Student Loan Borrower Assistance
National Consumer Law Center

# Get a Fresh Start on Student Loans in Default

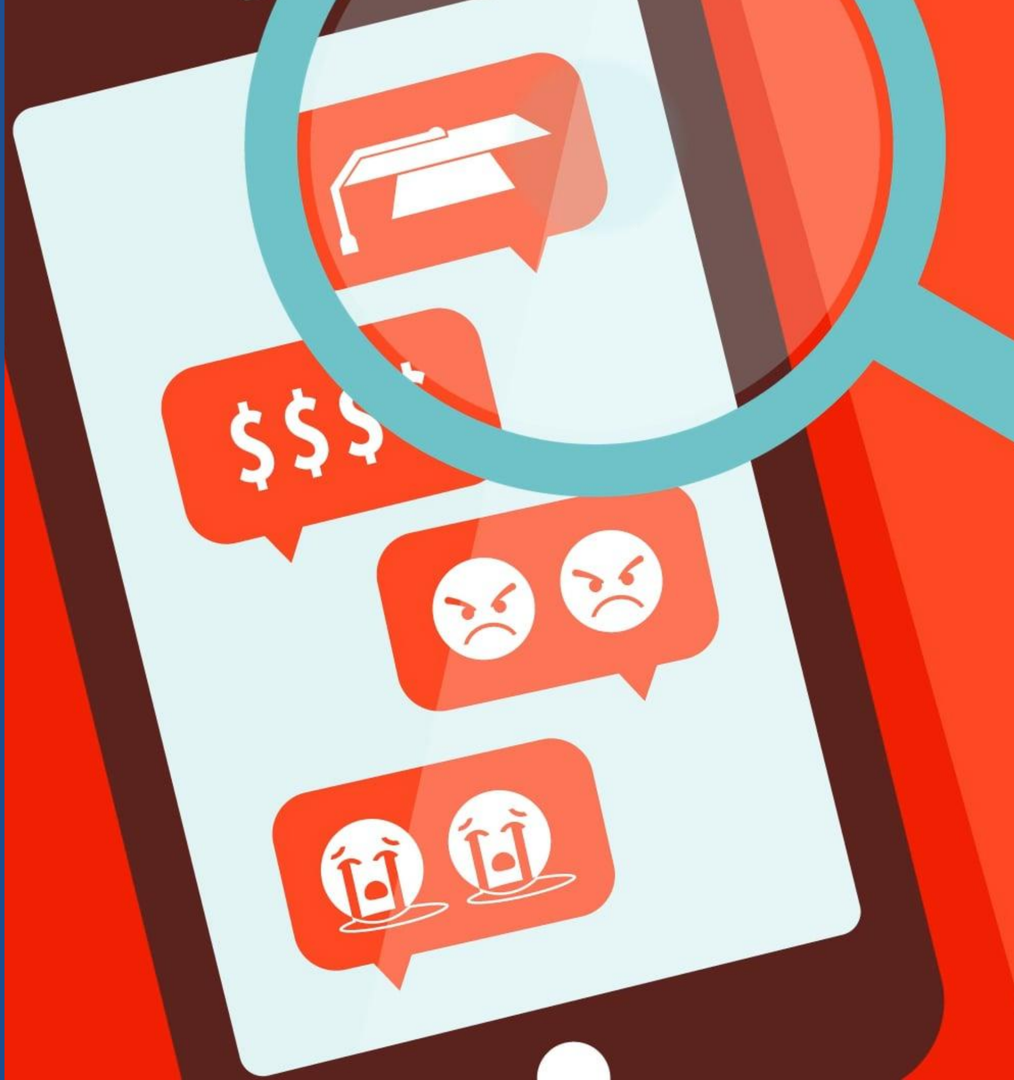
# We'll talk about:

- Are your student loans in default?
- Get out of default with Fresh Start
- Avoid defaulting in the future
- Other student loan help & relief

# Why are we talking about this now?

# What about the payment pause?

Congress passed a law that ended the COVID-19 student loan payment pause on **<u>September 1, 2023.</u>**



# Repayment started again on September 1, 2023

What does that mean?

- Interest is accruing on student loans again (started September 1st).
- If your student loan payments were paused during the pandemic, you should expect to receive your first bill from your servicer sometime in September.
- Your <u>first bill will be due in October</u> – your due date will vary.

