Fresh Start
What You Need to Know

AASFAA
55 Years of Connection Conference
May 17, 2023

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Introductions

- **David Downing,** NASFAA
- **Maggie Holloway,** Arizona State University
- **Hillary O'Donnell,** University of Phoenix

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Agenda

- **What is Fresh Start?**
  - Eligibility & Timeframe
  - What borrowers & schools need to do
- **Arizona State University**
  - School Process & Best Practices
- **University of Phoenix**
  - School Process & Best Practices

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What is Fresh Start?

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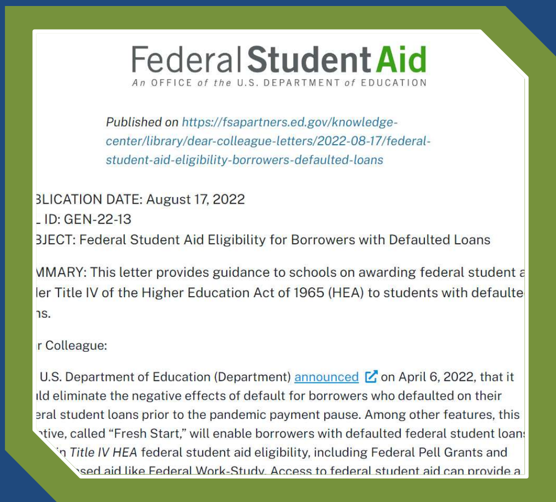
Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

Published on https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2022-08-17/federal-student-aid-eligibility-borrowers-defaulted-loans

3LICATION DATE: August 17, 2022
_ ID: GEN-22-13
3JECT: Federal Student Aid Eligibility for Borrowers with Defaulted Loans

MMARY: This letter provides guidance to schools on awarding federal student a
ler Title IV of the Higher Education Act of 1965 (HEA) to students with defaulte
ns.

r Colleague:

U.S. Department of Education (Department) announced on April 6, 2022, that it
ıld eliminate the negative effects of default for borrowers who defaulted on their
eral student loans prior to the pandemic payment pause. Among other features, this
ıtive, called "Fresh Start," will enable borrowers with defaulted federal student loan
n Title IV HEA federal student aid eligibility, including Federal Pell Grants and
sed aid like Federal Work-Study. Access to federal student aid can provide a

Dear Colleague Letter

GEN-22-13

Fresh Start Initiative

- For borrowers who defaulted prior to March 13, 2020 *(pandemic payment pause)*.
- Eliminates negative effects of default for federal student loans:
  - *Direct Loans*
  - *FFEL Loans (ED-and-commercially held)*
  - *Perkins Loans (ED-held)*
- Borrowers are removed from default and regain eligibility for **all** Title IV aid programs.

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Borrower Benefits

- Affordable repayment plans
- Access to federal student aid
- Pause on collections activity for one year after payments resume
- Eligibility for loan rehabilitation
- Updated credit reporting
  - *Remove loans delinquent > 7 years*
  - *Updates to Current, etc.*

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When does the payment pause end?

Announced November 22, 2022

"Payments will resume 60 days after the Department is permitted to implement the [Biden Student Loan Forgiveness] program or the litigation is resolved, which will give the Supreme Court an opportunity to resolve the case during its current Term. If the program has not been implemented and the litigation has not been resolved by June 30, 2023 – payments will resume 60 days after that."

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Next Steps: Borrowers

- **Borrowers**
  - **Have one year after payment pause ends to:**
    - Contact the loan servicer or ED and request transfer to non-default servicer; OR
    - Apply for and receive Title IV aid at an eligible school
  - **Communication**
    - ED notified Fresh Start-eligible borrowers in October 2022
    - Schools do not need collect copies or do anything with these “Fresh Start letters”

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Next Steps: Schools

- **Document Title IV Eligibility**
  - Determine borrower's defaulted loans are Fresh Start-eligible
  - Take NSLDS screenshot on each loan to document default is prior to March 13, 2020
- **Collect Student Acknowledgement**

  "I, [full name], understand that I am eligible for Title IV aid as a result of the Fresh Start initiative. As a Fresh Start-eligible borrower, I understand that, by accepting Title IV HEA federal student aid during the Fresh Start period, I am agreeing to have my defaulted loans transferred to a new loan servicer – the company that will manage my loan - which will result in continued Title IV, HEA federal student aid eligibility beyond the Fresh Start period. I understand that this transfer may not occur immediately and that I can contact the holder(s) of my defaulted loan(s) to request transfer sooner."

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Default On or After March 13, 2020 (Rare)

- **Default on or after March 13, 2020 and Before the Repayment Pause End Date**
  - Primarily FFEL Loan borrowers.
  - School only needs to retain a screenshot of the NSLDS loan detail showing the loan defaulted on or after March 13, 2020.
  - Do not need to collect borrower acknowledgement or any other documentation from the borrower.

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Can we deny Fresh Start students?

- **Professional Judgment**
  - You cannot have a policy to deny Title IV aid or loans across-the-board to Fresh Start-eligible borrowers.
  - If the financial aid administrator is considering denying additional Direct Loan eligibility to Fresh Start-eligible borrowers, the aid administrator would have to exercise professional judgment (PJ) authority on a case-by-case basis and document that decision in the student's file in accordance with Section 479A(c) of the Higher Education Act (HEA), as amended, [20 USC 1087tt] and 34 CFR 685.301(a)(8).

