How to Prepare for the End of Coronavirus Student Loan Forbearance

National nonprofit student loan counseling agency Take Charge America advises borrowers to take proactive steps to prevent falling behind when payments restart

PHOENIX – (Nov. 11, 2020) – With the end of pandemic-induced student loan forbearance approaching on Dec. 31, millions of people will soon face the challenge of resuming payments on their federal loans. Ready or not, borrowers need to adjust their budgets and reassess payment plans.

"Federal student loan forbearance provided much-needed relief for Americans struggling to make ends meet, but it never was intended to last forever," said Jessica Ferastoaru, a student loan counselor with Take Charge America, a national nonprofit credit and student loan counseling agency. "Now, borrowers need to determine a game plan that takes their loan status, current employment and income into account. There isn't a one-size-fits-all solution."

Ferastoaru shares options for borrowers to consider as the end of forbearance nears:

- **Explore income-driven repayment (IDR) plans:** If you anticipate a need for a lower payment following forbearance, you can apply for an income-driven repayment plan at studentaid.gov. An IDR plan caps your loan payment based on your income and family size, adjusting as your circumstances change. You must recertify every year to remain on the plan. If you're already on an IDR plan and were due to recertify between March 13 and Dec. 31, your recertification date may have been extended due to the coronavirus forbearance. Although your servicer should contact you about recertification, it's best to contact them yourself to confirm your date.
- **Ask about deferment or (more) forbearance:** If you don't qualify for an IDR plan and can't afford your current payment, ask your servicer about additional deferment or forbearance. Under both options, payments are suspended, though with deferment, interest on subsidized loans may be waived, whereas interest continues to accrue on all loans under forbearance.
- **Manage defaulted loans:** To avoid wage garnishment or tax refund offsets on defaulted loans, be sure to review your options for getting out of default, including loan consolidation or rehabilitation. Consolidation pays off your loans by combining them all into one brand-new loan you agree to repay under an IDR plan. After three consecutive payments, you can choose a different plan if desired. Loan rehabilitation allows a borrower to get out of default by agreeing to make nine consecutive, on-time payments within a 10-month period. If currently enrolled in a rehabilitation program, be sure to resume payments following the end of forbearance. If you miss more than one payment while on rehabilitation, you risk being removed from the program.
- **Resume automatic payments:** If you had automatic payments set up prior to pandemic forbearance, contact your servicer to confirm whether you need to re-enroll in automatic payments to ensure you don't miss a payment when forbearance ends. After just one missed payment on a federal student loan, your account status will change from "current" to "delinquent." If your loan becomes 90 days delinquent, it can negatively impact your credit.

For step-by-step guidance with student loan repayment options, check out Take Charge America's student loan counseling services.

About Take Charge America, Inc.

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped nearly 2 million consumers nationwide manage their personal finances and debts. To learn more, visit www.takechargeamerica.org or call (888) 822-9193.

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