Resources for Student Loan Borrowers Returning to Repayment

A COVID-19 pandemic-related pause on payments, interest, and collections has been in place for most federal student loan borrowers since March 2020. That pause ended on September 1, when interest accrual resumed on borrowers' loans. Tens of millions of borrowers will soon be receiving (or may have already received) a bill, due in October, for the first time in more than three years. Those who graduated or left school during the pandemic may be getting a bill for the first time ever.

At the same time, the Department of Education is rolling out a new income-driven repayment plan, Saving on a Valuable Education (SAVE); implementing a host of additional programs, reforms, and targeted forgiveness efforts for specific groups of borrowers; and engaging in an ongoing process related to larger-scale debt cancellation. In addition, budget constraints at the Department's Office of Federal Student Aid mean that borrowers may encounter long wait times to speak with a student loan servicer.

As a result of these unprecedented events, borrowers are likely to experience confusion or have trouble accessing available resources to support their return to repayment this fall. You may hear from some of these borrowers in your Washington, DC or district offices. Below, please find information that may be helpful as you manage that outreach.

What can borrowers expect in September, October, and beyond?

- Some borrowers with older loans were not eligible for the pandemic payment pause. For all other borrowers, **interest accrual resumed on September 1**.
- Throughout September, borrowers will receive student loan billing statements. Borrowers will get their bills at least three weeks before their payment is due, and some borrowers may have already received them. These **payments will be due in October**.
- *Borrowers who left school recently* will be able to finish their six-month grace periods before beginning repayment. (For example, those who graduated in May will have their first payments due in December.)
- *Borrowers who are enrolled in school at least half-time* will continue to be in an in-school deferment, and payments will not be due until they leave school and finish their six-month grace periods.

APPLYING FOR SAVE AND OTHER INCOME-DRIVEN REPAYMENT PLANS

This document includes information about income-driven repayment plans, including the Department's new Saving on a Valuable Education (SAVE) plan.

- **Borrowers can apply for an income-driven repayment plan here**. This application should take approximately 10 minutes to complete, and borrowers will be able to see what their income-driven payment will be before they submit their online application. Borrowers can also send in a paper form. Here is an income-driven repayment application demo.
- It may take several weeks to process borrowers' applications. Servicers may put borrowers in a short-term forbearance if their payment cannot be processed before their next bill is due.
- As borrowers fill out their applications to enroll in an income-driven repayment plan, they can **grant the Department and servicers secure access to their IRS tax information to make the application process faster and easier**. If borrowers grant this permission, they will be automatically recertified for their income-driven repayment plan each year, without having to fill out additional documentation. They will be notified before their payment amount changes, and if their financial situation changes, they can still update their income information in the meantime to lower their payment amount.

What should borrowers do to prepare for repayment?

Borrowers can take several steps to prepare for repayment, including checking out this refresher on loan repayment.

- ✓ **Make sure they have accounts on StudentAid.gov and their loan servicer's website** and update their contact information in each account to ensure they are receiving communications about their loans. If their loans were transferred to a different servicer during the pandemic, they may need to set up a new account with that organization.
  - Through their account at StudentAid.gov, they can review details about their loans, including the type of loans they have, their balance, the status of their loans, their repayment plan, and who their loan servicer is and how to contact them. Some of this information is also available through their account on their servicer's website, which is where they can select a new repayment plan and make payments.
  - They can also call 1-800-4-FED-AID (1-800-433-3243) for information about who their servicer is.
- ✓ **Enroll in an affordable repayment plan.** They can use the Department's Loan Simulator to find a plan that is a good fit.
  - *Borrowers who were in repayment in March 2020* and did not change their repayment plans during the pandemic will generally resume payments on the plan they were on at that time.
    - However, if they were enrolled in the Revised Pay As You Earn (REPAYE) plan, they will be automatically transitioned into the SAVE plan, as described below.
    - If they were in a deferment or forbearance, those statuses may still apply.
  - *Borrowers entering repayment for the first time* will be automatically put into the Standard Repayment Plan if they do not enroll in a different plan. In the Standard Plan, borrowers pay the same amount every month over 10 years until their loans are paid off.
  - *Borrowers whose financial circumstances have changed* may want to make payments under a different plan, such as an income-driven repayment plan.
    - An income-driven plan, particularly the new SAVE plan (described below), will provide the most affordable payments for many borrowers. Payments can be as low as $0.
    - These plans base payments on income and family size and provide forgiveness of remaining balances after a certain number of payments.
    - If borrowers were on an income-driven repayment plan prior to the pause, they will have at least six months to recertify their income. If their family size has increased or their income has decreased since March 2020, they may wish to recertify earlier to lower their payment amount.
  - *Parent PLUS Loan borrowers* have access to the Standard Repayment Plan, the Graduated Repayment Plan, and the Extended Repayment Plan. If they take additional steps, they may also have access to one of the income-driven repayment plans, but they are not eligible for the SAVE plan.
  - *Borrowers with student or parent loans in default* can take advantage of Fresh Start, a temporary program that provides benefits to borrowers in default and an easier pathway out of default that borrowers can use for one year after the payment pause ends (until September 2024).
- ✓ **Sign up for autopay on their servicer's website.** (If they were enrolled in autopay before the pandemic, they may need to set it up again.) Borrowers who use autopay will save 0.25% on their interest rates.
- ✓ **Learn about other options that may apply to them.**
  - While there are pros and cons to consolidation, some borrowers may benefit from consolidating their loans in order to access income-driven repayment, Public Service Loan Forgiveness (PSLF), or the Department's one-time payment count adjustment, which may result in additional, retroactive credit toward forgiveness. (Those with loans that do not qualify for the adjustment must consolidate by December 2023 to access its full benefits.)
  - Some borrowers may qualify for targeted loan cancellation, forgiveness, or discharge—including PSLF, borrower defense, closed school discharge relief, or total and permanent disability discharge—based on their employment, where and when they attended school, and their disability status.
    - The Department is currently experiencing a backlog of these applications. If borrowers have not received a response to their application, they can check the status online or by contacting their servicer.
    - They may be placed in a forbearance while their application is under review.
    - If they continue to make payments on their loans after applying for forgiveness, these payments will generally be refunded if their application is approved.
  - The Department of Education is also pursuing larger-scale debt relief. When designing a new debt relief program, the Department has said that it will consider ways to ensure that borrowers making payments maintain their eligibility and advises borrowers to make payments while that process moves forward.
  - Borrowers may want to separate joint consolidation loans. Learn more about the Department's process here.
- ✓ **Be on the lookout for scams.** Borrowers will never be asked to share passwords or be charged for assistance.
- ✓ **Reach out early.** Call centers will likely be experiencing high volumes as millions prepare for the restart of payments.

