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# From Forgiveness to Default: Navigating the Student Loan Landscape

September 2025

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# Agenda

- How did we get here?
- Reconciliation Bill
- PSLF Neg Reg Proposal
- Delinquency & Default
- Q & A



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# How did we get here?

## How did we get here? (the very very short version)

- Pre-pandemic status quo (not great)
- Payment pause & reforms:
  - Broad-based debt cancellation
  - New SAVE plan
  - PSLF fixes & IDR account adjustment
  - On-ramp to repayment

## Where are we now?

- Pandemic-era protections have ended
  - Delinquencies reported to credit bureaus after 3 months
  - Collections have resumed for defaulted borrowers
- Broad-based cancellation struck down by SCOTUS
- SAVE blocked by litigation
- Fewer IDR options are available to borrowers

## Collections on defaulted loans has resumed

- Collections resumed May 5th for the first time in five years
  - Treasury Offset Program (tax seizures)
  - Wage garnishment will begin any day
- 5.5 million borrowers in default - potentially 10M by end of year
- Borrowers can rehabilitate or consolidate to get out of default
- Borrowers can raise defenses—including financial hardship—to reduce or stop involuntary collection

# Attacks on borrowers & the student loan system

- In the courts: SAVE litigation & ripple effects
- In Congress: reconciliation bill passed
- By the Administration: negotiated rulemaking

# Negotiated Rulemaking

- Current public comment period open for PSLF
  - Submit comments! Sign on to letters! Get borrowers to submit comments!
- The Department of Education scheduled two more negotiated rulemaking sessions for the fall
- Negotiators have been nominated for these sessions



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# Q & A



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# Reconciliation Bill



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# Front End Changes (Borrowing)

## Front End Changes

- Graduate PLUS program
- Parent PLUS Program
- Lifetime limit for all students

New Graduate and Parent Loan Limits Effective July 1, 2026			
	Prior Limits	New Annual Loan Limit	New Lifetime Limit
Graduate unsubsidized student borrowing (for example, students enrolled in a MA or MS program)	\$20,500 (annual), \$138,500 (aggregate limit, including loans borrowed for undergrad)	\$20,500	\$100,000
Professional student unsubsidized borrowing (for example, students enrolled in Medicine, Dentistry, Veterinary Medicine, or Law program)	\$20,500 (annual), \$138,500 (aggregate limit, including loans borrowed for undergrad)	\$50,000	\$200,000
Graduate and professional student PLUS loans	No specified limit, up to Cost of Attendance	Eliminated	Eliminated
Parents of undergraduate students	No specified limit, up to Cost of Attendance	\$20,000	\$65,000 per student
All students	N/A	N/A	\$257,500 (excluding Parent PLUS loans)



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# Back End Changes (Repayment)

## Back End Changes

- For borrowers who take out loans after July 1, 2026:
  - New Standard Plan
  - New Repayment Assistance Plan

# Back End Changes

New Standard Plan	
Loan Balance	Fixed Repayment Term
Up to \$25,000	10 years
\$25,000-\$50,000	15 years
\$50,000-\$100,000	20 years
\$100,000 +	25 years

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New Repayment Assistance Plan	
Adjusted Gross Income	Annual RAP Payment
Up to \$10,000	\$120
\$10,001-\$20,000	1% of Adjusted Gross Income (AGI), minus \$50 per month, per dependent child
\$20,001-\$30,000	2% of AGI, minus \$50 per month, per dependent child
\$30,001-\$40,000	3% of AGI, minus \$50 per month, per dependent child
\$40,001-\$50,000	4% of AGI, minus \$50 per month, per dependent child
\$50,001-\$60,000	5% of AGI, minus \$50 per month, per dependent child
\$60,001-\$70,000	6% of AGI, minus \$50 per month, per dependent child
\$70,001-\$80,000	7% of AGI, minus \$50 per month, per dependent child
\$80,001-\$90,000	8% of AGI, minus \$50 per month, per dependent child
\$90,001-\$100,000	9% of AGI, minus \$50 per month, per dependent child
\$100,001+	10% of AGI, minus \$50 per month, per dependent child

## Back End Changes

- For borrowers who took out loans before July 1, 2026:
  - **Borrowers can remain on their current IDR plan until July 1, 2028**
  - After July 1, 2028, they will be forced into IBR or RAP

