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EDUCATION ASSISTANCE BENEFITS

Behind on Your Student Loan Payments?

Options and Key Steps to Take Right Now

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- Lead student loan education and support initiatives for borrowers.
- 7+ years of experience helping borrowers navigate complex financial and educational systems.
- I'm here to empower borrowers with effective strategies to crush their student loan debt.

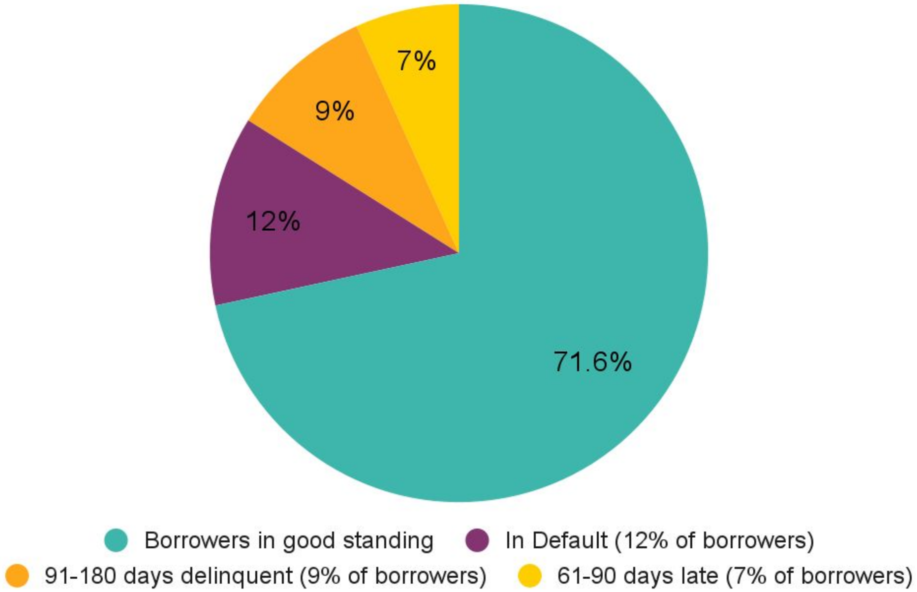
Learning Objectives

- Understand the differences between delinquency and default
- Learn about the consequences for your paycheck and finances
- Regain control and get your loans back in good standing
- Avoid default in the future
- Navigate key resources to help you get your loans back on track

Millions of borrowers are struggling

- The Dept of Education is resuming collections for the first time since 2020.
- The DOE is sending outreaches to borrowers in the form of emails and banners on their studentaid.gov account if their loans are in default.

Nearly ⅓ of borrowers are struggling with payments



Student Loan Delinquency vs Default

****Please note, not making payments during deferment/forbearance has no negative impact on your credit and keeps your loan in good standing****

- **Delinquency**: the first day after a missed payment
    - After 90 days with no payments made, delinquent loan is reported to credit bureaus
- **Default**: federal loans can default after 270 days of missed payments
    - Perkins loans can go into default the day after a missed payment

Consequences of Delinquency

Late fees for overdue payments on FFEL loans

Negative credit reporting after 90 days

Eventually the status will change to default

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Avoiding Default: Resolving delinquency

How to completely remedy a delinquent federal student loan:

- Switch repayment plans
- Request a forbearance or deferment
- Pay the past due balance in full

Delaying a default status w/o resolving credit reporting; not a long term solution

- Partial payments that don't satisfy the overdue balance can delay the onset of default. But negative credit reporting will still ruin your credit score

Default's major impact on your finances

Defaulted federal loans carry serious consequences, such as:

- The entire unpaid balance of your loan becomes due
- The ability to select a deferment or forbearance or a different repayment plan is lost
- No longer eligible for federal student aid
- The default will be reported to credit bureaus, which damages credit score
- Tax refunds and federal benefit payments may be withheld
- **Wages can be garnished up to 15% of disposable pay**
  (*first 1,000 borrowers set to receive wage garnishment notices in January*)
- Your loan holder can take you to court

...and many more

What can borrowers with defaulted loans expect?

- Not sure if your loans are in default?
    - Log into studentaid.gov
    - A banner across the top will alert you
- Starting in January, FSA will send required notices 30 days in advance warning that administrative wage garnishment (AWG) will be starting
- FSA can also intercept tax refunds and government benefit payments to repay student loans

Wage Garnishment & Treasury Offset

Wage Garnishment

- The DoE can instruct your employer to garnish up to 15% of your disposable pay to collect on your defaulted loan
  - Disposable pay = an employee's pay after deductions
  - Portion of your pay protected from garnishment: around $217/week

Treasury Offset

- The DoE can withhold government benefits to repay defaulted student debt
  - If you are a part of this program, you will receive a letter explaining the benefit offset.
  - Unfortunately, if you are married and file jointly, your entire refund will be offset, even if only one spouse has defaulted loans.

