What’s on the menu?

PUBLIC OR PRIVATE

Public (or federal) loans come from the U.S. government. Private loans come from banks, credit unions, state agencies, or schools.

Federal loans are usually cheaper and have more benefits.

INTEREST RATE

The amount of money you get to borrow is called the principal. You not only have to pay that amount back, but also an extra amount in return for the benefit of getting the loan. That’s called interest.

The lower the interest rate, the less of that extra money you will have to pay to the lender.

REPAYMENT OPTIONS

Public student loans give you the option to base your monthly payment amount on your income and family size, so that it is more affordable.

Be sure to ask about income-driven repayment options.

Who is NWCLC?

The Northwest Consumer Law Center is a nonprofit organization helping people with consumer law problems, meaning legal issues related to money being spent or owed on goods and services. Currently our work focuses on the following areas:

- Home Foreclosure Defense
- Mortgage Loan Modification
- Chapter 7 & 13 Bankruptcy
- Debt Collection Defense
- Auto Fraud
- Student Loans

We provide legal advice and representation at no charge or on a sliding scale. You may qualify for our services if you live in Washington and your income is under 400% of the current federal poverty level.*

* $48,240/year for a one-person household, add $16,720 per additional person. Figures may change after 2017.

STUDENT LOANS:

Lessons you do NOT want to learn the hard way

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**BEFORE You Sign**

If you haven't considered these questions, and they invent a time machine, your future self will be coming back to slap you silly.

- “Could I get the same degree at a less expensive school?”
- “Can I do community college, which is cheaper, then transfer to another school?”
- “Have I looked at all possible scholarships and awards?”
- “Have I looked at all different kinds of student loans?”
- “Have I tried to get only the loans with the best interest rate and repayment terms?”
- “Have I learned about how to manage student loan debt after I finish school?”
- “Should I work part-time while at school to keep my debt down?”

**When It’s Payback Time**

You have to pay back a student loan even if you don’t finish school. If you miss too many payments, your loan goes into default. That goes on your credit report, and you will have a harder time getting other loans, renting apartments, buying a car, and even getting certain jobs.

**PUBLIC SERVICE LOAN FORGIVENESS PROGRAM**

If you make 120 payments on certain public loans while you work full-time at certain public service jobs, you won’t have to pay back the rest of the loan. Go online or ask a counselor for details.

**FORBEARANCE**

This option lets you to stop making payments for a while because of poor health or personal problems without going into default.

**REINSTATING AFTER DEFAULT**

Public loans have a “rehabilitation” option, where the default comes off your credit report if you make 12 consecutive monthly payments.

**The Bad News about Bankruptcy**

Bankruptcy is a legal process that many people use to discharge (get rid of) debts that they cannot pay. Unfortunately, you are very unlikely to get your student loan debt discharged in bankruptcy.

The court will allow a discharge of your student loans only if you can prove the following:

- You made a “good faith effort” to repay your student loans, meaning you tried the best you could.
- You could not maintain a minimal standard of living and still repay the debt at the lowest amount in any of the available repayment options.
- The problems keeping you from repaying the student loans will probably continue for most of the repayment period.

The Northwest Consumer Law Center

www.nwclc.org