***BUT–if you were in default before the payment pause, you will still be in default after repayment begins unless you take steps to get out of default.***

# Are your student loans in default?

# What is the status of your loans?

Depending on your situation, your loans may be:

- in repayment
- in a grace period (if you recently left school)
- in deferment
- in forbearance
- delinquent
- in default

# What does it mean to be in default?

You are in default on most federal student loans if you miss payments for **nine months.**

# How can I tell if my loans are in default?

Have you ever had your **tax refunds, wages, or Social Security benefits taken** to pay back your student loan debt? Is there a student loan **default appearing on your credit report**?

→ *If yes, your loans may be in default.*

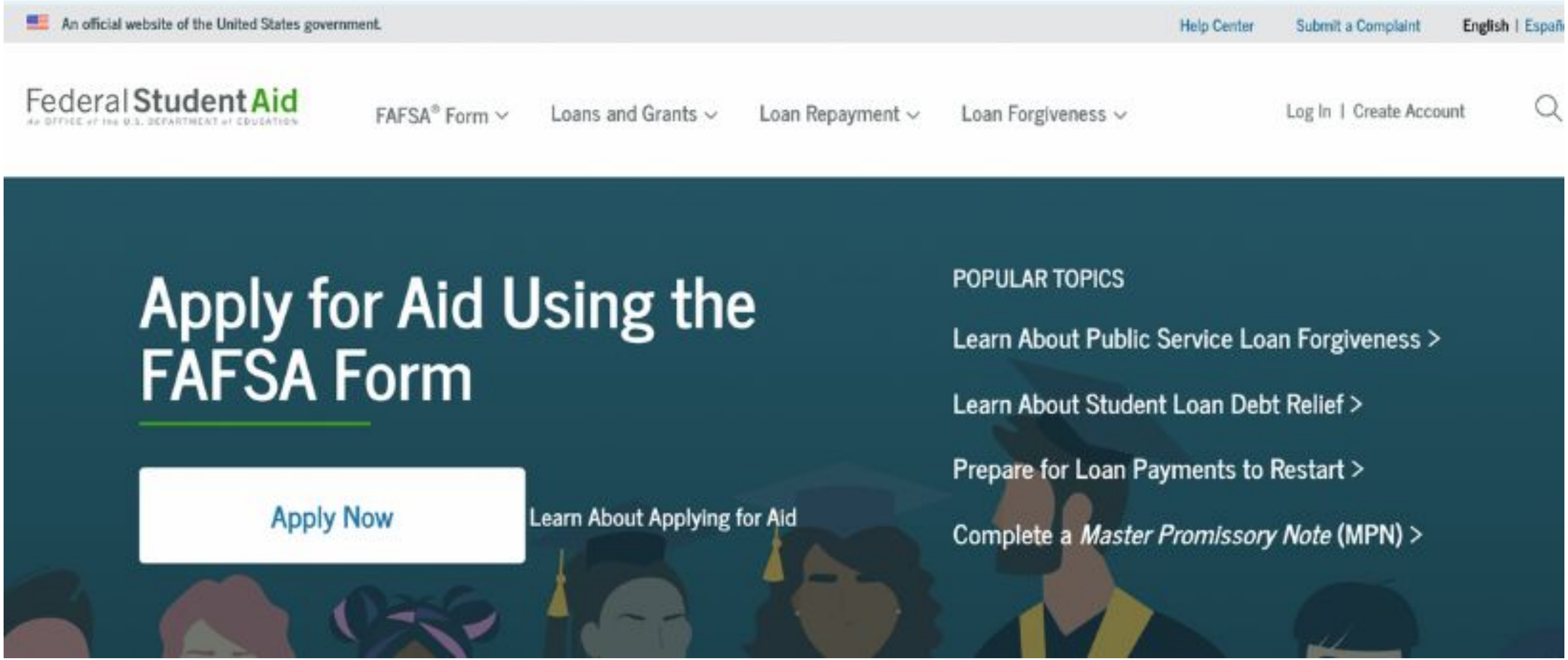
But there is a really simple and trusted way to find this information out quickly and easily…

