



Getting Back on Track:  
**A STEP-BY-STEP GUIDE TO  
RESOLVING DEFAULTED  
STUDENT LOANS**



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# **INTRODUCTION**

As of 2025, over 5 million Americans are in default on their federal student loans—a staggering number that reflects the lasting financial strain of the pandemic. Since March 2020, federal student loans in default have not been reported to credit bureaus, and active collections (like wage garnishment and tax refund offsets) have been paused. **But that's about to change.**

Starting May 5, 2025, the Department of Education will resume collections on defaulted student loans—and for many borrowers, this will also mean negative reporting will begin again, impacting credit scores, financial stability, and access to future opportunities.

At Clover Credit Solutions, our mission is simple: to help individuals Rebuild, Restore, and Renew their financial lives through education, strategy, and personalized support. We know how overwhelming student loan debt can feel—especially in default—and this guide was created to give you the clarity and steps you need to take back control.

Whether you're unsure of your loan status, don't know what options are available, or just need someone to walk you through the process, you're in the right place.

This guide is designed to help you:

- Check the current status of your student loans
- Understand what default means and the risks of inaction
- Learn the available programs to get out of default
- Take actionable steps to become current before collections resume

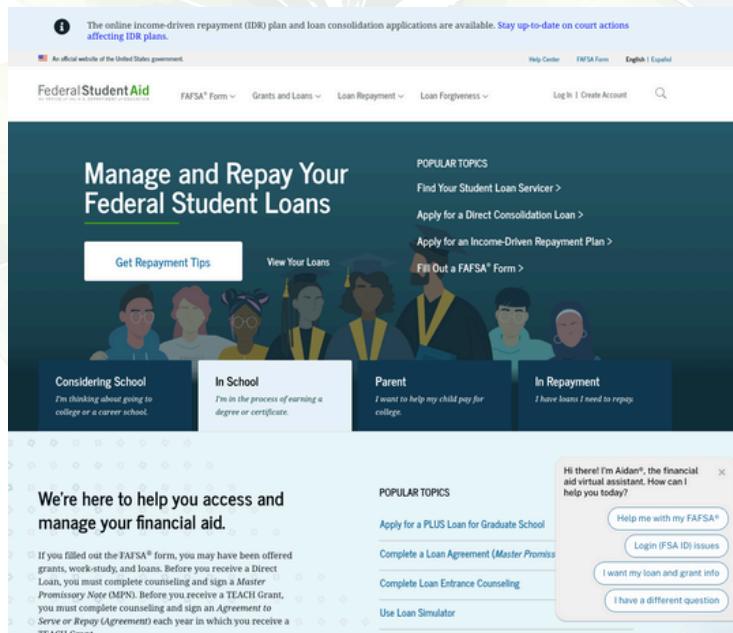
Let's get started—one step at a time.

# **STEP 1: CHECK THE STATUS OF YOUR STUDENT LOANS**

Before you can take any action, you need to know where you stand.

- Go to: <https://studentaid.gov>
  - Click "Log In" and sign in using your FSA ID.
  - Once logged in, navigate to "My Aid" to view all your federal loans.
  - Check the status of each loan. If any are listed as "in default", this guide applies to you.
  - Take note of the loan servicer(s) assigned to your account.

Understanding your loan status is the first and most important step in regaining control. Everything else builds from this point.



The screenshot shows the homepage of the Federal Student Aid website. At the top, there is a message about IDR plans and a link to stay up-to-date on court actions. Below that, it states that the site is an official website of the United States government. The main navigation menu includes links for FAFSA Form, Grants and Loans, Loan Repayment, and Loan Forgiveness. There are also links for Help Center, FAFSA Form, English | Español, Log In | Create Account, and a search bar. The main content area features a large image of diverse students and the title "Manage and Repay Your Federal Student Loans". Below this, there are four buttons for "Considering School", "In School", "Parent", and "In Repayment". Each button has a corresponding description: "I'm thinking about going to college or a career school.", "I'm in the process of earning a degree or certificate.", "I want to help my child pay for college.", and "I have loans I need to repay.". To the right, there is a sidebar with "POPULAR TOPICS" including "Find Your Student Loan Servicer", "Apply for a Direct Consolidation Loan", "Apply for an Income-Driven Repayment Plan", and "Fill Out a FAFSA Form". At the bottom, there is a "We're here to help you access and manage your financial aid." section with a note about filling out the FAFSA form, and a "Hi there! I'm Aidan", the financial aid virtual assistant, who asks how he can help today. There are also links for "Help me with my FAFSA", "Login (FSA ID) issues", "I want my loan and grant info", and "I have a different question".

The screenshot above is the welcome page for <https://studentaid.gov>

## **STEP 2: UNDERSTAND THE CONSEQUENCES OF DEFAULT**

When your loans are in default, the financial and legal consequences can be severe. Here's what you need to be aware of:

- **Wage Garnishment:** The government can garnish a portion of your paycheck without a court order, reducing your take-home pay and adding financial pressure.
- **Tax Refund Offsets:** Your federal or state tax refund can be seized and applied toward your defaulted loan—money many rely on for essentials.
- **Social Security Offsets:** Even Social Security and disability benefits can be partially withheld to repay student loans.
- **Credit Damage:** Default can significantly lower your credit score, making it harder to qualify for housing, loans, or even some jobs.
- **Loss of Financial Aid:** You'll lose eligibility for federal financial aid, which can block your ability to finish or return to school.
- **Legal Action & Fees:** Default can lead to lawsuits and the addition of high collection fees, increasing your balance substantially.

