Article Side

Know the Consequences of a Defaulted Student Loan by Nicolettepitterson

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Defaulting on a student loan is never a call for action in an individualâ€™s life. However, often time comes in life when you are left with no choice, but to battle with financial hardships. You might not to be always able to continue with your payment throughout the repayment term of your loan. What you must remember, in such situations is the fact that you usually end up being a defaulter following a miss in the payment for 270 consecutive days.

Avoid Defaulting on your Student Loan

Whatever, be your financial situation, you must always avoid being a defaulter. The reason is simple; a defaulted loan severely affects your personal, professional, and financial status in life. It brings upon several consequences that can make you non-eligible for further financial help and other credit acceptance. The federal government holds with it the right of taking action against you following a default.

Therefore, it is advisable that you contact the creditor or the financial institutions during such financially restrictive situations and call for assistance.

Consequences of a Defaulted Student Loan

Here, is a look at the consequences that you might expect from the federal government following a default on your student loan -

Garnishment of Paychecks

Once you default, the government can opt to garnish your paychecks until you come clear of the default. The government holds with it the right of taking away up to 15 per cent of your income for collecting the outstanding amount on your behalf.

Sue you at the Court of Law

A defaulted loan can also bring upon you the hard consequence of being sued at the court of law. The government can file a court case against you for an indefinite period of time for collecting the outstanding amount.

Non-eligible for Federal Benefits

Defaulting on a student loan makes you non-eligible for certain federal benefits. The government can put a hold upon certain benefit payment program that includes the Social Security disability benefits and Social Security retirement benefits, as compensation to the defaulted loan amount. However, the government cannot take away your benefits if the amount is less than $90,000 annually.

Offset of Tax Refund

The IRS can block any tax refund that you might have been entitled to following the default. The federal government calls upon the action to ensure that the payment is made in full. This particular method is considered the most effective way of collecting the defaulted amount.

Dealing with a defaulted status alongside coping with financial hardships is never easy for an individual. Therefore, it is always wiser to seek consultation immediately to avoid a defaulted loan condition.

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Nicolette Pitterson is a financial adviser and he has vast knowledge about a student loan. To know more about Student Loan he recommands to visit website a http://defaultedloan.net/ .

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