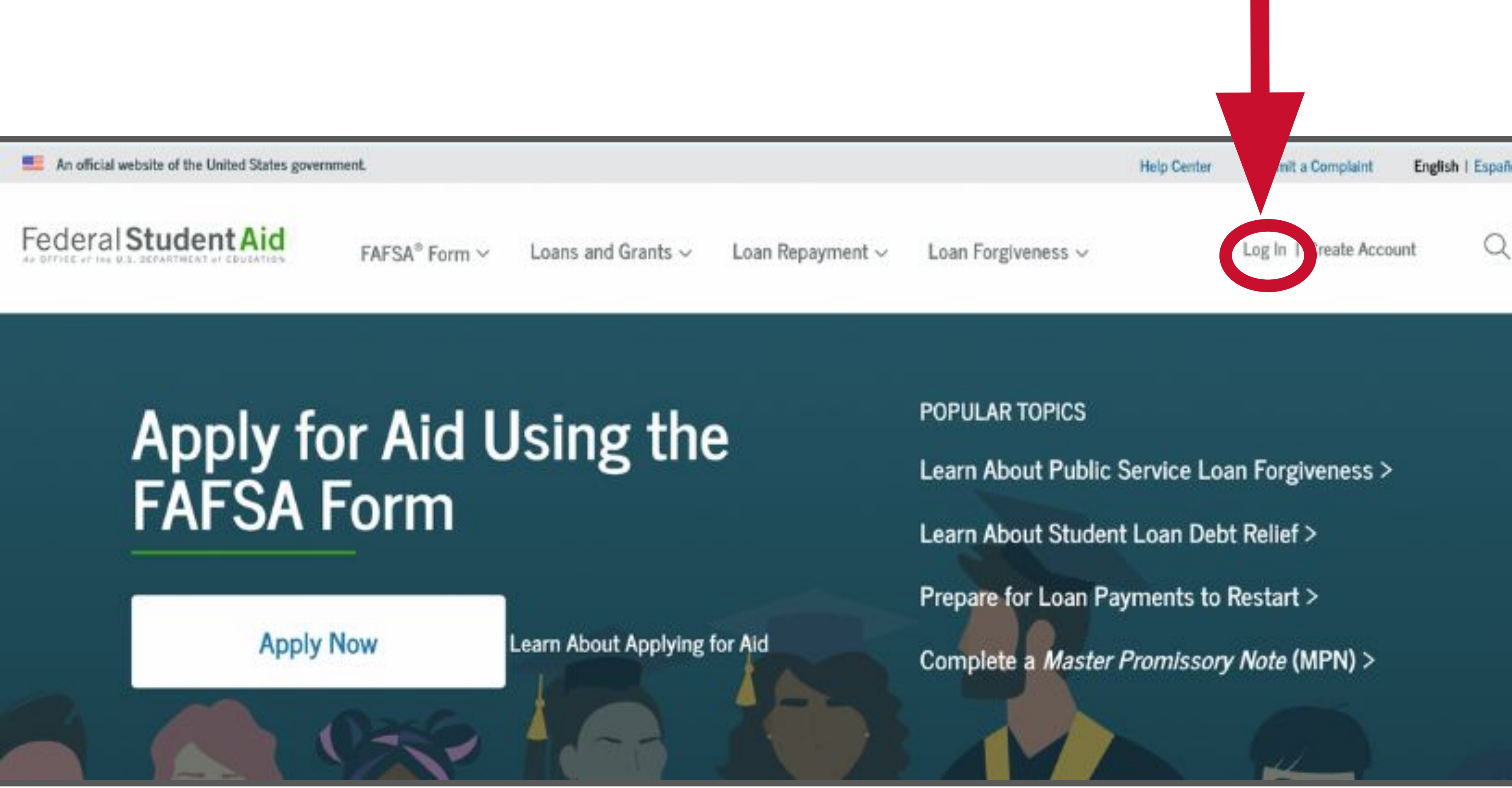
# Check the status of your loans on StudentAid.Gov

Logging into your account on StudentAid.Gov will show you the status of your loans, along with other key information, such as:

- your loan balance,
- your loan servicer(s),
- how long your loans have been in repayment, and
- who holds your loans.

