



Fresh Start: Getting Student Loan Borrowers Out of Default

In 2022, the Department of Education (ED) announced an initiative—called “Fresh Start”—to help eligible borrowers in default. ED will automatically place defaulted loans back in good standing, and Fresh Start will continue through one year after the COVID-19 payment pause ends.

A student loan borrower goes into default after falling 270 days (9 months) behind on student loan payments. Student loan defaults can cause great financial harm for borrowers and their families. Student loan borrowers in default can experience negative credit reporting, wage garnishment, tax refund withholding, and federal benefit offsets. Borrowers in default may also struggle to secure employment, rent apartments, and access necessary credit.

Borrowers will have one year after the payment pause ends to do one of the following steps to take part in Fresh Start:

- Communicate with the Default Resolution Group via the Debt Management Collection System or a guaranty agency to request to enter a repayment plan (or other pre-default option), or
- Request Title IV aid at an eligible school

Borrowers who do not take one of these steps within the year after the payment pause ending will be placed back into default using the original date of delinquency.

Benefits from Fresh Start

Borrowers with loans eligible for Fresh Start will temporarily regain several student aid benefits. Borrowers will also get the opportunity to get out of default and keep those benefits for the long term. These benefits include:

- **Access to Federal Student Aid:** Borrowers eligible for Fresh Start can access federal student aid again. Additionally, Fresh Start allows defaulted borrowers to apply for federal grants and loans to go back to school.
- **Stopped Collections:** Fresh Start also continues the benefits of collections relief during the COVID-19 payment pause, including:
 - Tax refunds (and child tax credits) will not be withheld.
 - Wages will not be garnished.
 - Social Security payments (including disability benefits) will not be withheld.
 - Collection calls will not be made.
- **Eligibility for Other Government Loans:** ED will stop reporting your default status in the government credit reporting system. Many lenders will reject applicants who are marked as “in default” in the government credit reporting system. With this Fresh Start benefit, borrowers in default may become eligible for certain types of government-backed loans, such as mortgages.



- **Restored Ability to Rehabilitate Loans:** Normally, borrowers can rehabilitate a loan only one time. But Fresh Start will not count as the one chance at rehabilitating defaulted loan(s).

Additional long-term benefits of Fresh start include:

- Access to Income-Driven Repayment (IDR) Plans
- Access to Student Loan Forgiveness Programs
- Access to Short-term Relief (Forbearance and Deferment)

The Department of Education will communicate with borrowers to provide additional information. In the meantime, borrowers should make sure their loan holder has their most up-to-date contact information so you don't miss important messages about Fresh Start.

Learn more on the the Federal Student Aid website:

<https://studentaid.gov/announcements-events/default-fresh-start>