Or maybe they got into the workforce and found out that what they studied in school didn't fulfill them professionally.

For whatever reason, these graduates ultimately accepted positions outside their area of study. Chances are, these jobs also were lower-paying than what the college grads could have or hoped to earn working in the areas that they studied in school. The net result is the same: financial difficulties led them to become delinquent in their student loans.

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Equally frustrating is what happens to college grads who, because of a lack of information, fall into default when they were actually qualified for other forms of relief, like deferments, forbearances, or possibly loan forgiveness. The problem, however, is that students aren't really schooled in the intricacies of the student loan system. Upon graduation, or when students leave school, most people sit through that 10 or 15 minutes worth of "exit counseling" with their eyes practically glazed over.

Sometimes, human nature is to just try to avoid a problem and not deal with it. So when you started getting all those notices from your lender, and you knew you couldn't pay, I understand why you stuck your head in the sand and refused to confront your student loan dilemma. But the real question is: are you truly prepared to deal with the issue now? If you are, then you can readily resolve this crisis. It starts by making one simple phone call.