<b>IBR Plans for Current Borrowers</b>		
	<b>A</b>	<b>B</b>
<b>Repayment Formula</b>	10% of discretionary income (adjusted gross income minus 150% of federal poverty level for the borrower’s family size); or 10-year Standard Plan amount (whichever is less)  \$0 payment for lowest income borrowers	15% of discretionary income (adjusted gross income minus 150% of federal poverty level for the borrower’s family size); or 10-year Standard Plan amount income (whichever is less)  \$0 payment for lowest income borrowers
<b>Cancellation Period</b>	20 years	25 years
<b>Eligible Loans</b>	Direct Loans	Direct Loans and FFEL Loans
<b>Parent PLUS Eligible</b>	YES, but you must consolidate before July 1, 2026	YES, but you must consolidate before July 1, 2026

## Back End Changes

- For borrowers who take out loans after July 1, 2027:
  - Will not have access to unemployment and economic hardship deferments
  - Limits forbearance time to no more than 9 months over a two year period

## Back End Changes

- For borrowers in default after July 1, 2027:
  - They will be able to rehabilitate twice
    - Minimum monthly payment of \$10 over a 9 month monitoring period
  - Consolidating a defaulted loan after July 1, 2026 will make borrower ineligible for IDR & IBR options

## Back End Changes

- The American Rescue Plan Act excluded debt cancellation as income for federal tax purposes until the end of 2025
- Debt cancellation after December 31, 2025 could result in a huge tax bill for borrowers since Congress did not extend this



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# Q & A



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# Overview of “Neg Reg” & PSLF Proposal

## Negotiated Rulemaking

- Prior to APA rulemaking, the HEA requires the Secretary to convene stakeholder representatives for input on potential changes to Title IV regulations (20 USC 1098a)
- Public hearings held April 29 and May 1, 2025, followed by call for “negotiators”
- Convened in person for 3 days: June 30-July 2, 2025
- If “consensus” on proposed regulatory language, that language put forward in NPRM

# Public Service Loan Forgiveness Proposal

- Proposed rule tracks/implements March 2025 Executive Order
- Five categories of activities with “substantial illegal purpose” including:
  - aiding or abetting violations of 8 U.S.C. 1325 or other Federal immigration laws;
  - supporting terrorism, including by facilitating funding to, or the operations of, cartels designated as Foreign Terrorist Organizations consistent with 8 U.S.C. 1189, or by engaging in violence for the purpose of obstructing or influencing Federal Government policy;
  - child abuse, including the chemical and surgical castration or mutilation of children or the trafficking of children to so-called transgender sanctuary States for purposes of emancipation from their lawful parents, in violation of applicable law;
  - engaging in a pattern of aiding and abetting illegal discrimination; or
  - engaging in a pattern of violating State tort laws, including laws against trespassing, disorderly conduct, public nuisance, vandalism, and obstruction of highways.

## Public Service Loan Forgiveness Proposal

- Disqualify certain employers on grounds that they are engaged in activity with “substantial illegal purpose” including:
  - Defending immigrants against illegal deportations/Sanctuary policies;
  - supporting terrorism, including by facilitating funding to, or the operations of, cartels designated as Foreign Terrorist Organizations consistent with 8 U.S.C. 1189, or by engaging in violence for the purpose of obstructing or influencing Federal Government policy;
  - child abuse, including the chemical and surgical castration or mutilation of children or the trafficking of children to so-called transgender sanctuary States for purposes of emancipation from their lawful parents, in violation of applicable law;
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# Public Service Loan Forgiveness Proposal

- Disqualify certain employers on grounds that they are engaged in activity with “substantial illegal purpose” including:
  - Defending immigrants against illegal deportations;
  - Advocating for the end of the war in Gaza;
  - child abuse, including the chemical and surgical castration or mutilation of children or the trafficking of children to so-called transgender sanctuary States for purposes of emancipation from their lawful parents, in violation of applicable law;
  - engaging in a pattern of aiding and abetting illegal discrimination; or
  - engaging in a pattern of violating State tort laws, including laws against trespassing, disorderly conduct, public nuisance, vandalism, and obstruction of highways.

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- Disqualify certain employers on grounds that they are engaged in activity with “substantial illegal purpose” including:
  - Defending immigrants against illegal deportations;
  - Advocating for the end of the war in Gaza;
  - Providing gender-affirming care;
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  - engaging in a pattern of violating State tort laws, including laws against trespassing, disorderly conduct, public nuisance, vandalism, and obstruction of highways.