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What If A Student Only Wants a Pell Grant?

- **Follow the guidance in GEN-22-13**
  - Loan default prevents eligibility for all Title IV aid.
  - To regain Title IV eligibility of any kind a student can submit the Fresh Start acknowledgment to their school to resolve their default.
  - School collects the Fresh Start acknowledgment and the NSLDS screenshots.

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Does Fresh Start Impact Aggregate Limits?

- **The calculation of aggregate loan limits does not change.**
  - Schools should continue to use the Aggregate Outstanding Principal Balance (Agg. OPB; without collection fees, accrued interest, or capitalized interest) to calculate remaining eligibility for a Direct Loan.

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What Happens If A Borrower Re-Enters Default?

- **The borrower will be treated like a first-time defaulted borrower.**
  - If a borrower sets up a payment arrangement and fails to make the necessary payments, the borrower will be treated like a first-time defaulted borrower.
  - The borrower would be allowed 240 days of no payments before entering default again; the process and timing is the same as for any other borrower. This is true for borrowers in an in-school status and for those not currently enrolled.
  - If the borrower becomes delinquent beyond the Fresh Start period, the borrower does not immediately return to default; the 240-day clock starts over before they go into default again and become ineligible for Title IV aid based on the new default.

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Arizona State University

Fresh Start at ASU
Student forms

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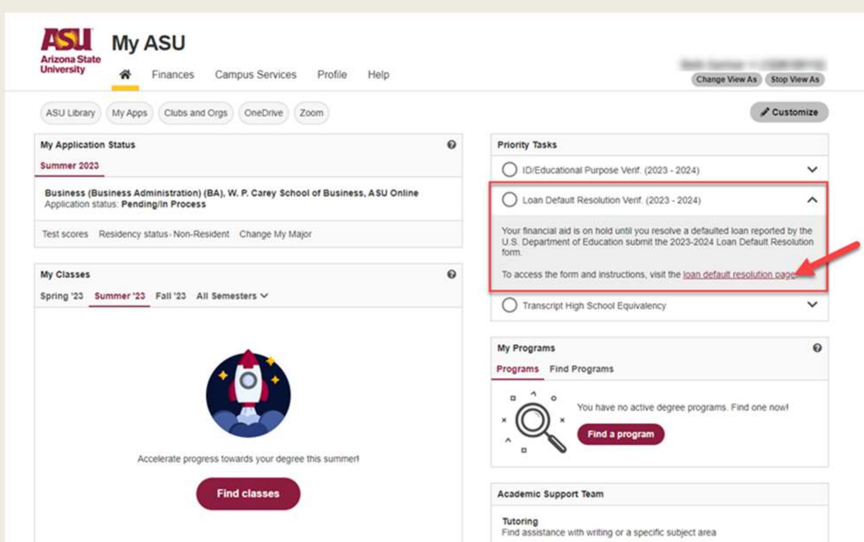
Student Portal



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Student Instructions, Top

Tuition and Aid

Tuition | Financial Aid | Student Finances and Billing | Aid and Billing Calendar | Contact and Forms

2023-2024 Loan default resolution verification

If this item is listed under your **Financing Tasks** in My ASU, your financial aid disbursement will be placed on hold until you provide the information requested.]

Why this is needed

Your FAFSA indicates that you have defaulted (i.e., failed to make payments) on your Federal Student Aid (FSA) loan(s). One of the consequences of default is the loss of additional federal student aid eligibility. To regain your eligibility, you must resolve the default using one of the options below.

1. If you have a defaulted loan and would like to participate in the new Fresh Start Initiative, which allows students to regain eligibility, please complete the affidavit below. Note: the following loan types do not qualify for this program:
   - A Perkins loan held by the school.
   - A Health Education Assistance Program (HEAL) loan.
   - A loan held by the Department of Justice.
2. Resolve your defaulted FSA loan(s) and upload proof from the guarantor or collection agency in the eForm below. To determine the holder of your defaulted FSA loan(s), log in to the National Student Loan Data System website with your FSA ID and password. Contact the holder of your defaulted FSA loan(s) directly for instructions on how to resolve your default. Once resolved, upload acceptable documentation (dated within the last 30 days) such as:
   - Documentation of the loan paid in full.
   - Documentation of loan consolidation.
   - Documentation of satisfactory repayment arrangement.
   - Documentation of successful loan rehabilitation.
3. If you have a defaulted federal student loan in an active bankruptcy claim **and** your debt is dischargeable, attach documentation from the holder of the debt stating it is dischargeable. Visit the Getting Out of Default page on the Federal Student Aid website for more information.

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Student Instructions, Bottom

Instructions

1. Click on the eForm below and follow the instructions provided.
2. Upload documentation showing the default has been resolved or that you will be participating in the Fresh Start Initiative.
3. Submit the eForm.

You can view your document status on My ASU's **Finances** tab. Please allow two to three business days after you submit it for our receipt to show in your **Financing Tasks**.

Complete and submit online.

