

# WHAT HAPPENS WHEN YOU DEFAULT ON A LOAN?



## What can you expect if you default on a loan?

### The lender will try contacting you to work out a payment plan



You and the lender create a manageable payment plan for paying down/off the loan



Your credit score is minimally affected

### IF YOU TAKE NO ACTION



If it's a secured loan, the lender repossess the loan's collateral (your car, home, etc.)



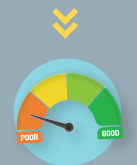
The lender tacks on late fees and increases your interest rate



The lender may turn to a collection agency



If the agency is unsuccessful, the lender may take the loan to court or seize your assets



Your credit score drops significantly

### IF YOU STILL TAKE NO ACTION



The negative mark on your credit lasts for seven years or longer



You have trouble qualifying for a car lease, mortgage and other loans



The lender tacks on late fees and increases your interest rate



The lender may turn to a collection agency



If the agency is unsuccessful, the lender may take the loan to court or seize your assets

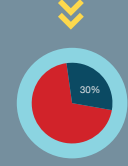


Your credit score drops significantly

### YOU TAKE STEPS TOWARD REPAIRING YOUR CREDIT



Make all your other debt payments on time



Don't use more than 30% of your credit card limit



If possible, keep your oldest credit line (usually a credit card) open/active



Don't apply at several lenders for more credit/loans that will result in many credit inquiries



Talk with your credit union for more advice and guidance



Your credit score improves



After several years, the negative mark on your credit disappears