# Log in to your account on studentaid.gov




An official website of the United States government.
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Federal Student Aid
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Prepare for Loan Payments to Restart >
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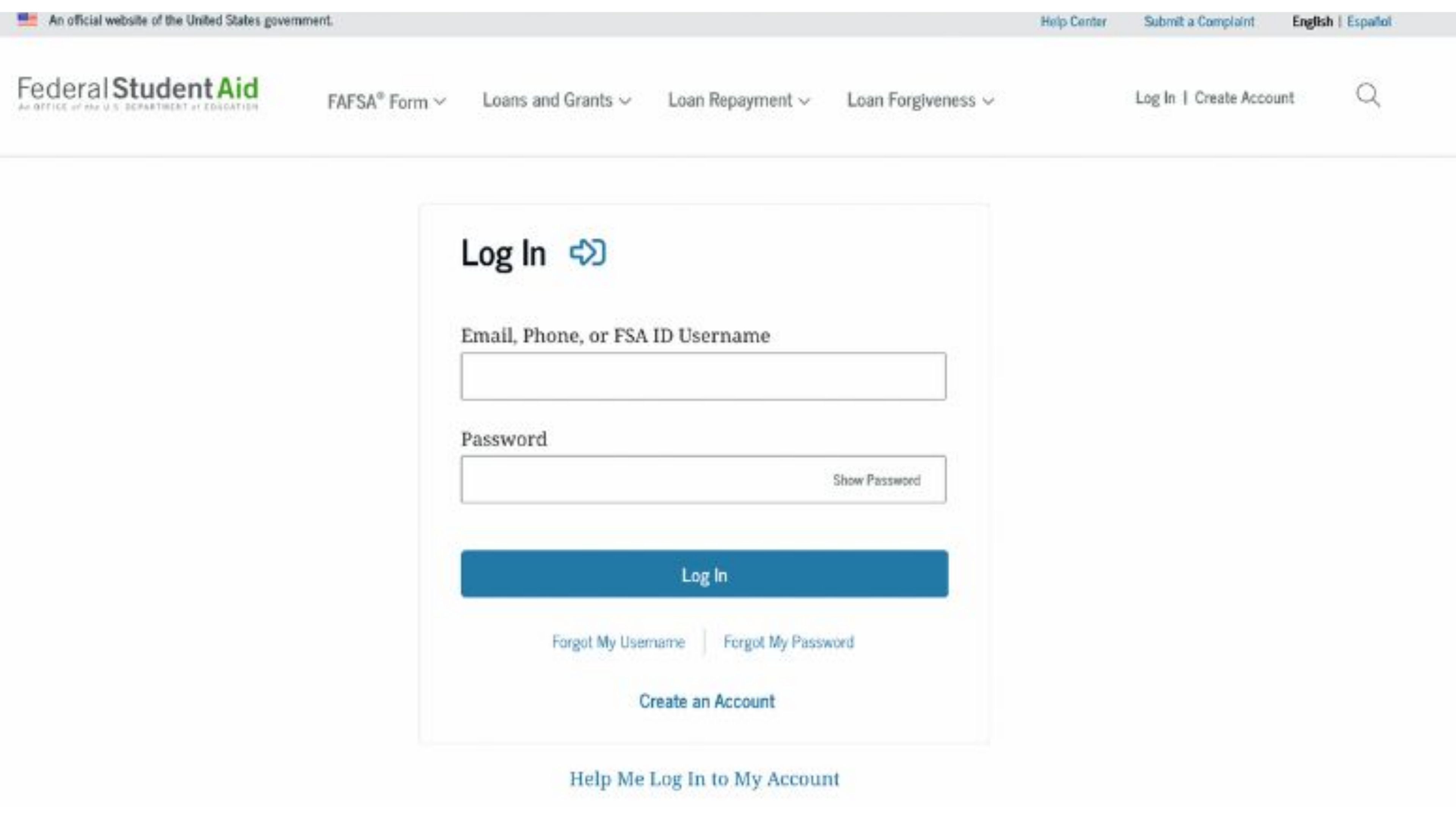
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Submit a Complaint
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Loan Repayment
Loan Forgiveness
Log In | Create Account
Log In
Email, Phone, or FSA ID Username
Password
Show Password
Log In
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Forgot My Password
Create an Account
Help Me Log In to My Account

‹ Back

# Two-Step Verification

You have the following two-step verification methods enabled. Select one to complete verification.