2023-2024 eForm

Download Forms:

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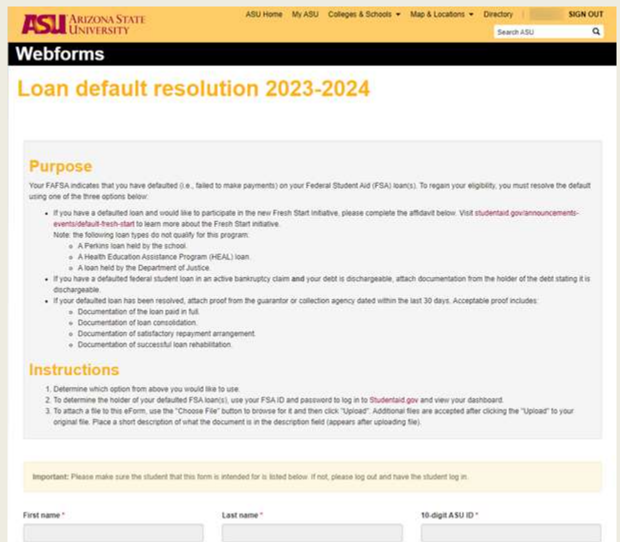
Student web form

- Once the student clicks the link on the instruction page, the eForm will open.
- The top portion of the form is pictured to the right, and if they are logged in, their name and student ID would auto-fill.



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Webforms

Loan default resolution 2023-2024

Purpose

Your FAFSA indicates that you have defaulted (i.e., failed to make payments) on your Federal Student Aid (FSA) loan(s). To regain your eligibility, you must resolve the default using one of the three options below:

- If you have a defaulted loan and would like to participate in the new Fresh Start Initiative, please complete the affidavit below. Visit studentaid.gov/announcements-events/default-fresh-start to learn more about the Fresh Start initiative.
  Note: the following loan types do not qualify for this program:
  - A Perkins loan held by the school.
  - A Health Education Assistance Program (HEAL) loan.
  - A loan held by the Department of Justice.
- If you have a defaulted federal student loan in an active bankruptcy claim **and** your debt is dischargeable, attach documentation from the holder of the debt stating it is dischargeable.
- If your defaulted loan has been resolved, attach proof from the guarantor or collection agency dated within the last 30 days. Acceptable proof includes:
  - Documentation of the loan paid in full.
  - Documentation of loan consolidation.
  - Documentation of satisfactory repayment arrangement.
  - Documentation of successful loan rehabilitation.

Instructions

1. Determine which option from above you would like to use.
2. To determine the holder of your defaulted FSA loan(s), use your FSA ID and password to log in to Studentaid.gov and view your dashboard.
3. To attach a file to this eForm, use the "Choose File" button to browse for it and then click "Upload". Additional files are accepted after clicking the "Upload" to your original file. Place a short description of what the document is in the description field (appears after uploading file).

Important: Please make sure the student that this form is intended for is listed below. If not, please log out and have the student log in.

First name * Last name * 10-digit ASU ID *

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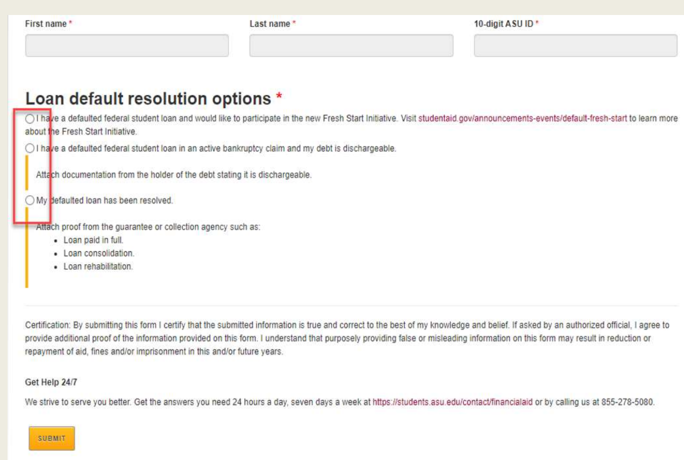
Student web form, continued

- The bottom portion of the form presents 3 options to the student.
- The first is the Fresh Start choice.
- Second is to tell us they have a defaulted loan in an active bankruptcy claim.
- Last choice is to let us know their default has been resolved.



First name * Last name * 10-digit ASU ID *

Loan default resolution options *

- I have a defaulted federal student loan and would like to participate in the new Fresh Start Initiative. Visit studentaid.gov/announcements-events/default-fresh-start to learn more about the Fresh Start Initiative.
- I have a defaulted federal student loan in an active bankruptcy claim and my debt is dischargeable.

  Attach documentation from the holder of the debt stating it is dischargeable.
- My defaulted loan has been resolved.

  Attach proof from the guarantee or collection agency such as:
  - Loan paid in full.
  - Loan consolidation.
  - Loan rehabilitation.

Certification: By submitting this form I certify that the submitted information is true and correct to the best of my knowledge and belief. If asked by an authorized official, I agree to provide additional proof of the information provided on this form. I understand that purposely providing false or misleading information on this form may result in reduction or repayment of aid, fines and/or imprisonment in this and/or future years.

Get Help 24/7

We strive to serve you better. Get the answers you need 24 hours a day, seven days a week at https://students.asu.edu/contact/financialaid or by calling us at 855-278-5080.

