

What Employees Need to Know About Federal Student Loan Collections

Take Action to Protect Your Finances

If you have federal student loans, it's important to make payments or take steps to keep your loans in good standing to avoid serious consequences.

Missed Payments Can Hurt Your Credit

If you miss payments for 90 days or more, your delinquency will be reported to credit bureaus. This can lower your credit score and make it harder to qualify for credit cards, rent an apartment or access affordable interest rates.

After 270 Days, Loans Can Go Into Default

Once your loans are 270 days past due (about 9 months), they can enter default. That means the government can start collecting the debt without taking you to court, including:

- Garnishing your wages
- Taking your tax refunds
- Reducing Social Security or disability benefits

These collections continue until the loan is paid or resolved.



Note to Employees: Employers are legally required to comply with wage garnishment orders from the U.S. Department of Education.

Know Your Rights

Even if your loans go into default, you have rights:

- You must be notified before wage garnishment begins.
- You can request a hearing to challenge or reduce it.
- You can get out of default through rehabilitation or consolidation.
- Collectors must follow consumer protection laws.

Need Help?

If you live in New York, **free and unbiased assistance from EDCAP is available** to guide you through your options, and help you better manage your loans or get out of default.



Book a free, one-on-one counseling session at:

edcapny.org/contact-us

 888-614-5004

 edcapny.org

 edcap@cssny.org

Concerned About Your Student Loans?

You're not alone—and you have options. If you've fallen behind or are in default, here's how to get back on track.

Know Your Loan Status

Start by logging into your studentaid.gov account to confirm if your loans are in default or past due.



If You're Behind on Payments

You may be eligible for options to bring your loans current:

Temporary Forbearance: You may qualify for a retroactive administrative forbearance that makes your account current. Call your servicer to explore or request this option.

Income-Driven Repayment (IDR): These plans can lower your monthly payments and help you stay in good standing.

- Use the studentaid.gov/loan-simulator to estimate payments.
- Apply at studentaid.gov/idr.

If Your Loans Are in Default

You can restore your eligibility for federal aid and protect your finances through one of these paths:

Option 1: Loan Consolidation

Combine your defaulted loans into one or two new loans in good standing.

- Apply online at studentaid.gov/loan-consolidation.
- Takes 2–3 months.
- Won't erase default history, but defaults over 7 years old may have already fallen off your credit report.

Option 2: Loan Rehabilitation

Make 9 on-time, voluntary payments within 10 months.

- Removes the default from your credit report (but not the late payments leading up to it).
- Must be arranged with your loan holder—often the Default Resolution Group at 800-621-3115
- Full process takes 10–12 months.

Stay on Top of Your Loans

Find Your Loan Servicer: Visit studentaid.gov/manage-loans/repayment/servicers to locate and contact your servicer.

Log In Regularly: Check your servicer's inbox for payment due dates, messages, and past-due notices.

Update Your Payment Info: Enroll in auto pay or make sure your payment method is current.

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