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Loan Rehabilitation

Collections Temporarily Delayed

On January 16, 2026, the Department of Education **announced that it was temporarily delaying collection** (<https://studentloanborrowerassistance.org/big-news-the-government-pauses-collections-for-student-loan-debt-no-tax-refund-seizure-or-wage-garnishment-for-now/>) of defaulted student loans, but we don't know how long that pause will last. If your loans are in default when the delay ends, you could face serious consequences, including losing your tax refunds, a portion of your wages, and even some of your Social Security benefits. Unlike other types of debt collection, the government can take these steps without going to court. There is no statute of limitations on collecting federal student loan debts. This means you could face collection actions for debts that are years old.

Take steps now to make sure your loans aren't in default!

If you are in default, act quickly to get out of default and avoid collections.

Loan rehabilitation (<https://studentaid.gov/manage-loans/default/get-out#loan-rehab>) is one way to get your student loan out of default. Under a loan rehabilitation agreement, you agree to make nine consecutive, on-time monthly payments based on your income to your

loan holder (for Perkins Loans, you must make the full standard payment). After you make the nine payments, your loans will be put back into good standing and transferred to a new loan servicer.

Once your loans are back in good standing, it is critical to have a plan to pay your loans moving forward. You may be eligible for an income-driven repayment plan, which bases your monthly payment on your income and may be more affordable than a standard plan.

How Do I Apply for Loan Rehabilitation to Get Out of Default?

To rehabilitate your loans, you must first complete paperwork. Here are the steps you will need to take:

Step 1: Figure out who to contact about your defaulted loan.

To start the rehabilitation process, you'll need to contact the company in charge of collecting your defaulted loan (often called the "loan holder"). To find out who you need to contact, you can log in to your account on **studentaid.gov** (<http://studentaid.gov>). You can also call the **Default Resolution Group at 1-800-621-3115** and ask who you should contact about getting your loans out of default with a loan rehabilitation.

If you have Direct Loans or other loans held by the Department of Education, the Default Resolution Group can help you set up a rehabilitation agreement. If you have other loan types, you may need to call a different company, but the Default Resolution Group should be able to help you figure out who to contact.

If you call the Default Resolution Group, ask the following questions and write down the answers:

1. What types of loans are in default?
2. How much do I owe on each of my defaulted loans?
3. Who are my loan holders on each of my defaulted loans?
4. Who can I call to get my loans out of default?

Step 2: Call your loan holder and ask to enter a rehabilitation agreement.

Again, if your defaulted loans are held by the Department of Education, you may be able to set up the agreement directly with the Default Resolution Group. But if you have a different loan holder, call them and ask for a rehabilitation agreement on each defaulted loan (you may have to call multiple companies if you have loans held by multiple companies).

When you call to request the loan rehabilitation agreement, the loan holder will ask you questions to determine your payment under the rehabilitation agreement. The first thing they will ask you for is your income and family size. Unless your income has significantly decreased, you should tell them what your adjusted gross income (“AGI”) was on your taxes last year (e.g., line 11 on Form 1040). You will then need to send in documentation of your income to formalize the agreement. They will use this information to calculate your monthly rehabilitation payment — in some cases, it can be as little as \$5.

If you cannot afford the initial payment they suggest, you can tell them that it is too expensive. However, if you do so, you may need to provide proof that the payment is too expensive by **completing a form** (<https://studentaid.gov/sites/default/files/LoanRehabilitationIncomeandExpense-en-us.pdf>) and **sending written evidence** (<https://studentaid.gov/sites/default/files/LoanRehabilitationIncomeandExpenseInstructions-en-us.pdf>) of your income and expenses.

Make sure you ask for a rehabilitation agreement — not a payment plan or repayment agreement. Only rehabilitation agreements will remove your loans from default.

Step 3: Send in your income information, sign the rehabilitation agreement, and return it to your loan holder.