SUBMIT

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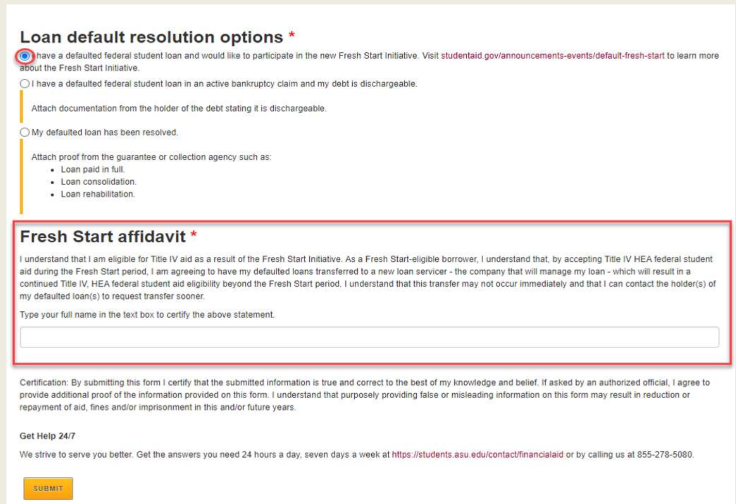
Fresh Start Affidavit

- If the student marks the first bubble, the form will populate the needed affidavit that the student is required to sign to participate in Fresh Start.



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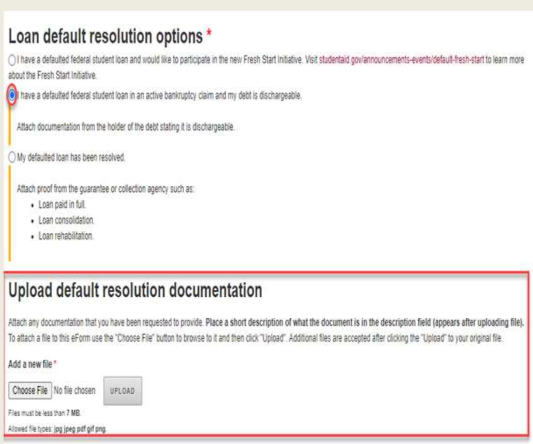

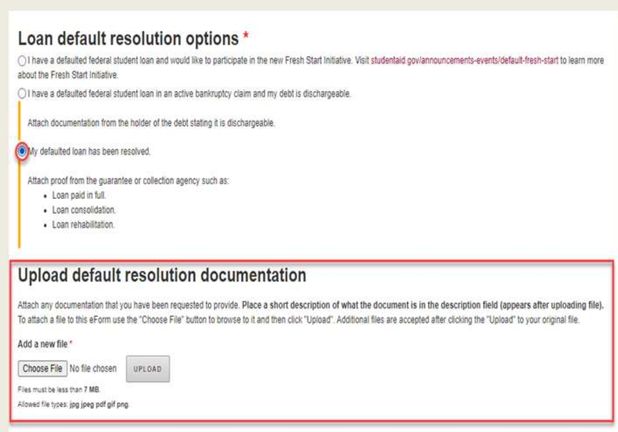

If either of the other options are selected, an upload section appears for the student to attach default resolution documentation.

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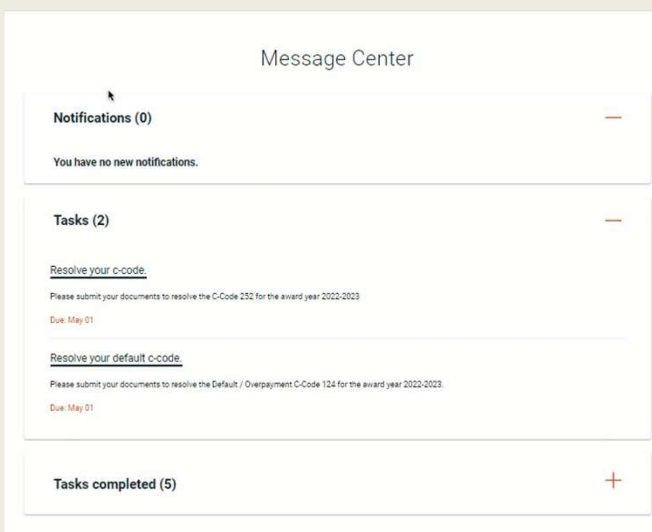
UOPX Student View In Action



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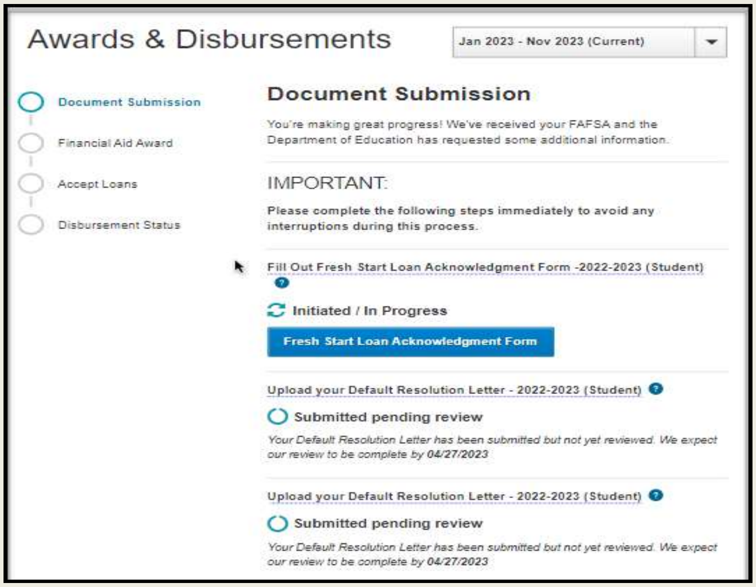
UOPX Student View



