



Managing Student Loans After the Payment Pause

Starting in March 2020, payments for many federal student loans were paused and their interest rates were set to 0% under the COVID 19 emergency relief plan. These actions were taken to help student loan borrowers stabilize their financial situations during the COVID-19 emergency. In August 2022, the U.S. Department of Education issued a student loan debt relief plan which would provide up to \$20,000 in debt relief to borrowers pending their loan type/s and other details. After the plan was announced, political officials and private organizations challenged the plan through lawsuits to be decided on by the Supreme Court. On June 30, 2023, the Supreme Court ruled against the debt relief plan. Additionally, Congress passed legislation that requires federal student loan payments to resume by late summer. At that time, loan interest rates will return to the rates before the payment pause began.



Borrowers should now begin preparing for their student loan payments to resume later this year. There are many factors to consider such as:

- As many as 40% of federal student loan borrowers will have a new loan servicer ([CFPB](#)). Loan servicers handle the billing and other services on federal student loans. Borrowers should call the Federal Student Aid Information Center at 1-800-433-3243 or visit [studentaid.gov](#) to confirm the company that services their loan/s.

- Borrowers may need to opt-in to automatic payment again if they want to use auto pay.
- There are many federal student loan repayment plans available to borrowers. Borrowers may review the repayment plan options by visiting <https://studentaid.gov/loan-simulator/>.
- If a borrower was in an income driven repayment plan prior to the payment pause, they may remain enrolled in that same plan. However, if there have been changes to a borrower's income since March 2020, it is advised they recertify their income-driven repayment plan at <https://studentaid.gov/idr/>.
- Borrowers with federal student loans in default should understand that relief measures under the COVID-19 emergency relief plan **will end within a year of when payments restart**:
 - Tax refunds (and child tax credits) may be withheld.
 - Wages may be garnished.
 - Social security payments (including disability benefits) may be withheld.
 - Collection calls and billing statements may be sent out.
 - Interest will accrue (add up).

However, a new, temporary program called "[Fresh Start](#)" can provide important long term relief measures for borrowers with defaulted loans.

Talk about planning for student loan repayment, and other financial topics, with your county's financial educator. Visit <https://counties.extension.wisc.edu/> for more information.

