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## Repayment is finally here!

After over three years on pause, federal student loan repayment is finally set to resume — are you ready?

It's hard to wrap your mind around adding such a significant monthly expense, whether you had been making payments pre-Covid, or you left school since 2020 and have yet to make any loan payments at all. And a lot has changed in the world of loan servicers and repayment options, with less than stellar communication to ensure you know what's happening.

### So let us help.

We created this special edition of Great Advice for Repayment to address this pressing, current need to prepare for resuming student loan repayment. We wanted to give you a concise, yet thorough guide to what you can expect and how to prepare. With great information straight from the U.S. Department of Education, and our friends at NerdWallet, we collected the best advice to address the questions we hear borrowers ask most often, and put it all together for you in this guide.

Our best piece of advice? Become informed now. Take this time to learn about timelines, processes, servicers, and options. After all, knowledge is the best way to combat uncertainty and become an empowered student borrower. We hope Great Advice for Repayment helps you do just that.



# Supreme Court Strikes Down Student Debt Cancellation. Now What?

**B ELI A HA E CK**

The Supreme Court has blocked President Joe Biden's student loan debt relief plan, saying his administration lacked authorization under the HEROES Act to forgive up to \$20,000 in student debt per borrower.

Some 43 million borrowers won't see a cent of the debt cancellation promised by the White House last year. Under current guidance from the Education Department, borrowers must get ready to [resume student loan payments](#) starting in October on their full student loan balance.

The White House has not yet said it will pursue cancellation via [another legal route](#), but activists are calling on Biden to pursue a plan B. Biden's official Twitter account called the ruling "unthinkable" and said he would have more to say later in the day. But a Plan B is far from guaranteed, and there is no timeline yet. Take steps to prepare for repayment now.

"Now that we have the decision, we can move forward," says Betsy Mayotte, president and founder of The Institute of Student Loan Advisors. "There are a lot of borrowers who have been in limbo waiting to see what was going to happen."

## WHAT DID THE SUPREME COURT DECIDE?

The court ruled in two cases, and struck down the cancellation through the second case. All nine justices unanimously dismissed the first case, Department of Education v. Brown, because they found the plaintiffs had no standing to sue since they "fail to establish that any injury they suffer from not having their loans forgiven is fairly traceable to the Plan." The two plaintiffs — individuals who claim they weren't eligible for part or all of the relief — said they were harmed by not having the opportunity to participate in a notice-and-comment period for the program.

In the second case, Biden v. Nebraska, the court found that at least one plaintiff, the state of Missouri, had the right to sue. Six states sued jointly — Arkansas, Iowa, Kansas, Missouri, Nebraska and South Carolina — alleging the relief would harm tax revenue in those states in addition to the finances of certain state-based loan agencies.



Horizons. “And then take the time to figure out what you need to do.”

If you set money aside during the payment pause, consider making a [lump sum student loan payment](#) toward your balance before September 1 to avoid racking up interest.

### **Find your servicer and set up payments**

Check to see who your servicer is. Roughly 44% of borrowers now have a different [federal student loan servicer](#) than before the pandemic, according to the Consumer Financial Protection Bureau. You can identify your servicer by logging into your [studentaid.gov](#) account with your FSA ID or calling the Federal Student Aid Information Center at 800-433-3243.

### **Your servicer can help you do the following:**

- Check that your contact information is up to date.
- Determine the amount you owe, the size of your monthly payments and when your first bill will be due.
- Set up auto-pay. If you had this set up before forbearance, you’ll need to sign up again.
- Discuss \_\_\_\_\_

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Though borrowers will have one year to enroll in the Fresh Start program once forbearance