How can I prevent garnishment & treasury offset?

Within 30 days (garnishment) or 65 days (treasury offset) of receiving a notice, the borrower can:

- ✓ Set up a rehabilitation program and make the first payment
- ✓ Consolidate loans
  - Only successful for garnishment if consolidation is complete before employer receives wage garnishment order
- ✓ Enter into a voluntary repayment agreement
  - Last resort because it doesn't resolve the default
- ✓ Pay loan in full
  - Not feasible for most borrowers
- ✓ For treasury offset, if filing jointly spouse can file an "injured spouse allocation" form to request their portion of the refund is returned.

Getting out of Default: Rehabilitation

- This is the most comprehensive option
- This is the only option that removes the history of default from your credit report.
- You'll need to make 9 monthly, on-time payments to your loans, which would remove the loans from default and put them into good standing
  - Monthly payments will be set at 15% of discretionary income
- Rehabilitation is usually a one-time opportunity, but starting 7/1/2027 borrowers will have two chances to rehabilitate
- **Contact the Default Resolution group** to begin the rehabilitation process.
  - 1-800-621-3115

Rehabilitation continued

- **If the initial rehabilitation payment is too high, you have options.**
  - You can request a different payment using the Loan Rehabilitation: Income and Expense Information form
  - The Default Resolution Group won't offer this initially, so you must ask for it
  - Payments can be as low as $5/month through 2026, and $10/month after July 1, 2026
  - You must make 9 on time payments of that amount over a period of 10 consecutive months
- Once your loan is out of default you can choose any repayment plan. You will also be eligible for federal student aid again.

Getting out of Default: Consolidation

- This is the fastest way to get out of default
- Borrower must make 3 months of payments on an IDR plan after consolidation
    - OR they can make 3 months of payments prior to consolidation
- Removes them from default status, but the default notation remains on your credit report for up to 7 years
- Consolidation takes about 60 days if you agree to repay on an Income Driven repayment plan.
    - Can take 120 days or more if you select to pay 3 payments prior to consolidating
- Consolidating your loans grants you access to federal student aid, loan repayment plans, forgiveness and deferment or forbearance.

The relief of being out of default

- Improved credit score, ability to access federal student aid for yourself or dependents (Parent PLUS loans)
- Eligible to make progress toward loan forgiveness like Public Service Loan Forgiveness (PSLF) or Income-Driven Loan Forgiveness
- Peace of mind, no risk of wage garnishment or treasury offset
- Confidence in your ability to navigate student loan repayment and address concerns in the future

Managing the common pitfalls that lead to default

- **Unaffordable payments**
  - Options to afford payments:
    - IDR plans, if you lose your job or your income suddenly changes, you can submit income information to have your payment lowered
    - Temporary hardship forbearance, not a long term solution but can help acutely if payments can't be made
- **Unexpected life events**
  - Disability, cancer, death may have special deferment or discharge options
  - Contact a Tio student loan coach or your servicer to discuss your options

Beware of scams

Speak with a trusted expert

- Scammers prey on borrowers with defaulted student loans
- **Tuition.io** is partnered with many employers to provide expert help with student loan repayment strategies including helping employees navigate default.
- If your employer doesn't partner with Tuition.io then reach out to the *Department of Education* **Default Resolution Group** @ **1-800-621-3115**

Key Resources

Rehabilitation of Defaulted Student Loans

- Default Resolution Group: 1-800-621-3115
- Loan Rehabilitation: Income and Expense Information form https://studentaid.gov/sites/default/files/LoanRehabilitationIncomeandExpense-en-us.pdf

Consolidation of Defaulted Student Loans

- Direct Consolidation Application https://studentaid.gov/loan-consolidation
- IDR Request https://studentaid.gov/idr/

Dept of Education content:

- Avoiding Default: https://studentaid.gov/manage-loans/default/avoid
- Resolving Default: https://studentaid.gov/manage-loans/default/get-out
- Forbearance: https://studentaid.gov/sites/default/files/GeneralForbearance-en-us.pdf

Treasury Offset Dispute: 1-800-304-3107

Injured Spouse Allocation: https://www.irs.gov/pub/irs-pdf/f8379.pdf

NASFAA Summary of Budget Reconciliation Changes

- https://www.nasfaa.org/uploads/documents/Federal_Student_Aid_Change_OB3_July2025.pdf

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Empowering employers to help their workforce reduce the financial stress of student loans and accelerate career growth.