

Important Update Regarding Federal Student Loans

If you have federal student loans, it's crucial to understand recent changes that could impact your financial well-being. Here's a concise overview to help you navigate the evolving landscape:

What's Happening?

Starting **May 5, 2025**, the U.S. Department of Education will resume collections on defaulted federal student loans, ending the pause initiated in March 2020 because of the pandemic. This means that if you've missed payments for **270 days or more**, you could face serious consequences, including:

- **Wage garnishment**
- **Seizure of tax refunds**
- **Withholding of Social Security benefits**
- **Negative impacts on your credit score**

Approximately **5.6 million borrowers** are currently in default, with millions more at risk.

Keep in mind that one of the only debts you cannot discharge in bankruptcy is student loan debt.

How Can You Protect Yourself?

[Enroll in an Income-Driven Repayment \(IDR\) Plan](#)

IDR plans adjust your monthly payments based on your income and family size, potentially lowering your payments to as little as \$0. Applications for IDR plans have reopened, providing a pathway to manageable payments.

Set Up Automatic Payments

Automating your payments ensures they're made on time, helping you avoid delinquency. Additionally, enrolling in autopay may qualify you for a 0.25% interest rate reduction.

Consider Deferment or Forbearance

If you're experiencing financial hardship, you might be eligible to temporarily pause your payments through deferment or forbearance. Be aware that interest may continue to accrue during this period, depending on your loan type.

Explore Loan Rehabilitation

For those already in default, loan rehabilitation offers a way to return to good standing. This involves making nine consecutive, on-time monthly payments. Completing rehabilitation can stop collections and remove the default from your credit report.

Take Action Now

Proactive steps can prevent the severe consequences of default. If you're unsure of your loan status or need assistance, visit [Federal Student Aid](#) to explore your options and find resources tailored to your situation.

For a deeper understanding of the broader implications and policy discussions surrounding student loan defaults, see these articles, which provide valuable insights into how systemic issues affect borrowers and what reforms are being advocated to address these challenges:

- [Stopping a Looming Student Loan Default Disaster](#)
- [The Federal Student Loan Default System Keeps Families in Poverty](#)

Finally, **don't panic**. Staying informed and taking timely action can make a significant difference in managing your student loans effectively.

Sources:

[U.S. Department of Education](#)
[Politico](#)
[Investopedia](#)
[Associated Press](#)