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UOPX Student Acknowledgment Form

University of Phoenix®

Fresh Start Loan Acknowledgment

Student Legal Last Name: ____________ First Name: ____________ Middle Initial: ___

Student IRN: __________

I, ____________________ *(print borrower name)*, understand that I am eligible for Title IV aid as a result of the Fresh Start initiative. As a Fresh Start-eligible borrower, I understand that, by accepting Title IV HEA federal student aid during the Fresh Start period, I am agreeing to have my defaulted loans transferred to a new loan servicer – *the company that will manage my loan* - which will result in continued Title IV, HEA federal student aid eligibility beyond the Fresh Start period. I understand that this transfer may not occur immediately and that I can contact the holder(s) of my defaulted loan(s) to request transfer sooner.

Signature: ____________________ Date: ____________

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Review of NSLDS

1. Go to the NSLDS website and look up student

2. In Loan Summary, click View Loan Details for each defaulted loan.
   a. Direct Loans collapse Activities and Collections.
   b. FFEL Loans collapse Activities and Collections, and under Claim History leave only Insurance Claim payment and Repurchase section.

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Reviewing NSLDS to determine Fresh Start- Direct Loans

- This will be the Start Date of Debt Management and Collections System (DMCS) line in the Loan Detail page under Loan Holder History.
- In this example the default date for this loan is 07/21/2010. If the Direct Loan is not with DMCS, it is not Fresh Start eligible.

Loan Holder History

Federal Loan Servicer

Start Date	End Date	Code	Federal Loan Servicer
07/21/2010	Current	556	DEBT MANAGEMENT AND COLLECTIONS SYSTEM
06/11/2010	07/20/2010	579	DEPT OF ED/FEDLOAN SERVICING(PHEAA)

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Reviewing NSLDS to determine Fresh Start – FFEL Loans

- If held by DMCS use the most recent Insurance Claim Payment date with a default status code.
- In this example, the default date for this FFEL loan is 07/01/2011.


Claim Detail

Insurance Claim Payment

Date	Cumulative Amount Paid	Reason Code
07/01/2011	$163	DF - Default

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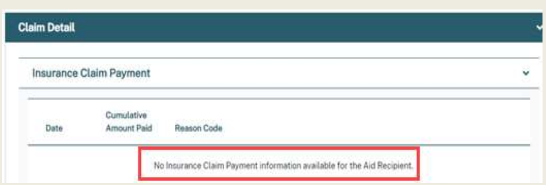
Reviewing NSLDS to determine Fresh Start – FFEL Loans

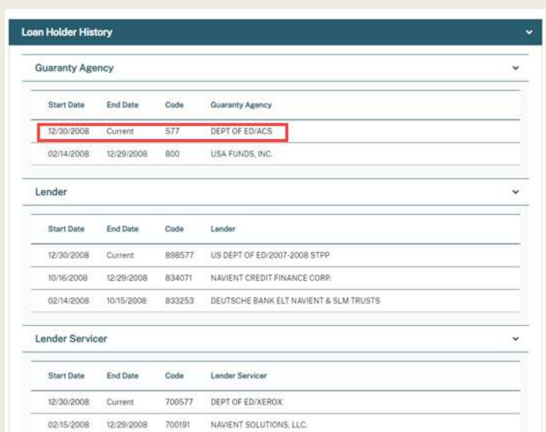
- If there is no Insurance Claim Payment date, use the date in Loan Holder History.


Claim Detail

Insurance Claim Payment

Date	Cumulative Amount Paid	Reason Code

No Insurance Claim Payment information available for the Aid Recipient.


Loan Holder History

Guaranty Agency

Start Date	End Date	Code	Guaranty Agency
12/30/2008	Current	577	DEPT OF ED/ACS
02/14/2008	12/29/2008	800	USA FUNDS, INC.

Lender

Start Date	End Date	Code	Lender
12/30/2008	Current	898577	US DEPT OF ED/2007-2008 STPP
10/16/2008	12/29/2008	834071	NAVIENT CREDIT FINANCE CORP.
02/14/2008	10/15/2008	833253	DEUTSCHE BANK ELT NAVIENT & SLM TRUSTS

Lender Servicer

Start Date	End Date	Code	Lender Servicer
12/30/2008	Current	700577	DEPT OF ED/XEROX
02/15/2008	12/29/2008	700191	NAVIENT SOLUTIONS, LLC.

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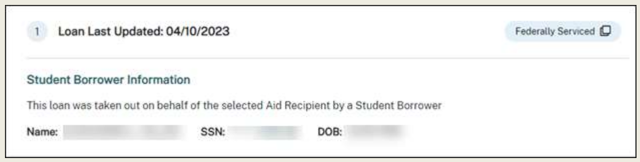
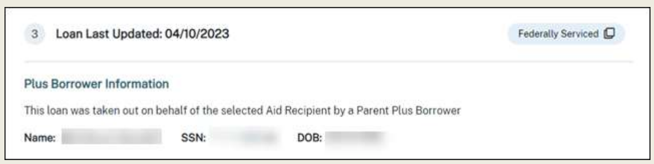
Reviewing NSLDS to determine Fresh Start – Parent PLUS Loans

Direct Parent PLUS loans that were taken out by the student (for their child) are eligible for Fresh Start.