**SMS Verification**
******[redacted]
Send Code

**Email Verification**
[redacted]@gmail.com
Send Code

Help me access my account

< Back

Two-Step Verific

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Resend code

Having Trouble? Try a c

## Please Read Before Continuing

You are accessing a U.S. Federal Government computer system intended to be solely accessed by individual users expressly authorized to access the system by the U.S. Department of Education. Usage may be monitored, recorded, and/or subject to audit. For security purposes and in order to ensure that the system remains available to all expressly authorized users, the U.S. Department of Education monitors the system to identify unauthorized users. Anyone using this system expressly consents to such monitoring and recording. Unauthorized use of this information system is prohibited and subject to criminal and civil penalties. Except as expressly authorized by the U.S. Department of Education, unauthorized attempts to access, obtain, upload, modify, change, and/or delete information on this system are strictly prohibited and are subject to criminal prosecution under 18 U.S.C. § 1030, and other applicable statutes, which may result in fines and imprisonment. For purposes of this system, unauthorized access includes, but is not limited to:

- any access by an employee or agent of a commercial entity, or other third party, who is not the individual user, for purposes of commercial advantage or private financial gain (regardless of whether the commercial entity or third party is providing a service to an authorized user of the system); and
- any access in furtherance of any criminal or tortious act in violation of the Constitution or laws of the United States or any State.

If system monitoring reveals information indicating possible criminal activity, such evidence may be provided to law enforcement personnel.

Accept Decline

Federal Student Aid

FAFSA® Form | Loans and Grants | Loan Repayment | Loan Forgiveness | Name

LOANS | GRANTS

Download My Aid Data

**You have 9 loans in default.**

Don't get discouraged if you're in default on your federal student loans. You have options for getting out of default. Find out who to contact.

Get Contact Info

## 14 Loans View Breakdown

*3 Servicers | Total original amount awarded:* [redacted]

