

# Update for Older Adults Facing Repayment of Federally-Backed Student Loans

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National Consumer Law Center

Older adults with student loan debt may be confused in the aftermath of the Supreme Court’s ruling striking down the Biden Administration’s plan to provide up to \$20,000 in federal loan cancellation. Below is a brief summary of the options available for older adults and other borrowers facing repayment of their student loans. Note that some of these options are time-limited and borrowers should act fast.

A more detailed discussion of repayment and other important changes to the student loan program is available in the National Consumer Law Center’s Digital Library article on [Student Loan Borrower Rights After the Supreme Court Ruling](#), June 2023.

This article highlights several important changes not discussed below including a new Income-Driven Repayment Plan, the SAVE Plan, which will launch July 1, 2024; regulatory changes that affect student loans, including public service loan forgiveness; and changes that make discharges of student loans in bankruptcy more likely.

## Student Loan Cancellation after the Supreme Court’s Decision

The Supreme Court in *Biden v. Nebraska*, 2023 WL 4277210 (June 30, 2023) struck down the Biden Administration’s plan to cancel federal student loan debt. The Administration’s loan relief package offered borrowers earning less than \$125,000 cancellation of up to \$10,000 in federal loan debt for all borrowers and up to \$20,000 for Pell grant recipients. Though the Biden Administration announced that it will pursue other options for debt relief in the future, the Supreme Court’s decision means that student loan borrowers will **not** receive debt relief under this plan. All borrowers will be obligated to repay their loan when repayment restarts in September 2023.

## Restart of Student Loan Payments

During the pandemic, payments on federally backed student loans were paused and interest accrual was temporarily stopped. Under federal law, the payment pause will end in August.<sup>1</sup> Interest will begin accruing September 1, 2023, and student loan payments will be due starting in October.

The Department of Education has not yet released complete information regarding how it plans to return borrowers to repayment. However, President Biden has announced that borrowers will be provided with an “on-ramp” and will be given some flexibility when repayments start. From October 1, 2023, until September 30, 2024, borrowers who miss payments will not be considered delinquent, and will not have missed payments reported to credit bureaus or their debt placed in default. Interest will continue to accrue during this period, but not capitalize.

Borrowers should receive a billing statement that will include the payment amount and the due date in advance of when payments are due. Borrowers should check the [Department of Education’s website](#) for more information.

<sup>1</sup> See Fiscal Responsibility Act of 2023, Public Law No. 118-5, div. B, tit. IV, § 271 (2023)

## Planning for the Restart of Student Loan Payments

With the end of the payment pause, borrowers should take the following steps in anticipation of repayment:

- The servicer of the loan may have changed during the payment pause. Borrowers may need to communicate with and submit payments to a new company. Borrowers should log into their account on the Department's website, [studentaid.gov](https://studentaid.gov) and: (1) check on who is servicing their loans; (2) verify that their contact information is correct; and (3) check their current loan information, including what payment plan they are enrolled in and whether any of their loans are in default.
- Borrowers should update their contact information with their loan servicer, either online or by phone.
- Borrowers whose loans are in default should consider using the time-limited Fresh Start program (discussed below) to re-enter repayment in good standing.
- Borrowers should assess whether they have a right to a federal loan discharge. Many of the rules governing these programs have changed to benefit more borrowers. Many older borrowers, in particular, may be eligible for the Total and Permanent Disability Discharge, which cancels the loans of borrowers who cannot work because they are totally and permanently disabled due to a medical or mental health condition. More information about this and other discharges are available on [studentaid.gov](https://studentaid.gov) and in [NCLC's treatise on student loan law](#).

Borrowers worried about their ability to afford loan payments should consider enrolling in an Income-Driven Repayment plan (IDR), which calculates a borrower's monthly repayment amount based on their income and family size. Most low-income borrowers on IDR plans have low or \$0 monthly payments. Currently, borrowers can sign up for an IDR plan without having to submit income documentation and can do so on [studentaid.gov](https://studentaid.gov) or by calling their student loan servicer.

Note that Parent PLUS loans are not eligible for an IDR plan unless the borrower consolidates their Parent PLUS loan into a Direct Consolidation Loan. However, any Direct Consolidation Loan that consolidated a Parent PLUS loan is only eligible for Income Contingent Repayment, the least generous IDR plan. More information on consolidation and the IDR plans is available in [NCLC's Treatise on Student Loan Law](#).