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  - Supporting Diversity, Equity, & Inclusion programs; or
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  - Advocating for the end of the war in Gaza;
  - Providing gender-affirming care;
  - Supporting Diversity, Equity, & Inclusion programs; or
  - Exercising right to peaceful protest.

# Public Service Loan Forgiveness Proposal

- Major concerns:
  - Secretary's authority to disqualify any employer
  - Punitive effect for borrower based on employer conduct
  - Risk of arbitrary (or ideological) enforcement
  - Borrowers' inability to find new qualifying employment
  - Employers' ability to be reinstated
  - Secretary making legal determinations outside her expertise
  - Secretary defining terms outside her expertise
  - Chilling effect on employers' willingness to sign PSLF forms
  - Effect for large employers with subdivisions under same EIN

## Next Steps

- 30 day comment period is happening right now
  - **Submit comments before September 17th!**
  - We're circulating a coalition comment letter that organizations can sign on to
- Expect final rule before November 1, 2025, for July 1, 2026 effective date, which must respond to comments
- Lawsuits



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# Q & A



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# Overview of Delinquency & Default

# Delinquency

- Delinquency occurs on student loans when you have missed a single payment by the required due date
- Delinquency can be reported to credit bureaus after 90 days (3 months) of missed payments
- Easiest to help a struggling borrower *before* default
  - Maintain eligibility for deferments, forbearances, repayment plans

# Default

- Borrowers are considered to be in default on their loans after 270 days (9 months) of missed payments
- Easiest to help a struggling borrower *before* default
  - Maintain eligibility for deferments, forbearances, repayment plans

## Consequences of Default

- Credit Damage
- Collections Activity
- Litigation
- Denial of Federal Aid
- Collection costs of up to 25%
- The government can pursue borrowers forever
- The government has extraordinary collection powers:
  - Tax Refund Offset
  - Administrative Wage Garnishment
  - Federal Benefits Offset (e.g., Social Security)



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# Options for Folks in Delinquency

## Options for Delinquency

- Income-Driven Repayment plans
- Forbearances
- Deferments

# Multiple repayment options

## STANDARD REPAYMENT PLAN

Monthly Payment Amount

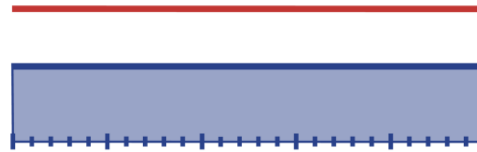


Years

Pay the same amount every month for 10 years (or longer with [Consolidation Loans](#))

## EXTENDED REPAYMENT PLAN

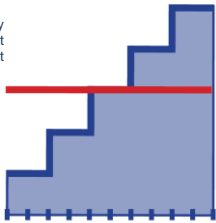
Monthly Payment Amount



Pay the same amount every month for up to 25 years. Payments are lower than standard payments. Must owe more than \$30,000.

## GRADUATED REPAYMENT PLAN

Monthly Payment Amount

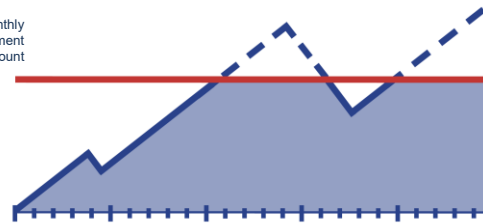


Years

Payments start low and increase every two years. Loans are paid off within 10 years (or up to 30 years with [Consolidation Loans](#))

## INCOME-DRIVEN REPAYMENT PLAN

Monthly Payment Amount



Monthly payments are tied to your income, not your loan balance. Payments can be as low as \$0.

## Income-Driven Repayment (IDR) Plans

- IDR plans set monthly payments based on your discretionary income, rather than your outstanding loan balance; unemployment or income shock could result in \$0 payments.
- Remaining balance is forgiven after 20 or 25 years
- Remaining balance is forgiven after 10 years under PSLF
- Types of IDR plans:
  - Income-Contingent Repayment Plan (ICR)
  - Income-Based Repayment Plan (IBR)
  - Pay as you Earn (PAYE)
  - **Saving on a Valuable Education (SAVE) \*Blocked\***

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  - Income-Contingent Repayment Plan (ICR) **\*Only available for Direct Loan borrowers**
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# Forbearances