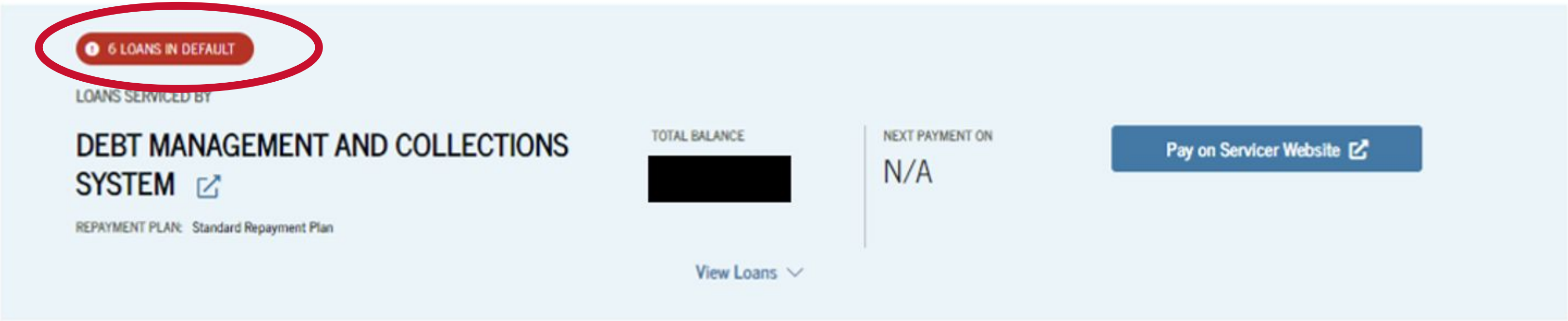

- [redacted] Principal
- [redacted] Interest

*Loan information as of 04/15/2020*

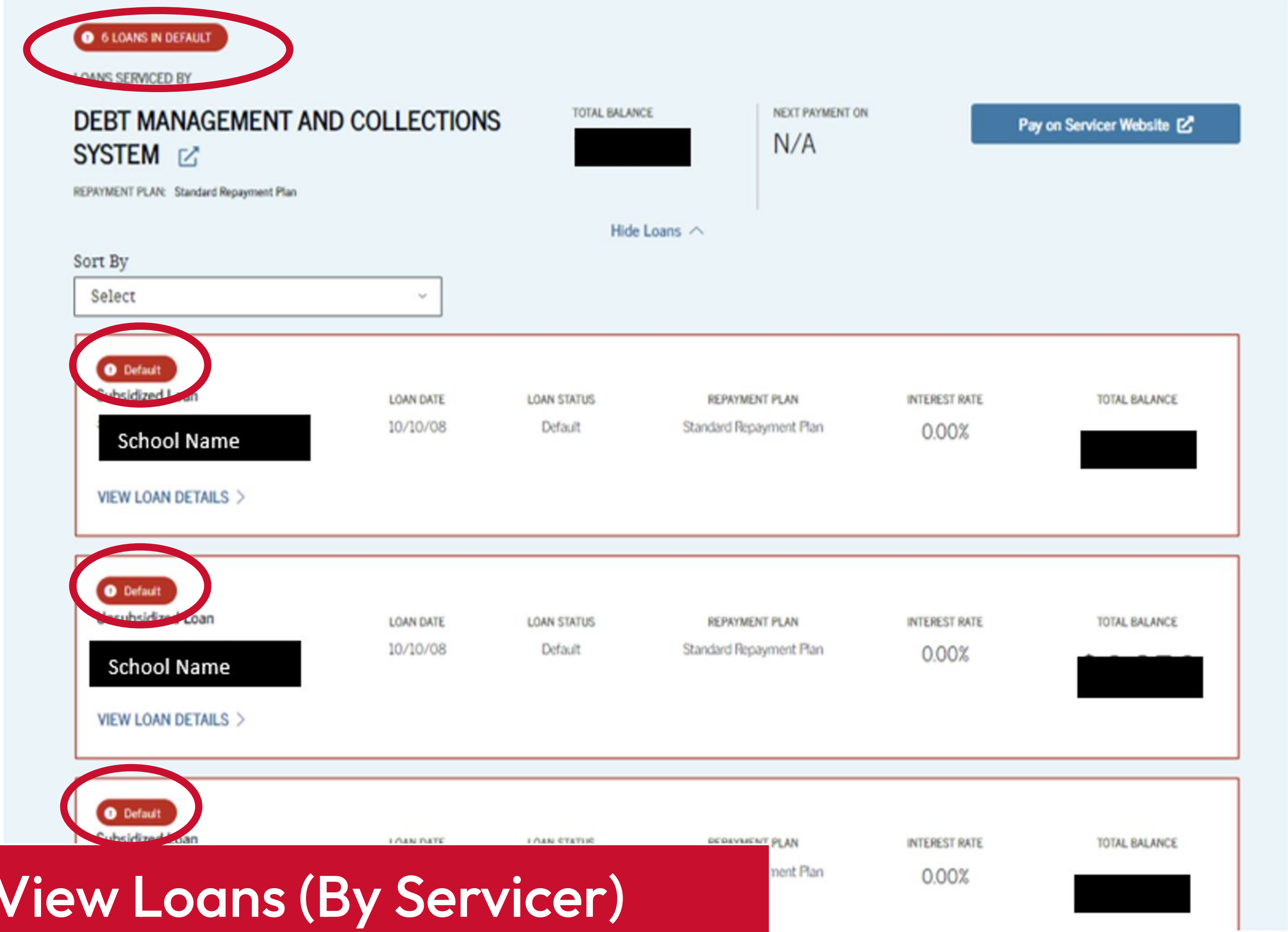
HELPFUL LINKS

- Explore Repayment Options
- Try the *Loan Simulator*
- Learn About Public Service Loan Forgiveness (PSLF)
- Explore Income-Driven Repayment Options
- Learn About Loan Consolidation

# Dashboard/My Aid




# Loan Breakdown (By Servicer)




# View Loans (By Servicer)

# What are the consequences of defaulting?

- The government may be able to take your money!
- You’re not eligible for new federal student loans or grants
    - *harder to go back to school*
- Defaults hurt your credit history and score
    - *harder to get loans*
- Collection fees can also be added  and interest continues to be charged
    - *harder to pay off your student loans*

# How does the government collect defaulted loans?

The three most common ways the government collects student loan debt are:

- Federal Tax refund offsets,
- Administrative wage garnishments, and
- Social Security offsets.

# Will collections resume now that repayment has restarted?

The payment pause stopped most student loan collections. The **pause on collections will continue** for all loans that are eligible for Fresh Start (loans that defaulted before the pandemic) through the September 30, 2024.

→ *So no new collections for most defaulted loans until September 30, 2024 –* ***giving you time to sign up for Fresh Start!***

Get out of default with Fresh Start!

# What is Fresh Start?

A temporary, time-limited program for borrowers with defaulted federal student loans to get their loans moved into good standing.

Announced in April 2022 and will run until September 2024

*There are no fees or costs to participate*

# What are the benefits of Fresh Start?

Some benefits are automatic (though won't last unless borrowers opt-in):

- Temporarily restore access to federal financial aid and other government loans;
- Preserves ability to rehabilitate;
- Credit reporting as "current"
- Stopped collections

Borrowers who opt-in can fully remove their loans from default and enter a repayment plan that sets them up for success!

