Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION
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Menu

Home » How to Repay Your Loans » Understanding Default » Getting out of Default

Don't get discouraged if you are in default on your federal student loan.

Options for getting out of default include loan repayment, loan rehabilitation, and loan consolidation.

When placed in **default**, any **William D. Ford Federal Direct Loan (Direct Loan) Program** loan or **Federal Family Education Loan (FFEL) Program** loan that is owned by the U.S. Department of Education (ED) is assigned to ED's Default Resolution Group for collection. Defaulted **FFEL Program** loans that are not owned by ED will be assigned to a **guaranty agency** for collection. For defaulted Federal Perkins Loans, you'll need to check with the school from which you borrowed to find out about loan repayment.

If you are unsure which type(s) of loan(s) you have, check your original loan documents or log in to My Federal Student Aid. Note that information about any private student loan you may have received will not be included in NSLDS.

You have several options for getting your loan out of default. These include

- loan repayment,
- loan rehabilitation, and
- loan consolidation.

Loan Repayment

One option for getting out of default is repaying your defaulted student loan in full. Get repayment information for your loan(s) to learn about how to repay and where to send payments:

- Repayment information for defaulted Direct Loans (includes TEACH Grants that have been converted to Direct Unsubsidized Loans)
- Repayment information for defaulted FFEL Program loans
- Repayment information for defaulted Federal Perkins Loans—contact the school where you received your Perkins Loan

top

Loan Rehabilitation

Another option for getting your loan out of default is loan rehabilitation. To rehabilitate your Direct Loan or FFEL Program loan, you and ED must agree on a reasonable and affordable payment plan. (Remember, contact your school for your Perkins Loan.)

Your loan is rehabilitated only after you have voluntarily made the agreed-upon payments on time and the loan has been purchased by a **lender**. Outstanding **collection costs** may be added to the **principal** balance.

Note: Payments that have already been collected from you—for example, through the Administrative Wage Garnishment (AWG) process or through legal action taken against you to collect your defaulted loan—do not count toward your rehabilitation payments. (Through AWG, payments will be deducted from your wages until your defaulted loan is removed from default status.)

Once your loan is rehabilitated, you may regain eligibility for benefits that were available on your loan before you defaulted. Those benefits may include **deferment**, **forbearance**, a choice of repayment plans, **loan forgiveness**, and eligibility for additional federal student aid.

Other benefits of loan rehabilitation include the removal of

- the default status on your defaulted loan,
- the default status reported to the national credit bureaus,
- wage garnishment, and
- any withholding of your income tax refund made by the Internal Revenue Service (IRS).

After rehabilitation, your monthly payment may be more than the amount you paid while you were rehabilitating your loan. Collection costs may be added to your principal balance, increasing the total amount you owe. Delinquencies (late payments) reported before the loan defaulted will not be removed from your credit report.

A defaulted student loan may impact your credit rating. Find out how to get a free credit report and what to do if you find errors in your credit report.

top

Loan Consolidation

You also have an option for getting out of default through loan consolidation. Loan consolidation allows you to pay off the outstanding combined balance(s) for one or more federal student loans to create a new single loan with a fixed **interest rate**.

A defaulted **federal student loan** may be included in a consolidation loan after you've made arrangements with ED and made several voluntary payments (contact your school for information about making payments on a Perkins Loan). Usually, you would be required to make at least three consecutive, voluntary, and on-time payments prior to consolidation.

Note: A guaranty agency may charge collection or late fees up to 18.5 percent of the outstanding loan (including the principal and interest). The fees become part of the principal for the consolidation loan. For example, a defaulted loan of $8,500 plus $1,500 of accrued interest = $10,000. Fees of $1,850 can be added to the $10,000, which means the consolidation loan will be made for $11,850.

Consolidate your loan(s) through a **Direct Consolidation Loan**.

top

Quick Links

- Resolving Disputes
- Loan Servicers
- Repayment Plans
- Leave Us Feedback

Glossary

Default

Failure to repay a loan according to the terms agreed to in the promissory note. For most federal student loans, you will default if you have not made a payment in more than 270 days. You may ...

William D. Ford Federal Direct Loan (Direct Loan) Program

The federal program that provides loans to eligible student and parent borrowers under Title IV of the Higher Education Act. Funds are provided by the federal government to eligible borrowers throu...

Direct Loan

A federal student loan, made through the William D. Ford Federal Direct Loan Program, for which eligible students and parents borrow directly from the U.S. Department of Education at participating ...

Federal Family Education Loan (FFEL) Program

Under this program, private lenders provided loans to students that were guaranteed by the federal government. These loans included Subsidized Federal Stafford Loans, Unsubsidized Federal Stafford ...

FFEL Program

Federal Family Education Loan Program

Guaranty Agency

A state agency or a private, nonprofit organization that administers Federal Family Education Loan (FFEL) Program loans.

Lender

The organization that made the loan initially; the lender could be the borrower's school; a bank, credit union, or other lending institution; or the U.S. Department of Education.

Collection Costs

Expenses charged on defaulted federal student loans that are added to the outstanding principal balance of the loan. These expenses can be up to 18.5 percent of the principal and interest for...

Principal

The total sum of money borrowed plus any interest that has been capitalized.

Deferment

A postponement of payment on a loan that is allowed under certain conditions and during which interest does not accrue on Direct Subsidized Loans, Subsidized Federal Stafford Loans, and Federal Per...

Forbearance

A period during which your monthly loan payments are temporarily suspended or reduced. Your lender may grant you a forbearance if you are willing but unable to make loan payments due to certain typ...

Loan Forgiveness

The cancellation of all or some portion of your remaining federal student loan balance. If your loan is forgiven, you are no longer responsible for repaying that remaining portion of the loan. ...

Interest Rate

The percentage at which interest is calculated on your loan(s).

Federal Student Loan

A loan funded by the federal government to help pay for your education. A federal student loan is borrowed money you must repay with interest.

Direct Consolidation Loan

A federal loan made by the U.S. Department of Education that allows you to combine one or more federal student loans into one new loan. As a result of consolidation, you will have to make only one ...

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