- Forbearances allow borrowers to not make monthly payments on their loans
- Interest still accrues and time in forbearance does not count as credit toward cancellation programs
- Granted for no more than 12 months at a time
- General forbearances are decided by **your loan servicer**
- **Call your servicer to request a forbearance**
- You can request a general forbearance if you are temporarily unable to make your scheduled monthly loan payments for the following reasons:
  - Financial difficulties
  - Medical expenses
  - Change in employment
  - Other reasons acceptable to your loan servicer

# Deferments

- Deferments are also a period of time during which you don't have to make payments
- During deferments, some loans do not accrue interest
- You may be able to get a deferment for the following reasons:
  - undergoing cancer treatment;
  - experiencing economic hardship;
  - in a graduate fellowship program;
  - enrolled in school at least half-time;
  - performing qualifying military service;
  - a post-active duty service member;
  - a Parent PLUS borrower with student enrolled in school;
  - enrolled in a rehabilitation training program; or
  - unemployed

## Deferments

- To request a deferment, call your servicer
- They may ask you for documentation to verify the category of deferment you are requesting



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# Getting Out of Default

## Getting Out of Default

- Borrowers have two options:
  - **Consolidate their loans**
    - Have a limited number of times to consolidate your loans
    - Consolidate at [studentaid.gov](https://studentaid.gov)

## Eligibility Limits to Consolidation

You cannot consolidate if you have:

- Judgment
- AWG Order
- Direct Consolidation Loan UNLESS adding one additional federal loan

## Choose an IDR Plan

- Must apply for an income-driven repayment plan **or** make three consecutive payments
  - Types of IDR plans:
    - Income-Contingent Repayment Plan (ICR) **\*Only available for Direct Loan borrowers**
    - Income-Based Repayment Plan (IBR)
    - Pay as you Earn (PAYE) **\*Only available for Direct Loan borrowers**
    - Saving on a Valuable Education (SAVE) **\*Blocked\***

## Getting Out of Default

- **Rehabilitate their loans**
  - Borrowers can only use this option one time
  - Borrowers must make 9 payments over a 10-month period that is either:
    - 15% of their discretionary income (using 150% of the poverty level)
    - Minimum of a \$5 monthly payment
    - A negotiated amount based on their expenses
  - After the rehabilitation is completed, their loan will be transferred to a servicer and be put on a payment plan

## Eligibility Requirements

You cannot rehabilitate if you have:

- A Judgment
- Previously Rehabilitated

## Rehabilitation

### Direct Loans

- Contact the Default Resolution Group
- <https://myeddebt.ed.gov/>
- Phone number: 1-800-621-3115

### FFELP Loans

- Contact your Guaranty Agency
- A list of guaranty agencies can be found here: <https://studentaid.gov/manage-loans/default>

## Getting Out of Default

- Technically borrowers also have the option of **paying their loan in full** or **negotiating a settlement**
- **Bankruptcy** *may also be an option for some borrowers*
- Borrowers should also see if one of the cancellation programs applies to them first. Borrowers who qualify for closed school discharge and disability discharge are disproportionately in default.
- Borrowers may be able to stop or reduce involuntary collection by raising defenses (like identity theft) or financial hardship.



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# Collections

## How does the government collect on defaulted student loans?

*Collections resumed in May for first time in 5 years; federal agencies have authority to offset (seize) benefits and other payments:*

- Social Security benefits \*PAUSED FOR NOW\*
- Tax refunds
- Federal salary and benefits; certain other benefits
- Wage garnishment (expected to resume sometime this summer)

## How does it work (in brief)?

- **Borrowers should receive notice** prior to the initiation of a collections process
  - Opportunity to respond and prevent collection
  - Only one written notice issued for tax seizures (can continue to seize refunds each year of default)
- **An amount is taken**
  - 15% of federal benefits
  - 15% of discretionary income for wage garnishment/Fed salary
  - ALL for tax refund offset

## **(Limited) benefits offset protections**

- For Social Security benefits, \$750/month (9,000 per year) is protected; the government can only seize payments above this amount.
  - No more than 15% of total benefit can be offset.
- Supplemental Security Income (SSI) cannot be taken
  - Means tested benefits are protected

## Borrowers can appeal/contest collections

- Must act quickly to request review or hearing to hold offset process
- Can challenge benefits offsets and wage garnishment for reasons including financial hardship, disability, eligibility for loan discharge
- **Get help!** If you receive a collections notice, this is a good time to get free **legal aid** or **financial coaching**.



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# Q & A