# Who can enroll in Fresh Start?

Available for loans that defaulted *before* the end of the payment pause

- Direct Loans
- FFEL Program Loans
- Department-held Perkins Loans

# How to Enroll in Fresh Start

For most borrowers:

- Call Default Resolution Group (1-800-621-3115)
- State “I would like to use Fresh Start to bring my loans into good standing”
- State “I would also like to enroll in an IDR plan” and provide income information.

# How to Enroll in Fresh Start

Borrowers with commercially-held FFEL loans:

- 2-Step process:
  - (1) call FSA Info line to find out GA (800-433-3243);
  - (2) call Guaranty Agency.
- State “I would like to use Fresh Start to bring my loans into good standing”
- State “I would also like to enroll in an IDR plan” and provide income information.
- Loan will then be transferred to ED and entered into IDR plan.

# What to expect after applying

- For Department-held loans:
  - The borrower's loans will be transferred to a new loan servicer (should be within 30-45 days)
- For Commercially-held loans:
  - The borrower's loans will be transferred to ED's Default Resolution Group, removed from default, and then transferred to a new loan servicer

# What to expect after applying

- The borrower will then have the same options as other borrowers, such as deferments, forbearances, IDRs, and consolidations.
- If a borrower has a pending loan discharge application ED will either process the application before transferring the loan to a new servicer or ED will inform the servicer of the application
    - The latter is primarily for borrower defense applications

# Avoid defaulting in the future

# Making Payments More Affordable: IDR Plans

Income-Driven Repayment Plans, or IDR Plans:

- These plans calculate your monthly bill based on a **percentage of your income** (not your loan balance)
- After 20 or 25 years of repayment (depending on your plan and loan type), your loans will be cancelled

# Making Payments More Affordable: IDR Plans

Income-Driven Repayment Plans, or IDR Plans:

- There are multiple plans available, and they vary based on your loan type, loan disbursement date, and what you borrowed your loans for.
  - The most common plans are: SAVE (previously REPAYE), PAYE, IBR, ICR

# Making Payments More Affordable: IDR Plans

If you enroll in an IDR plan, you **must** recertify your income one time per year. However:

- You only need to recertify one time per year (no obligation to recertify if your income increases)

# Making Payments More Affordable: IDR Plans

If you enroll in an IDR plan, you **must** recertify your income one time per year. However:

- You only need to recertify one time per year (no obligation to recertify if your income increases)
- When you apply for an IDR plan on studentaid.gov, the Department will ask your permission to automatically use your income from the IRS each year, meaning you won't need to manually recertify (although you should check to make sure that your income has been correctly reported)

# Making Payments More Affordable: IDR Plans

*Note:* Parent PLUS loans are not eligible for an IDR plan **unless** they are consolidated into a Direct Consolidation loan. Any Direct Consolidation Loan that contains a Parent PLUS loan is only eligible for the Income Contingent Repayment Plan, the least generous IDR plan.

# Making It Easier To Remember To Make Payments: Autodebit

Each of the student loan servicers allows you to select autodebit so that your student loan payment is automatically deducted from your bank account.

# Making It Easier To Remember To Make Payments: Servicers

Borrowers can have different student loan servicers for different student loans (particularly if you have different student loan types or have different loans from different periods of attendance).

# Making It Easier To Remember To Make Payments: Servicers

- If you have different types of student loans with different loan servicers, you might consider consolidating them into a single or multiple federal consolidation loans.
- When you consolidate your loans, the application will ask you which servicer you want to choose
- You can apply to consolidate your loans on studentaid.gov

# A little more information on consolidation:

When you consolidate your loans:

- If you consolidate your loans today, the new loan will be a Direct Consolidation Loan
- It is a weighted average of the interest rates of loans being consolidated
- The interest on your loan will be added to the principal of the Direct Consolidation Loan

# A little more information on consolidation:

When you consolidate your loans:

- It may impact the rules you are subject to for other forms of statutory relief
- If you consolidate your loans before December 31, 2023, you won’t lose any qualifying repayment time on an IDR plan
    - If you consolidate after that time, your consolidation loan will be credited with a weighted average of the repayment time of the loans being consolidated

# Other student loan help and relief

U.S. Department of Education

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# Biden-Harris Administration to Provide 804,000 Borrowers with $39 Billion in Automatic Loan Forgiveness as a Result of Fixes to Income Driven Repayment Plans