You must do two things to make your rehabilitation agreement official:

1. **Provide proof of your income**, and
2. **Sign a written rehabilitation agreement.**

Most borrowers prove their income by sending their loan holder a copy of their last year’s tax return. The loan holder will also mail you the rehabilitation agreement. When you receive the agreement, read it carefully and sign it (if you agree). **If you do not sign your agreement or provide proof of your income, any payments you make will not count towards**

rehabilitating your loans. Additionally, generally only payments made after signing the agreement will count towards your nine rehabilitation payments.

Step 4: Make nine months of full, on-time payments in a row to remove your loans from default.

You must make nine months of on-time payments within ten months to remove your loans from default and place them back into good standing. You may be able to call your loan holder and ask for autopay to make sure you make all nine payments on time.

If I Am In The Process Of Rehabilitating My Loans, Will Wage Garnishment, Tax Refund Seizure, Or Social Security Seizure Stop?

If you agree to a rehabilitation agreement soon after receiving notice that your loans are in default, it may be possible to prevent collections from happening at all. But if you enter a rehabilitation agreement too late, then collections – including wage garnishment, and seizures of your tax refunds and Social Security benefits – may continue for at least the first five months while you’re making rehabilitation payments. You may call your loan holder once you have a rehabilitation agreement and ask them to stop collections, but they are not required to do so immediately.

After you make your first five scheduled payments, federal regulations say that any wage garnishment should stop, but you may need to call your loan holder to make sure they stop it. The **Department of Education also** (<https://studentaid.gov/help-center/answers/article/how-to-stop-tax-refund-or-other-federal-payments-from-being-withheld>) says that the government *may* also stop all other collections, including seizures of your tax refunds, after you make your first five rehabilitation payments. It is worth calling after you make your first five payments and asking them to confirm they are stopping collections against you, but there is no guarantee that they will.

If collections started before you began the rehabilitation process, the collections may continue even after you begin your rehabilitation payments. To get your loan out of default, **you must continue to make your rehabilitation payments, even if your wages**

are garnished, your tax refund is seized, or the government uses other collection powers against you.

What Happens After My Loans are Rehabilitated?

After you make your last payment under your loan rehabilitation agreement, your loan will be removed from default; collections, such as wage garnishment and tax refund offset, will stop; and you will be placed back into repayment. Your loans may also be transferred to a new loan servicer.

You should get a notice from your loan servicer about returning to repayment after you get out of default. You will have to continue to make monthly payments on your loans to avoid defaulting again, so pay close attention to any notices your loan holder or servicer sends you about your new payment amount and due date.

It's likely that your loan servicer will put you into a standard repayment plan after your loan gets out of default, but you may be eligible for a lower payment through an **income-driven repayment (IDR) plan** (<https://studentloanborrowerassistance.org/for-borrowers/dealing-with-student-loan-debt/repaying-your-loans/payment-plans/income-driven-repayment/>). Under an IDR plan, your payments are based on your income and family size and could be as low as \$0 per month. You can ask your loan holder or servicer about your loan repayment options, including IDR plans, and you can **request an IDR plan online** (<https://studentaid.gov/idr/>).

Additionally, after the rehabilitation is complete, the record of default should be removed from your credit history. However, your credit history may still show the late payments that were reported by your loan holder before the loan went into default, so your credit will still likely be impacted.

Can I Complete a Loan Rehabilitation More Than Once?

Generally, no. If you complete a loan rehabilitation on a defaulted loan and then default on that same loan again in the future, you can't rehabilitate it a second time. **Rehabilitation is a one-time opportunity.**

However, this one-time rehabilitation rule does not apply:

- If you started, but didn't previously successfully complete a rehabilitation;
- If you completed a rehabilitation agreement during the pandemic payment pause, or
- If you used **Fresh Start** (<https://www.studentloanborrowerassistance.org/for-borrowers/dealing-with-student-loan-debt/default-debt-collection/getting-out-of-default/fresh-start/>) to get out of default.

Additionally, because of changes in the law as a result of the Big Bill, beginning July 1, 2027, you will be able to complete a loan rehabilitation **twice** to get out of default.