If a Direct Parent PLUS loan was taken out by a parent of the student, it does not count against the student.



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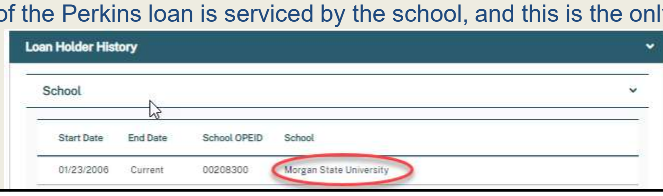
Reviewing NSLDS to determine Fresh Start – Perkins Loans

- Locate the most recent Start date for transfer of the loan to DMCS as shown under “Loan Holder History” in the “Loan Detail” section.
- In this example, the default date for this Perkins loan held with DMCS and the start date is 11/06/2018. You may also see Perkins loans serviced by ECSI Federal Perkins Servicer. This is an acceptable Federal Loan Servicer as well.

- ED-held Perkins are eligible.
- School-held Perkins **are not eligible**.
- In this example, the holder of the Perkins loan is serviced by the school, and this is the only loan in Default.



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Best Practices

What we've learned along the way!

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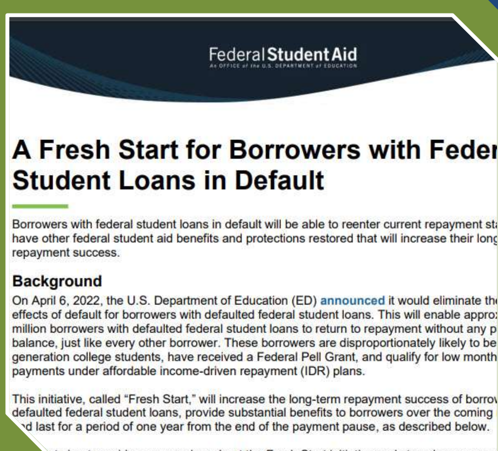
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A Fresh Start for Borrowers with Feder
Student Loans in Default

Borrowers with federal student loans in default will be able to reenter current repayment st
have other federal student aid benefits and protections restored that will increase their lon
repayment success.

Background

On April 6, 2022, the U.S. Department of Education (ED) announced it would eliminate th
effects of default for borrowers with defaulted federal student loans. This will enable appro
million borrowers with defaulted federal student loans to return to repayment without any p
balance, just like every other borrower. These borrowers are disproportionately likely to be
generation college students, have received a Federal Pell Grant, and qualify for low month
payments under affordable income-driven repayment (IDR) plans.

This initiative, called "Fresh Start," will increase the long-term repayment success of borro
defaulted federal student loans, provide substantial benefits to borrowers over the coming
d last for a period of one year from the end of the payment pause, as described below.

Fresh Start Fact Sheet

Resources

- **Fresh Start Fact Sheet**
  https://fsapartners.ed.gov/sites/default/files/2022-08/FreshStartFactSheet.pdf
- **Dear Colleague Letter GEN-22-13**
  https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2022-08-17/federal-student-aid-eligibility-borrowers-defaulted-loans
- **NSLDS Customer Support**
  1-800-999-8219 or nslds@ed.gov

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Contact Information

- **NASFAA's AskRegs**
  - Knowledgebase of answers to common questions for NASFAA members.
  - Review **Fresh Start** category for several helpful articles.
  - "Ask a Question" if you can't find your answer.
  - https://askregs.nasfaa.org/

- **Maggie Holloway,** Arizona State University
  - margaret.holloway@asu.edu

- **Hillary O'Donnell,** University of Phoenix
  - hillary.odonnell@phoenix.edu

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Questions?

Thank you for attending!

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A Fresh Start for Borrowers with Federal Student Loans in Default

Borrowers with federal student loans in default will be able to reenter current repayment status and have other federal student aid benefits and protections restored that will increase their long-term repayment success.

Background

On April 6, 2022, the U.S. Department of Education (ED) **announced** it would eliminate the negative effects of default for borrowers with defaulted federal student loans. This will enable approximately 7.5 million borrowers with defaulted federal student loans to return to repayment without any past due balance, just like every other borrower. These borrowers are disproportionately likely to be first-generation college students, have received a Federal Pell Grant, and qualify for low monthly payments under affordable income-driven repayment (IDR) plans.

This initiative, called “Fresh Start,” will increase the long-term repayment success of borrowers with defaulted federal student loans, provide substantial benefits to borrowers over the coming months, and last for a period of one year from the end of the payment pause, as described below.

This fact sheet provides an overview about the Fresh Start initiative and steps borrowers must take to make payment arrangements that will keep them out of default long-term. ED intends to post specific guidance for postsecondary schools and guaranty agencies on **the Knowledge Center** on the FSA Partner Connect portal. ED posted preliminary information for borrowers at StudentAid.gov/freshstart and will provide specific communications to borrowers in the coming weeks and months.

