



# What Borrowers Should Know As They Prepare to **Resume** **Student Loan Payments**



For nearly two years, the CARES Act provided payment and interest relief to more than 30 million student loan borrowers with government-held federal loans. **The Department of Education has now announced that borrowers will resume federal student loan payments beginning in February 2022.**



Borrowers now have nearly 6-months to prepare to resume monthly student loan payments. Following are the steps borrowers should consider taking and important issues to consider as they plan to incorporate student loan payments back into their budget.

## **Take a Holistic View of Your Budget & Make a Plan**

Before payments resume, create a detailed budget that examines your monthly income and all of your regular expenses – housing, transportation, child care, food, other debt payments, etc. Consider what spending adjustments you might need to make to incorporate student loan payments back into your budget.

Your spending habits likely changed during the pandemic, so it's important to take a holistic look at your current financial picture to determine how you can get your student loan payments back on track.

If, after you assess your financial situation, you find you're unable to resume your regular monthly payment amount, reach out to your Student Loan Servicer for assistance right away to consider all the options available to you, including additional forbearance, deferment or enrolling in an Income-Driven Repayment (IDR) plan that may lower your monthly payment amount.

## **Reconnect with Your Student Loan Servicer**

Your Student Loan Servicer will need to reach you with information about resuming your loan payments. Contact your Servicer now to ensure they have your most up-to-date contact information – especially if you moved during the past two years. If you forget who your Servicer is, check by logging in to your account at [studentaid.gov](https://studentaid.gov) or call 800-433-3243.

It's important to know that some borrowers may have their accounts transferred to a new Student Loan Servicer at this time – you will receive a letter if this applies to you. If your account is transferred to a new Servicer and you previously made loan payments via auto-debit, your payment arrangement may not carry over to the new Servicer. Reach out to your Servicer now to confirm and re-establish your auto-debit arrangement, if needed.

3

### Ways to Qualify for Federal Student Loan Forgiveness

Enroll in an **income-driven repayment plan** and make your low monthly payments for 20+ years.

**Give back** by working for a qualifying public service or non-profit employer.

**Become a teacher.** Teach for 5 consecutive years in a low-income school district or educational service agency.

## **Understand All Your Repayment Options**

Your Student Loan Servicer can walk you through all of the repayment options that are available to you.

Student loan borrowers participating in IDR plans can have their monthly payments recalculated or reduced at any time due to a change in financial circumstances. If your previous monthly payments were based on a higher income, you may want to let your Servicer know and apply to have the payment amount reduced. If you're not currently enrolled in an IDR plan, ask your Servicer to see if this could reduce your monthly payments.

If you were enrolled in an IDR plan before the pandemic, your monthly payments should resume at the amount they were when COVID forbearance began and the months of suspended payments will count on your path to loan forgiveness. Ask your Servicer to confirm your IDR enrollment, monthly payment amount and when you will next need to recertify your income to continue participating in your IDR plan.

Similarly, if you have been working toward Public Service Loan Forgiveness (PSLF), the months of suspended payments will also continue to count. In other words, the suspended payment months will be treated as if payments are being made for both PSLF and IDR options. The suspended months will also still count towards loan rehabilitation plans for student loan borrowers who are in the process of bringing their federal student loans out of default.

And, if you haven't previously used auto-debit, you may want to consider it. In addition to preventing late payments, Direct Loans provide a .25% interest rate reduction on your loan when you enroll in auto-debit, which can help you pay down your loan faster.

## Consider Resuming Payments Now

Not all borrowers experienced financial hardship during the economic downturn – and others have been able get back on solid ground recently. If you are confident in your ability to make payments next year, consider resuming your student loan payments now during this final stretch of the payment pause.

The federal government waived student loan interest during the pause, so every dollar you pay before February 2022 will go toward reducing your principal balance. Contact your Servicer if you'd like to resume student loan payments now.

There is no penalty for paying off your student loans early, so if you can afford to make more than your current monthly payment you can lower your principle balance and ultimately pay less in interest over the life of the loan.

## Watch for SCAMS

Unfortunately, it's important to remain aware that scammers are looking to prey on student loan borrowers. A scammer will often make it sound as though they are an official organization working with the federal government or a company that promises to reduce your student loan debt.

Borrowers should regularly communicate with their assigned Student Loan Servicer. To verify that a Servicer is legitimate, you can log into the [Department of Education's federal student aid website](#), which provides detailed information on your assigned current student loan servicer. While there are other legitimate organizations that can help, remember to first check for the signs of a scam.

## Know the Signs Of A Student Loan "Debt Relief" SCAM



Avoid doing business with any company that promises to settle your debt if the company:

Charges **any fees** before it settles your debts

Represents that it can settle **all your debt** for a promised percentage reduction

Touts a "**new government program**" to bail out student loan debt

Guarantees it can make your debt **go away**

Tells you to **stop communicating** with your creditors or servicers

Guarantees that your debts can be paid off for **pennies on the dollar**

<https://www.consumerfinance.gov/ask-cfpb/what-are-debt-settlementdebt-relief-services-and-should-i-use-them-en-1457/>