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# 6 Ways to Prepare

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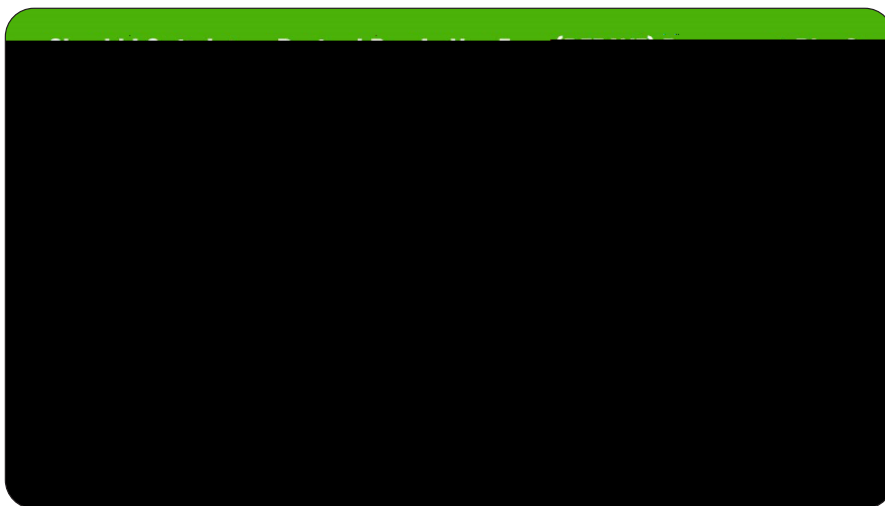



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The U.S. Department of Education offers a variety of [repayment plans](#). For example, an income-driven repayment (IDR) plan is based on how much money you make. Under an IDR plan, payments may be as low as \$0 per month.

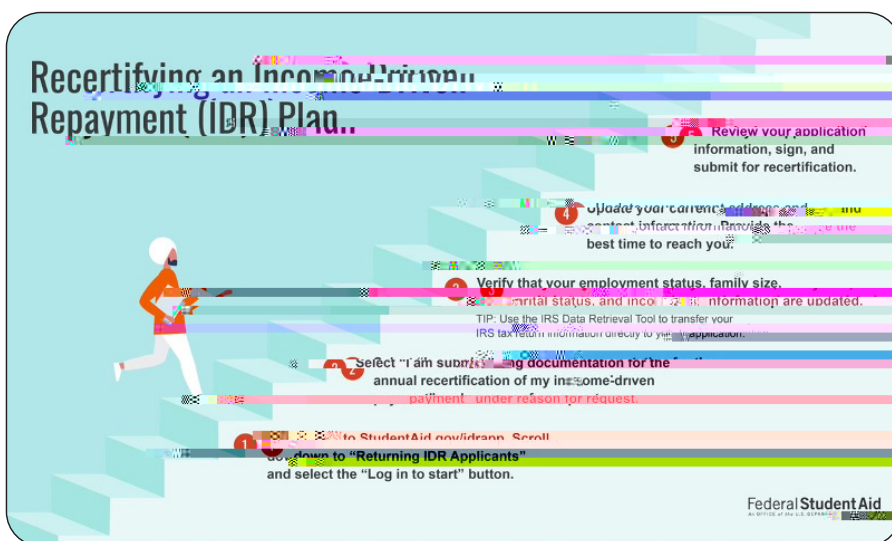


NEW: The SAVE Plan is replacing the REPAYE Plan. Learn more here <https://studentaid.gov/announcements-events/save-plan>

#### 4 Take action if you want to lower your monthly payment.

After understanding all your repayment options, you may choose to [apply for a specific plan](#). Or you can ask to be placed on the plan that results in the lowest monthly payment amount.

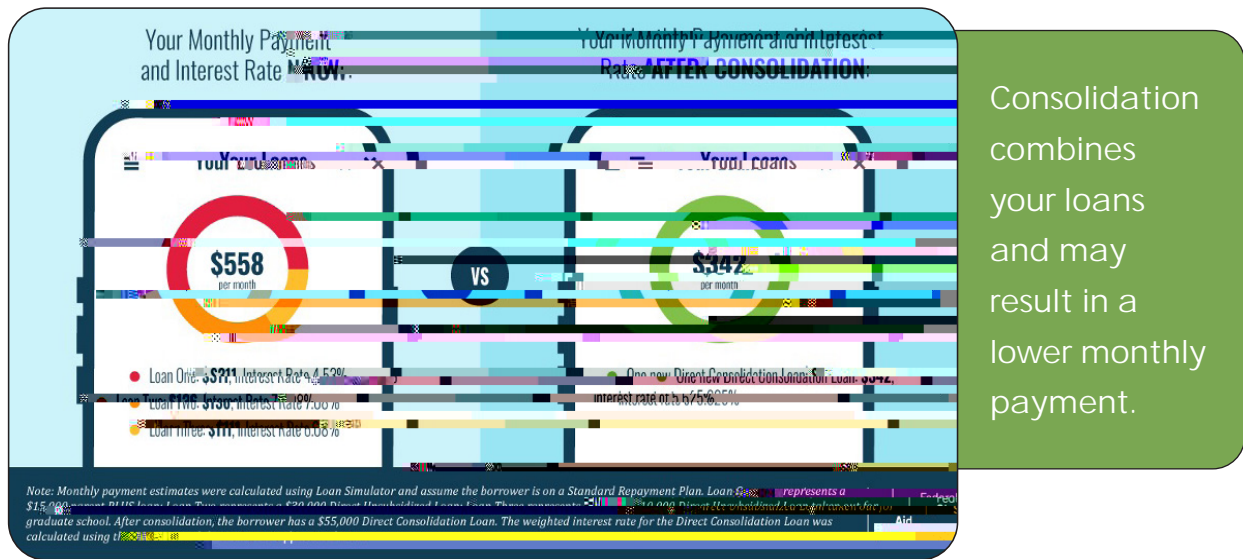
Are you already on an IDR plan, but your income changed recently? You can update (recertify) your info to see if you can get a new, lower payment amount. [Recertify by following these steps](#).