Benefits of Fresh Start for Eligible Loans

- **Restores access to repayment options—that could offer monthly payments as low as $0 through IDR plans—and provide opportunities for loan forgiveness**
- **Restores eligibility to receive federal student aid, including Federal Pell Grants and campus-based aid like Federal Work-Study, so borrowers can complete their course of study and increase long-term repayment success**
- **Protects borrowers from involuntary collection efforts and costly collection fees**
- **Restores eligibility for future rehabilitation for borrowers who rehabilitated a defaulted loan during the payment pause**
- **Provides credit reporting features—including removing borrowers from the federal Credit Alert Verification Reporting System (CAIVRS)—making it potentially easier and more affordable for student loan borrowers to afford living expenses**

Loans Eligible for Fresh Start:

- Defaulted William D. Ford Federal Direct Loan (Direct Loan) Program loans
- Defaulted Federal Family Education Loan (FFEL) Program loans (both ED-held and commercial-held)
- Defaulted ED-held Perkins Loans

Commercial-held FFEL Program loans that defaulted after March 13, 2020, through the duration of the payment pause, will be returned to current standing through **ED's action to expand COVID-19 flexibilities**. Because these loans will be returned to current standing, they are not eligible for Fresh Start benefits.

Loans Not Eligible for Fresh Start:

- Defaulted school-held Perkins Loans
- Defaulted Health Education Assistance Loan Program loans
- Student loans remaining with the U.S. Department of Justice (DOJ)
- Direct Loans and commercial-held FFEL Program loans that default after the end of the pause on student loan payments and collections

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Access to Affordable Repayment Plans and Pathways to Forgiveness

Many borrowers with older loans will have access to repayment plans that provide more affordable monthly payments than when they first defaulted on their loans. Starting later this year, borrowers with defaulted federal student loans that are eligible for Fresh Start can find long-term repayment success by taking steps to enroll in affordable **IDR plans**—with monthly payments that could be as low as $0—and potentially qualify for loan forgiveness under IDR and the **Public Service Loan Forgiveness Program**.

Borrowers will receive counseling and communications about the potential benefits of enrolling in IDR plans. To enroll in an IDR plan, borrowers can provide the income information required for enrollment to the default loan servicer—through communications channels outlined below—including attesting to their annual income, family size, marital status, and spouse's annual income if married. This information will be used by the borrowers' new non-default loan servicer, who will enroll them in the IDR plan providing the lowest monthly payment amount once transferred.

Regain Access to Federal Student Aid to Continue College

Borrowers who do not complete their program of study are at a higher risk of default. Under the Fresh Start initiative, borrowers with eligible defaulted federal student loans can now apply for federal student aid to help them complete their credential or degree and increase their long-term repayment success.

Borrowers can apply for federal student grants, loans, or work-study funds through the ***Free Application for Federal Student Aid*** (FAFSA®) form and receive aid even before Fresh Start is fully implemented later this year.

Once new aid is disbursed to borrowers under the Fresh Start initiative, ED will transfer the borrower's eligible defaulted federal student loans to a non-default servicer, which will remove the default status of the loans from borrowers' credit reports. This action allows the borrower to remain eligible to receive federal student aid beyond the Fresh Start period.

No Collections Activity

For one year after student loan payments resume, borrowers with Fresh Start-eligible defaulted federal student loans will not be subject to any collection efforts, including involuntary collection tools like wage garnishment and offset of certain government payments (such as income tax refunds and Social Security benefits). During the initiative, ED does not charge collection costs and will not make any new referrals to the DOJ for litigation to recover defaulted debt. Simply put, eligible borrowers will have at least one year to make payment arrangements before defaulting on their debts and/or being subject to further collections efforts like most other borrowers eligible for the payment pause.

Restored Eligibility for Loan Rehabilitation
Typically, borrowers who rehabilitate a defaulted federal student loan and default on that loan again cannot rehabilitate it a second time. To ensure that borrowers who could have taken advantage of Fresh Start—but rehabilitated instead—are not harmed, borrowers who rehabilitated their loan during the payment pause will be able to rehabilitate again if they re-default.

Credit Reporting Features and Protections
Due to the *Fair Credit Reporting Act*, loans that have been delinquent for more than seven years generally do not appear on credit reports produced by credit reporting agencies. To ensure the maximum opportunity for borrowers with eligible defaulted federal student loans to get a fresh start, ED will

- delete reporting about loans that have been delinquent for more than seven years, even if the borrower enrolls in a repayment plan through the Fresh Start initiative;
- report all other defaulted loans to credit reporting agencies as "current" and not in a collection status; and
- use a loan's original date of delinquency if borrowers become delinquent or go into default again after this Fresh Start opportunity, which will not reset the seven-year timeline for a borrower's credit report.

Currently, borrowers with defaulted loans are reported to CAIVRS. Lenders, particularly those originating government-backed loans, deny loan applicants if they are flagged in CAIVRS. As of July 10, 2022, ED removed default notations in CAIVRS for borrowers with eligible defaulted federal student loans.

Negative credit reporting information can be a disqualifying factor for some federal employment. Additionally, consumers with negative credit reporting frequently pay more when renting and using insurance products. ED's actions under the Fresh Start initiative will likely help reduce barriers to employment and keep more money in many borrowers' pockets.

Steps Borrowers Must Take to Make Payment Arrangements
Under Fresh Start, all borrowers with eligible defaulted federal student loans will receive important benefits available to borrowers in good standing for the duration of the initiative. Most borrowers with Fresh Start-eligible loans must make long-term payment arrangements with ED or their guaranty agency. Similar to all borrowers when payments resume, borrowers who do not make payment arrangements during the Fresh Start initiative will again be subject to default collections one year after the payment pause ends.