For most borrowers, the new SAVE plan will provide the lowest monthly payments

The new Saving on a Valuable Education (SAVE) plan is available now to borrowers with federal Direct Loans, but some parts of this income-driven plan will not be in effect until next summer. If borrowers enroll in SAVE now, or if they were already on the REPAYE plan, they will automatically see the new plan applied to their loans as it takes effect.

- **Key benefits available now**
  - *SAVE may significantly reduce borrowers' payments.*
    - Borrowers will only owe payments on income over 225% of the federal poverty guidelines. Other income-driven plans protect up to 100% or 150% of borrowers' incomes.
    - Until next summer, all borrowers in SAVE will owe payments equal to 10% of their incomes above this amount. That means they will not owe a payment if they are a single borrower earning less than $32,805 or a family of four earning less than $67,500.
  - *Balances on SAVE will never grow as long as borrowers make the monthly payments they owe (even if those payments are $0).* On other income-driven plans, unpaid interest can lead to balance growth over time.
- **Key benefits available next summer**
  - *Payments on undergraduate loans will be cut from 10% to 5% of borrowers' incomes* above 225% of the poverty guidelines. If borrowers have a mixture of graduate and undergraduate loans, they will pay a weighted average of between 5% and 10% of their incomes.
  - *Borrowers with smaller original principal balances can access loan forgiveness earlier.* Forgiveness starts at 10 years for those with an original balance of $12,000 or less and increases by one year for each additional $1,000, up to 20 years for undergraduate and 25 years for graduate borrowers. This will be available to existing and future borrowers and will be applied retroactively.
- **Important considerations:**
  - Borrowers with high incomes may pay more per month on the SAVE plan than they would under the Standard Repayment Plan or some other income-driven plans. This is because SAVE does not cap payments for higher-income borrowers.
  - Borrowers who enroll in the SAVE plan may have limited options for switching to another income-driven repayment plan in the future.
  - Several Members of Congress recently introduced a provision that would eliminate the SAVE plan, but it remains available to borrowers.

What if borrowers cannot afford their payments?

If borrowers are not able to make payments, even through an income-driven repayment plan, the Department of Education has instituted a special return to repayment on-ramp period—which will function like a grace period—through September 30, 2024. During this time, loan servicers will automatically apply a forbearance to borrowers' accounts for the payments they miss, and borrowers will be able to avoid the most significant consequences of delinquency and default. Those who were eligible for the pandemic payment pause are eligible for this benefit.

However, interest will continue to accrue on student loans during this period. If borrowers do not make payments, they may owe more on their loans and have larger payments once the on-ramp ends. In addition, they will not receive credit toward forgiveness in an income-driven repayment plan or through PSLF, if they are otherwise eligible.

After this on-ramp period expires, borrowers who miss payments will fall behind on their loans, and if they miss nine months' worth of payments, they will default, a status that comes with damage to credit scores, added fees and costs, and even wage and tax refund garnishment. Borrowers that cannot afford their payments should contact their servicers to understand all of their options.

What if borrowers need to file a complaint?

The Department of Education and student loan servicers are working to help borrowers; but given how many borrowers are entering or reentering repayment and limited government funding, there will likely be longer-than-usual call and paperwork wait times. If borrowers have serious concerns about information they received about their loans, issues with student loan scammers, or inaccuracies with their accounts, they can contact the Ombudsman at the Department of Education, the Consumer Financial Protection Bureau, and/or officials in their state, such as the state loan Ombudsman or state Attorney General's office.