Take steps to recertify your IDR plan.

(continued)

Consolidating your federal student loans may also lower your monthly payments. However, you should consider the [pros and cons of consolidation](#) to decide if consolidation is right for you.



**5** As a last resort, contact your loan servicer to ask for short-term relief.

If you can't find a repayment plan that works for you right now, you can request to temporarily pause or lower your payments through short-term relief ([deferment or forbearance](#)). Before you make a request, use [Loan Simulator](#) to learn how this short-term relief affects your loans and loan payments. Then contact your loan servicer to request a deferment or forbearance.

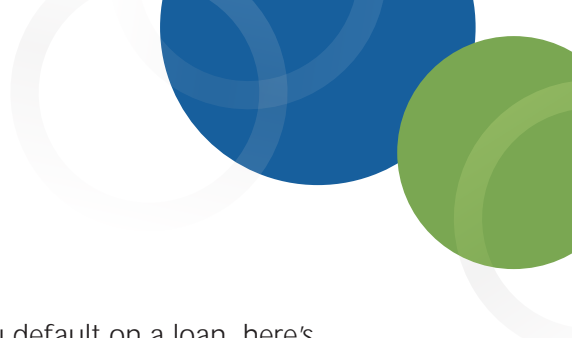
Remember, a normal deferment or forbearance is different from the COVID-19 emergency payment pause. Interest can still accrue (add up) during deferment or forbearance. Deferment and forbearance also affect loan forgiveness options, such as Public Service Loan Forgiveness or IDR plan forgiveness.

**6** Understand what happens if you don't repay your loan.

If you miss a payment, your loan becomes delinquent.

If your loan is delinquent for 90 days or more, your loan servicer will report the delinquency to the three major national credit bureaus. Delinquency will affect your credit score, making it harder to get credit.

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After 270 days, your delinquent loan goes into default. When you default on a loan, here's what happens:

- You can lose your access to more student aid.
- The default status will damage your credit score.
- The government can take
  - your tax refund,
  - part of your Social Security benefits, or
  - up to 15% of your paycheck.

As you can see, becoming delinquent or defaulting on your federal student loans can wreak havoc on your finances. Use the tips in this article and, most importantly, stay in contact with your student loan servicer to avoid falling behind on repayment.



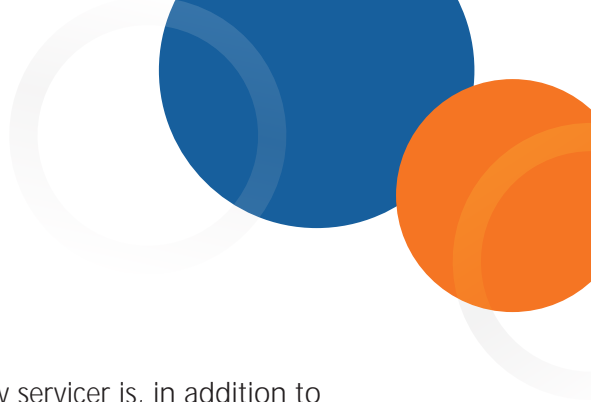
## YOUNGER BORROWERS FACE BUDGET CONCERNS

Borrowers who left school and exhausted their six-month payment grace period during forbearance will need to fit student loan payments into their budget for the first time. That could be a challenge, especially if they've rented a pricier apartment, financed a car or taken on other debt with the assumption that they could afford those monthly bills.

