How to Recover From Student Loan Default

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If you've defaulted on your student loans, you have several options to help you recover. Borrowers with federal loans have access to direct consolidation loans and loan rehabilitation. Private loan borrowers typically have fewer options, if any, depending on their lender.

Key Takeaways

- The primary ways to recover from default are student loan rehabilitation or a direct consolidation loan for federal student loans. Your lender may offer default rehabilitation programs for private student loans.
- To determine if your student loans are in default, check their status by

logging into studentaid.gov with your Federal Student Aid (FSA) ID or looking at your credit report.
- Defaulting on your student loans can damage your credit score, limit your borrowing opportunities, make the full balance of your loans due, and potentially result in wage garnishment.

How to Recover From Student Loan Default

Defaulting on your student loans can have severe consequences, but you can come back from it. These are a few ways that you can recover from student loan default:

Fresh Start was a temporary program from the United States Department of Education that offered another avenue for avoiding federal student loan default. It ended on Oct. 2, 2024.1

Rehabilitation

Federal student loan rehabilitation is when you make a series of on-time payments for a set period of time. Your monthly payment is based on your income, and rehabilitation is complete when you make nine monthly payments over 10 months. Specifically, you must agree in writing to make nine voluntary, reasonable, and affordable monthly payments, as determined by the servicer, within 20 days of the due date and make all nine payments within 10 consecutive months.2

You can only rehabilitate your defaulted loans once.2 If you went through the Fresh Start program and defaulted on your loans again, you can still enroll in rehabilitation.1 Log in to your Federal Student Aid (FSA) account, then select “View Details” under “My Aid.” From there, you’ll be able to see who your loan servicer is and can contact them about enrolling in rehabilitation.

Consolidation

You can consolidate your student loans, whether you're in default or not, by taking out a direct consolidation loan with the Department of Education. This loan doesn't have a credit check or an income requirement.

Consolidating your loans is when you combine all of your federal student loans into one loan. Your new interest rate is the weighted average of your current interest rates, rounded to the nearest one-eighth percent. For consolidated defaulted loans, you'll need to agree to repay your new direct consolidation loan under an income-driven repayment (IDR) plan or make three consecutive full monthly payments on the defaulted loan before you consolidate.

Not all loans are eligible for consolidation, so make sure you know which ones qualify before applying for a direct consolidation loan.3

Recovering From Private Student Loan Default

Private student loans don't have the same protections, benefits, or programs as federal student loans. You may have more work to do if you want to get out of default on your private loan.4

You can learn who your private loan servicer is by checking your credit report at AnnualCreditReport.com.5 Even if your servicer has sold your loan to a collection agency, they should be able to direct you to the debt collector.

Contact your lender to determine your repayment options. Some lenders might offer default rehabilitation programs, though the terms would vary by lender. You can also explore credit counseling to help you build a repayment plan based on your income. If you do so, it's worth checking the U.S. Department of Justice for a list of approved credit counseling agencies to avoid getting scammed by fraudsters.

How to Know if Your Student Loans Are in Default

You can check your federal student loan status by logging into StudentAid.gov with your FSA ID. When you select your loan, you can see if the status is listed as default.

You can also check your federal or private loan status by checking your credit report. You can pull your credit reports from the three major credit bureaus—Equifax, Experian, and TransUnion—via AnnualCreditReport.com. A section will detail negative marks on your report, so if your student loans are defaulted, you can find them there.

Consequences of Student Loan Default

Having your student loans in default can have several detrimental effects on your financial future, including:

- **Your credit history**: Your payment history is the most important part of your FICO score, making up 35% of it.6 Being late on even one payment can cause your credit score to drop, as can having your loans in default.
- **Your borrowing opportunities**: Your credit score affects your ability to borrow money, whether you're trying to secure a mortgage, take out an auto loan, or even get a credit card. So if you ever need to borrow in the future, having your student loans in default will likely hurt your chances. And if you are approved for a loan or line of credit despite your low credit score, your interest rates will be much higher (compared to borrowers with good or excellent credit).7
- **Your repayment plan**: If you've fallen so far behind on payments that your loans have been accelerated, your full balance immediately becomes due. Depending on how much you owe, that could seriously hurt your savings if you must pay off your student loans in one lump sum rather than several smaller payments over time.
- **Your income**: In some states, you can face wage garnishment (i.e., having a portion of your paycheck taken out) to pay for your defaulted student loans. Student loan default could also result in a potential loss in

federal retirement income benefits like Social Security.[8]

How Do I Recover From Defaulting on Student Loans?

You have several options to recover from defaulting on your student loans. Federal student loans can be rehabilitated or consolidated. Private student loans offer fewer options—your lender may have a default rehabilitation program, but you'll have to contact them to be certain, and terms will vary by lender.

Do Defaulted Student Loans Go Away After 7 Years?

Defaulted student loans generally won't go away on their own. Late payments, meanwhile, typically remain on your credit report for seven years.[2]

What Is the Average Student Loan Debt?

As of the third quarter of 2024, the average student loan debt is $38,175.35 per person.[9]

The Bottom Line

Not only can student loan default cause financial harm, but it can also harm the mental health of borrowers who feel like their situation is inescapable. But federal student loan borrowers have a few different ways to recover from default, while private lenders may have lifelines they're willing to offer. Review your options and be diligent about your payments to avoid defaulting on your loans again.