401-1576, press@ed.gov

on (Department) today will begin notifying more than 804,000 borrowers that they have a total of $39 billion t will be automatically discharged in the coming weeks. In total, the Biden-Harris Administration has billion in student loan forgiveness for more than 3.4 million borrowers.

es are a result of fixes implemented by the Biden-Harris Administration to ensure all borrowers have an umber of monthly payments that qualify toward forgiveness under income-driven repayment (IDR) plans. the Department's commitment to address historical failures in the administration of the Federal student loan

**What's this?**

# The One-Time Payment Count Adjustment

# How did this come about?

In 2022, 4.4 million people had been in repayment for 20 years or more, but only 32 had reached IDR cancellation. Similarly, borrowers were struggling to reach Public Service Loan Forgiveness cancellation. This was because of:

- Servicers failing to tell borrowers in distress about IDR plans
- Servicers not giving borrowers accurate information
- Inaccurate denials and paperwork processing errors
- Recordkeeping errors

In light of these issues, the Department of Education decided to recalculate almost all borrowers' payment histories (a.k.a. the payment count adjustment).

# How does the payment count adjustment work?

Borrowers with any loans held by the Department of Education will now get credit for all time in repayment and even some time in deferment or forbearance toward IDR cancellation.

- This is true even for borrowers whose loans have never been in an IDR plan.
- You will also get credit for the qualifying time on loans that were consolidated into a new consolidation loan.
- However, **time in default, in an in-school deferment, or in a post-school 6 month grace period still won't count**, even under the payment count adjustment.

# Plus...

Time that counts towards IDR forgiveness will also count towards Public Service Loan Forgiveness (PSLF) cancellation if the borrower had qualifying employment.

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*Note:* PSLF Cancellation= 10 years of Repayment on loans +
same 10 years of qualifying public service employment +
qualifying loans (Direct Loans*)+
still working in public service

# How does the payment count adjustment work?

Individual loans will reach cancellation:

- Based on the terms of the IDR plan you enrolled in
- If you aren't enrolled in an IDR plan:
    - 20 years of repayment if you only borrowed loans for your undergraduate education
    - 25 years of repayment if you borrowed any loans for your graduate education
    - 25 years for Parent PLUS loans

# What do borrowers need to do to get credit?

Borrowers with eligible loans will get this credit **automatically** and will begin to see their accounts being adjusted over the next year. However,

- If you have loans that are not held by the Department of Education, such as FFEL or Perkins loans, or have HEAL loans, you have to consolidate those loans by **December 31, 2023** to make sure these loans benefit from the payment count adjustment.
- If you have loans with different amounts of time in repayment, you can consolidate them so that the Direct Consolidation loan is credited with the

# What about Parent PLUS borrowers?

Parent PLUS Loans will receive credit toward IDR cancellation under the payment count adjustment even if they have not yet been consolidated.

- But to keep earning credit toward IDR loan forgiveness, you need to consolidate Parent PLUS Loans into a new Direct Consolidation Loan and then sign up for an Income-Contingent Repayment (ICR) plan.

# What about Parent PLUS borrowers?

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Note: Parent PLUS loans are not eligible for IDR plans unless they are consolidated.

Any Direct Consolidation Loan containing a Parent PLUS loan is only eligible for Income Contingent Repayment (ICR), the least generous IDR plan.

Direct Parent PLUS loans *are* eligible for Public Service Loan Forgiveness (PSLF), but tough to get there without an IDR plan

# Feeling overwhelmed?

# Key Takeaways: *Act Now!*

- Check the status of your loans on StudentAid.Gov to see if they are in default
- If you have loans in default, act now to take advantage of Fresh Start
    - Sign up for a Fresh Start:
        - By Phone: Default Resolution Group, 1-800-621-3115
        - Online: myeddebt.ed.gov
- Consider consolidating FFEL or Perkins Loans.
- Think about signing up for an Income-Driven Repayment Plan (such as the new SAVE plan) to reduce your monthly payment going forward (could be as low as $0 per month) and earn credit toward loan cancellation.

SEARCH

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National Consumer Law Center

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## Student Loan Basics

- What's next after Court strikes down debt relief?
- Learn more about student loans
- Find your student loan info
- Help with repayment
- Stop collections and get out of default
- Cancellation and other relief
- Get more help
- President Biden's debt cancellation plan
- Returning to ... September


## Latest News

Pres. Biden Announces New Student Debt Relief Effort After Court's Decision

**Find more information at:**
**studentloanborrowerassistance.org**

Questions?