And many have done just that, the CFPB found. Today, younger borrowers (ages 18-29) face higher monthly bills than they did prior to forbearance. The typical younger student loan borrower now has median nonstudent loan, nonmortgage monthly debt payments north of \$200, up from about \$65 in March 2020.

## SERVICER SWITCHES COMPLICATE REPAYMENT

To make matters even more confusing, the servicer that manages your student loan payments may have switched over the past three years. More than 14 million borrowers — 44% of the CFPB's sample — will have to work with at least one [federal student loan servicer](#) that's new to them since March 2020.



As a result, these borrowers may need to find out who their new servicer is, in addition to creating new logins with their new servicer and signing up for automatic payments again.



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And if you have other major monthly bills beyond student loans, now's the time to take a good look at your spending habits and budget. This could mean [reevaluating your current lifestyle](#).

### **If you already have student loans in default**

If you had student loans in default before forbearance began, you should enroll in a temporary government [program called Fresh Start](#), which allows you to get your student loans back in good standing, build your credit score and sign up for an IDR plan.



This article [Student Loan Borrowers Will Struggle With Repayment, CFPB Warns](#) was originally published on NerdWallet on June 8, 2023.

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# Forgiveness, Forbearance and Other Student Loan Changes to Know

**BY ELIZA HAVERSTOCK**

Politics and a pandemic have shoved stodgy student loans into the spotlight. Since 2020, borrowers have encountered an onslaught of changes to the federal student loan landscape, including more than three years of paused payments, an upcoming repayment plan overhaul and potential debt cancellation.

Backtracked announcements and timeline changes have made it difficult for borrowers to keep up with where things stand. Here's what you need to know and how to prepare for what comes next.

## PAYMENTS RESUME OCTOBER 2023

Congress has now required that interest will start accruing again on federal student loans on September 1, and [student loan payments will resume](#) in October after more than three years of an interest-free federal payment pause, known as forbearance.

There's no chance of further payment pause extensions, due to a provision in the [debt ceiling deal](#) passed by Congress on June 2.

Forbearance started in March 2020, as the pandemic began sweeping the U.S.

**What you can do about it:** Borrowers should still prepare for repayment to resume in October. Reach out to your student loan servicer if you're not sure what to expect.

## OTHER LOAN FORGIVENESS PATHWAYS EXPANDED

The U.S. Department of Education has proposed a few recent changes to income-driven repayment, or IDR, plans, which cap monthly federal student loan bills at a set percentage of your income and erase remaining student debt after borrowers make payments for a set number of years.

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## IDR ACCOUNT ADJUSTMENT, OR WAIVER

In April 2022, the Education Department announced an IDR and Public Service Loan Forgiveness, or PSLF, one-time account adjustment — also called the IDR waiver — that will move millions of borrowers closer to the student loan forgiveness finish line.

About 40,000 borrowers with older loans were to see balances wiped clean starting this spring, the Department of Education estimated, and more than 3.6 million borrowers are expected to receive at least three years of additional credit toward forgiveness under an IDR plan or PSLF when their accounts are updated in 2024. If you've been in repayment for at least 20 or 25 years (including forbearance time), you'll be free of student debt after the adjustment. If you qualify for PSLF, you'll be debt-free if 10 years have passed.

**What you can do about it:** The recount is largely automatic — but if you have commercially held Federal Family Education Loan (FFEL) Program, Perkins or Health Education Assistance Loan (HEAL) Program loans, you must apply to [consolidate them at StudentAid.gov](https://studentaid.gov) by the end of 2023 to get the full benefits. Get started soon because the consolidation process can take time.

Even if you weren't enrolled in an IDR plan before the pandemic payment pause, you'll still see the adjustment applied to your account. But if you have a balance remaining after the adjustment, you will need to sign up for an IDR plan once payments resume to keep building credit toward loan forgiveness. Borrowers can call their servicers and submit paperwork today so they'll be all set to go into an IDR plan as soon as forbearance ends, Buchanan says.

## A NEW IDR PLAN

A major revision to an IDR plan called REPAYE would halve monthly payments for many borrowers with undergraduate loans and help some reach loan forgiveness more quickly. Students who originally borrowed less than \$12,000 would see their remaining balances wiped away after 10 years of payments, instead of the 20 or 25 years under existing IDR plans.