If an IDR plan is not available to the borrower or payments are still unaffordable, the borrower may consider using a temporary deferment or forbearance to postpone payment. Generally, forbearance and deferment are only advisable where IDR is either unavailable or unaffordable for the borrower.

## Time-Limited Options for Borrowers in Default

Student loan borrowers in default should consider two time-limited opportunities: the Fresh Start Initiative for borrowers in default before the pandemic, and a one-time Income-Driven Repayment account adjustment.

### Fresh Start Initiative

Fresh Start allows borrowers to request that their loans be removed from default and be put back into repayment status. Most federal student loans currently in default are eligible for a Fresh Start, including Direct Loans, FFEL loans, and ED-held Perkins loans. Fresh Start only applies to loans that entered default before the payment pause (i.e., before March 2020).

Borrowers must sign up for Fresh Start **before August 31, 2024**. Until then, collection activity will continue to be suspended for all Fresh Start eligible borrowers, but those who do not sign up by the deadline will face all the consequences of default, including potential wage garnishment, tax refund offset, or Social Security offset beginning September 1, 2024.

The process to sign up for Fresh Start is free, takes less than 10 minutes, and can be done over the phone, online, or by mail. More information about Fresh Start is [available here](#).

### **Income-Driven Repayment (IDR) Account Adjustment**

The Department of Education will automatically adjust borrowers' accounts to correct for past errors in the management of IDR programs. This is a one-time adjustment to accounts for errors and mismanagement in the program that resulted in millions of borrowers remaining in repayment even though their loans were more than 20 or 25 years old (and eligible to be canceled). This one-time adjustment will put millions of borrowers, including many older adults, closer to IDR and Public Service Loan Forgiveness.

All Direct Loans and Department-held FFEL or Perkins loans are eligible for the account adjustment (including Parent PLUS loans). Borrowers with consolidation loans will receive credit for time that accrued on the loans prior to consolidation. Generally, borrowers with 20 years (if they only borrowed loans for undergraduate study) or 25 years (if they borrowed loans for graduate school) in repayment will have their loans automatically canceled. Borrowers who have not yet reached the 20- or 25-year mark will still bank the newly credited time, meaning that when repayment restarts, they will be closer to IDR cancellation and can enroll in an IDR plan and continue accruing qualifying time towards cancellation.

### **Excluded loans**

The following loan types will be excluded from the IDR account adjustment unless the borrower consolidates them into a Direct Consolidation Loan before December 31, 2023: Commercially held FFEL loans; Perkins Loans that are held by a school; and Health Education Assistance Loan (HEAL) loans.

### **Borrowers with loans that have different periods of time in repayment**

Borrowers who have loans with different periods of time in repayment should also consider consolidating those newer and older loans together before December 31, 2023 so that the Direct Consolidation Loan is credited with the longest period of repayment that accrued on the older loans before consolidation. See more information about [how that works here](#).

### **Parent PLUS loans**

Importantly, Parent PLUS loans can receive credit towards both IDR and Public Service Loan Forgiveness (PSLF) if the borrower (i.e., the parent) worked for a qualifying public service employer during the time that now counts as IDR qualifying time. Parent PLUS borrowers were previously excluded from the PSLF waiver but can now receive those benefits. If their loans are not yet at cancellation, those borrowers can continue accruing qualifying repayment towards PSLF either by making payments in a standard repayment plan or by consolidating the Parent PLUS loan into a Direct Consolidation loan, which is eligible for the Income Contingent Repayment plan—the most expensive of the IDR plans.

More information regarding Parent PLUS borrowers, the IDR account adjustment, and the PSLF is available through an [NCLC article here](#) and the [FAQ from studentaid.gov here](#).

## Resources for Advocates & Borrowers

- [U.S. Department of Education](#)
- [Student Loan Borrower Assistance website](#): Provides student loan borrowers with extensive information and assistance concerning every aspect of their loans.
- [National Consumer Law Center Student Loan Law \(6th ed.\)](#): Legal treatise on federal and private student loans, available as a digital or print subscription.

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**Case consultation assistance is available for attorneys and professionals seeking more information to help older adults. Contact NCLER at [ConsultNCLER@acl.hhs.gov](mailto:ConsultNCLER@acl.hhs.gov).**

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