Since collections have been paused for over three years, many borrowers have forgotten—or never experienced—how aggressive these measures can be. That's why now is the time to act—**before May 5**. Once collections resume, these consequences will begin again, starting with garnishment notices and refund seizures.

Addressing your default now gives you more options—and a better path forward.

# **STEP 3: EXPLORE YOUR OPTIONS TO GET OUT OF DEFAULT**

There are three main paths to getting out of default:

## **Option 1: Fresh Start Initiative (Recommended if eligible)**

- Temporarily available for a limited time
- Moves your loans out of default without collections or garnishment
- Restores Title IV aid eligibility
- No minimum payment required to enter

- **How to Apply:**

- Visit <https://studentaid.gov/freshstart>
- Call your loan holder/servicer directly to request Fresh Start
- Ask to be placed on an income-driven repayment (IDR) plan

## **Option 2: Loan Rehabilitation**

- Make 9 monthly payments within 10 months
- Payments are based on income and can be very low
- Removes the default status permanently from your credit history

- **How to Start:**
- Contact your loan servicer (from Step 1)
- Request to enter the rehabilitation program
- Submit income documentation to calculate affordable payments

## **Option 3: Loan Consolidation**

- Combines all loans into one new Direct Consolidation Loan
- Immediately removes loan from default
- Must agree to repay under an IDR plan

- **How to Apply:**
- Go to <https://studentaid.gov/loan-consolidation>
- Follow the application steps and select an IDR plan
- Continue making payments as scheduled

# **STEP 4: CHOOSE THE RIGHT INCOME-DRIVEN REPAYMENT (IDR) PLAN**

Once out of default, selecting the right repayment plan is key to staying current.

Income-Driven Repayment (IDR) plans adjust your monthly payments based on income and family size—often making them much more affordable.

## **Top IDR Plans:**

- **SAVE Plan:** The most generous plan for low-income borrowers. Caps payments at 10% of discretionary income, with forgiveness after 10–20 years. Includes interest subsidies so your balance doesn't grow even if you owe \$0 monthly.
- **PAYE (Pay As You Earn):** Payments are 10% of discretionary income, with forgiveness after 20 years. Available only if you borrowed after October 2007 and received a disbursement after October 2011.
- **REPAYE (Revised PAYE):** Similar to PAYE but open to more borrowers. Forgiveness after 20 years (undergrad loans) or 25 years (grad loans). Includes partial interest subsidies.
- **IBR (Income-Based Repayment):** For borrowers with financial hardship. Payments are 10–15% of discretionary income, with forgiveness after 20–25 years.
- **ICR (Income-Contingent Repayment):** Payments are 20% of discretionary income or a fixed 12-year plan amount, whichever is lower. Forgiveness after 25 years. Often used for Parent PLUS loans after consolidation.

Estimate Your Payment: Use the loan simulator at <https://studentaid.gov/loan-simulator/> to see your estimated monthly payments under each plan.

Choosing the right plan now helps avoid re-default and supports long-term financial progress.

# **STEP 5: STAY IN GOOD STANDING MOVING FORWARD**

Defaulting again can restart the cycle—and this time, it may be harder to recover. Once your loans are back in good standing, it's essential to stay consistent and proactive. Here's how to protect your progress:

- **Recertify Your Income:** IDR plans require you to update your income and family size every year. Failing to do so can cause your payment to jump back to the full amount, which may lead to missed payments and re-default.
- **Set Up Auto-Pay:** This is one of the easiest ways to stay on track. Most servicers also offer a small interest rate reduction for enrolling in auto-debit.
- **Keep Your Info Updated:** Make sure your servicer has your most recent address, phone number, and email. If they can't reach you, you might miss important deadlines or notices.
- **Respond to All Communications:** Even if it's just a reminder or an update, don't ignore messages from your servicer. Prompt responses can help you avoid unnecessary issues.

Staying current on your loans also means continuing to rebuild your credit. On-time payments will gradually improve your credit score, making it easier to qualify for future loans, housing, or even employment.

Consistency is key—don't let your progress slip away. Treat your restored status as a fresh start and protect it like the opportunity it is.

# **HELPFUL CONTACTS & RESOURCES**

- Federal Student Aid: <https://studentaid.gov>
- Fresh Start Info: <https://studentaid.gov/freshstart>
- Loan Simulator: <https://studentaid.gov/loan-simulator/>
- Default Resolution Group: 1-800-621-3115
- FICO Scores & Credit Report - [www.myscoreiq.com/clovercreditsolutions](http://www.myscoreiq.com/clovercreditsolutions)



# CONCLUSION

Being in default doesn't mean you won't be able to get back into good standing! It means you've faced financial difficulty—and now, you're ready to take back control.

Clover Credit Solutions is here to support that journey. Through education, personalized support, and real strategy, we help people like you rebuild their credit, restore their financial peace, and renew their path forward.

Use this guide as your action plan. Don't wait until the garnishment notices arrive. Take the first step today.

If you would like to receive a complimentary credit analysis and personalized game plan, visit [www.clovercreditsolutions.com](http://www.clovercreditsolutions.com)

You're not alone—and your credit comeback starts now.