The Education Department unveiled new details about the plan in January, but it's not yet available to borrowers. Nor is it set in stone.

The department aims to finalize and start rolling out the plan by the end of 2023.

**What you can do about it:** Once the revised IDR is finalized, you can call your servicer to ask about signing up for it. Don't count on it being available by the time federal student loan payments resume.

## STUDENT LOAN SERVICER SWITCHES

The company that manages your student loans could change in the next couple of years. In April, the Education Department signed contracts with five [federal student loan servicers](#). The new contracts are slated to go live sometime in 2024, but legacy contracts will last through December 2024 to smooth the servicer transition. Effects may be limited: Only one new servicer is entering the arena, and one — OSLA — is leaving.

Eventually, the overhaul will also include the launch of a central servicer portal at StudentAid.gov. The portal is intended to lead to more customer service accountability and prevent borrowers from having to navigate servicer-specific websites.

**What you can do about it:** Make sure your contact information is up to date with your current servicer, and download a copy of your payment history. You don't need to do anything else at this point. "From an everyday experience perspective, I don't know that it's going to be a whole lot different than it is today," Buchanan says of the new contract landscape.

If the Department of Education [transfers your loans to another servicer](#), your current servicer and your new one will notify you by mail, email or phone. From that point on, you'll make monthly payments with the new servicer, and you may need to set up any auto-pay or biweekly payments again. Most servicers deliver the same options, but customer service may differ among them.

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# Student Loan Repayment Checklist

**INFORMATION FROM THE U.S. DEPARTMENT OF EDUCATION**

Be an informed borrower by learning about your loans and what to do for a smooth repayment experience. As you work through this checklist, you'll find out how to make payments and figure out which repayment plan is best for you; and you'll know what to do if you're having trouble making payments or think you might be eligible for loan forgiveness.

## BEFORE YOU GRADUATE OR LEAVE SCHOOL

**Review your federal loan history.** Get your loan history by [logging in to "My Federal Student Aid"](#) — you'll need to [create an FSA ID](#) if you don't already have one. As you review your information, note the following:


- The current loan balance and interest rate for each loan.
- The loan type (depending on when you went to school and what loan programs your school participated in, you may have loans from different federal student loan programs; the types of loans you received can affect what benefits are available to you).
- The name of the loan servicer for each loan (a [loan servicer](#) is a company that handles the billing and other services on your loans; generally, you'll have one servicer for all your federal student loans, but there is a chance you could have more than one).

**Get to know your loan servicer.** Your servicer helps you with your student loans — for FREE!

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**Know your options if you can't make your loan payment.** If you don't pay the full amount due on time or if you start missing payments — even one — your loan will be considered delinquent, and late fees may be charged to you. If you can't make your payments, contact your loan servicer immediately for help. Your servicer can offer you temporary or long-term options, such as changing repayment plans, deferment, forbearance, or loan consolidation. Get details about [what to do if you are having trouble making your payments](#).

**Reduce your federal income taxes.** You may be eligible to deduct a portion of the student loan interest you paid on your federal tax return. Student loan interest payments are reported both to the IRS and to you on IRS Form 1098-E, Student Loan Interest Statement. Check with the IRS or a tax advisor to see if you qualify for this deduction.







Inceptia knows that student loan repayment can be confusing if you don't know where to find the information you need. That's why we want to help student borrowers proactively get a handle on student loan repayment — before it even begins!

With Inceptia's money mascot — **the Knowl** — as a trusty guide, graduates can use our [Student Knowledge Headquarters](#) to find answers, calculators, resource guides and more to prepare for and successfully enter into repayment.

Getting started is easy. Head to [HeroKnowl.org](https://HeroKnowl.org) to explore our free tools and information.

HeroKnowl.org

For more great articles and tips from NerdWallet, including articles, calculators and other resources for student loan repayment, be sure to check out their [student loans homepage](#).



## About Inceptia

Inceptia, a nonprofit organization, provides innovation and leadership in higher education access and success through engaging and empowering students and streamlining processes. For more than 35 years, Inceptia and NSLP have helped millions of students achieve their higher education dreams at schools nationwide. Our mission is to support schools in illuminating a path towards educational and financial success for students and families, allowing them to pursue their dreams of reaching their full potential. Our solutions are designed to

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