Any borrower with eligible defaulted federal student loans can make payment arrangements during the initiative by visiting **myeddebt.ed.gov**, contacting their loan holder by phone or in writing, or calling the Default Resolution Group at 1-800-621-3115.

Borrowers who make payment arrangements will be transferred to a non-default loan servicer. When borrowers' eligible defaulted federal student loans are transferred to a non-default servicer, ED will remove the default status of the loans from borrowers' credit reports. Borrowers will have one year from the end of the student loan payment pause to make payment arrangements or notify their loan holder that they would like to transfer to a non-default servicer. Similar to all borrowers when payments resume, borrowers who do not take advantage of this option or pay off their federal student loans during the Fresh Start initiative period will again be subject to default collections one year after the pause ends. In addition, borrowers will lose eligibility for federal student aid, and ED and guaranty agencies will resume reporting their loans as being in collections to credit reporting agencies. ED will closely monitor the repayment performance of borrowers with previously defaulted loans, including enrollment rates into IDR plans that can best support their long-term success.

Illustrative Scenarios

• Jane has a defaulted **ED-held** student loan that's been delinquent for **less than** seven years and wants to return to school to complete a degree. Jane applies for additional federal student aid. When Jane receives additional federal student aid, Jane's loan will be automatically transferred to a non-default servicer and receive an in-school deferment if Jane is enrolled at least half-time. ED will ask credit reporting agencies to delete the defaulted loan from the borrower's credit report, and ED will continue reporting the loan as current on credit reports.	• Jane has a defaulted **ED-held** student loan that's been delinquent for **more than** seven years. Since the defaulted tradeline has been delinquent for more than seven years, it no longer appears on Jane's credit report for most inquiries. ED will ask credit reporting agencies to delete the loan tradeline while Jane remains with the default servicer. Additionally, if Jane makes payment arrangements and transfers to a non-default servicer during Fresh Start, ED will still not report the loan to credit reporting agencies while Jane's loan is with the non-default servicer, or if Jane defaults once more on the same loan.
• Jane has a defaulted **ED-held** student loan that's been delinquent for **less than** seven years. ED will report the loan to credit reporting agencies as current. If Jane desires to transfer to a non-default servicer, ED will ask credit reporting agencies to delete the defaulted loan from Jane's credit report, and ED will continue reporting the loan as current on credit reports. If Jane does not transfer to a non-default servicer within one year of the payment pause ending and Jane redefaults, the loan will be reported as in collections on credit reports—with Jane's original date of delinquency—which will not reset the seven-year timeline on Jane's credit report.	• Jane has a defaulted **commercial-held** FFEL Program loan that's been delinquent for **more than** seven years, which no longer appears on Jane's credit reports for most inquiries. The guaranty agency will ask credit reporting agencies to delete the loan from credit reports while Jane's loan is with the guaranty agency. Additionally, if Jane makes payment arrangements and transfers to a non-default servicer during Fresh Start, ED will still not report the loan to credit reporting agencies while Jane's loan is with the non-default servicer, or if Jane defaults once more on the same loan.
• Jane has a defaulted **commercial-held** FFEL Program loan that's been delinquent for **less than** seven years and defaulted **before March 2020**. The guaranty agency will report the loan to credit reporting agencies as current on credit reports. If Jane transfers to a non-default servicer, the guaranty agency will ask credit reporting agencies to delete the defaulted loan from Jane's credit report and transfer the loan to ED. Then, ED will transfer Jane's account to a non-default loan servicer. Jane's new loan servicer will continue reporting the loan as current on credit reports. If Jane does not transfer to a non-default servicer within one year of the payment pause ending and Jane redefaults, the loan will be reported as in collections on credit reports—with Jane's original date of delinquency—which will not reset the seven-year timeline on Jane's credit report.	• Jane has a defaulted **commercial-held** FFEL Program loan that went into default **after March 2020**, but before the end of the payment pause. Jane's loan is covered by ED's actions to protect borrowers with commercial-held FFEL Program loans, not the Fresh Start initiative. The guaranty agency will ask credit reporting agencies to delete the tradeline from credit reports. ED will transfer Jane's account to a non-default loan servicer. Jane's new loan servicer will continue reporting the loan as current on credit reports. If Jane redefaults, the loan will be reported as in collections on credit reports. ED will report the loan to credit reporting agencies with Jane's new date of delinquency, which will reset the seven-year timeline on Jane's credit report.

Outreach to Borrowers About Fresh Start

ED is committed to ensuring that as many borrowers as possible know about and benefit from the Fresh Start initiative. ED will conduct extensive, proactive outreach to borrowers via email, postal mail, and social media. Information for borrowers also will be posted on **StudentAid.gov**.

Additional Efforts to Reduce Defaults in the Loan Program

In addition to Fresh Start, ED has taken steps to help every student loan borrower successfully manage their payments and avoid possible default so these borrowers will return to a more flexible repayment system than when they first defaulted. This includes improving student loan servicing, strengthening IDR plans, and discharging debts of borrowers who were defrauded by their college or are eligible for other forms of loan forgiveness. Additionally, ED is taking action to support and protect students and taxpayers from poor-performing programs. ED actions include reestablishing the Federal Student Aid Enforcement Office, coordinating with state and federal partners to uphold civil law and promote borrower protection, and holding investors of proprietary colleges accountable. Collectively, these initiatives will reduce defaults in the federal student loan programs.

Aug. 16, 2022