

## Collections on Defaulted Loans

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If you default on your federal student loan, the entire balance of the loan (principal and interest) becomes immediately due. This is called acceleration. Once your loan is accelerated, your loan holder can begin collecting on your loan by taking money from your wages or your federal payments (such as tax refunds).

Even though student loan payments have restarted, **all wage garnishments remain cancelled**. If your employer has garnished your paycheck, it was done so without direction from the U.S. Department of Education. Please contact your payroll department immediately to avoid any further garnishment. Any money garnished will be refunded. Make sure the [Default Resolution Group](#) has your most up-to-date contact info so that any refunds are sent to the correct address.

If your federal student loan is in default, [find out what options you have for getting out of default](#).

## Who This Page Applies To

The information on this page mostly applies to borrowers who have defaulted loans that are held by ED.

There are three [federal student loan](#) programs administered by ED:

- the [William D. Ford Federal Direct Loan \(Direct Loan\) Program](#)
- the [Federal Family Education Loan \(FFEL\) Program](#)
- the [Federal Perkins Loan](#) Program

All defaulted Direct Loans are held by ED. Defaulted FFEL Program loans may be held by ED or by a guaranty agency. Defaulted Federal Perkins Loans may be held by a school or by ED. ED's Default Resolution Group, at the office of Federal Student Aid, oversees the collections process for all defaulted loans that are held by ED. [Find out how to contact ED's Default Resolution Group](#).

To find out if your loans are held by ED, follow these steps:

1. [Visit your dashboard](#).
2. Find the "My Loan Servicers" section.
3. If you see a servicer name that starts with "DEPT OF ED," the related loan is held by ED.

You can also [contact ED's Default Resolution Group](#) to be directed to your loan holder.



## How Debt Is Collected

If you fail to make (and comply with) other arrangements to repay the debt, which could include entering into a [loan rehabilitation](#) agreement, ED can use a variety of methods to collect your defaulted federal student [loan](#). [Find out more about getting out of default.](#)

The government can collect your debt by withholding money from the following sources of income:

- your income tax refund and other federal payments
- your wages

## Withholding From Tax Refunds or Other Federal Payments

Federal law related to the collection of debts owed to the government requires ED to request that the U.S. Department of the Treasury withhold money from your federal or state income tax refunds, Social Security payments (including Social Security disability benefits), and other federal payments to be applied toward repayment of your defaulted federal student loan. This withholding is called Treasury offset.

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Your state tax refunds may also be withheld and applied toward repayment of your loan.

Before the offset begins, a notice of intent to offset will be sent to your last-known address to inform you that the offset is scheduled to begin in 65 days. The notice may only be sent once, and offsets will continue until your debt is paid or the [default](#) status is resolved.

You can avoid offset by

1. entering into a repayment agreement
2. making your first payment during the 65-day period, and
3. making your payments each month after that.

You do have the right to request a review of your account to prevent the offset from occurring. If you are successful, then your tax refund and other federal payments will not be offset, or the amount being offset may be reduced. If you are unsuccessful, then your tax refund and other federal payments will be offset.

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If your Social Security disability benefits are being withheld, the withholding of those benefits will be suspended if the Social Security Administration (SSA) makes a determination that you are totally disabled, with medical improvement not expected. However, if the SSA later converts your disability benefits to retirement benefits, the withholding of your Social Security benefits may resume without notice.

Contact your [loan holder](#) for more detailed information about Treasury offset or the review process (including how to request a review). If you don't know who your loan holder is, [contact ED's Default Resolution Group](#) .

## Withholding From Wages

Your loan holder can order your employer to withhold up to 15% of your [disposable pay](#) to collect your defaulted debt without taking you to court. This withholding (“garnishment”) continues until your defaulted loan is paid in full or removed from default.

With garnishment, you have the right to

- be sent a notice that explains ED's intention to garnish your wages in 30 days, the nature and amount of your debt, your opportunity to inspect and copy records relating to your debt, your right to object to garnishment, and your option to avoid garnishment by voluntary repayment;
- be given an opportunity to enter into a written agreement under terms agreeable to ED to establish a voluntary repayment agreement;
- be given an opportunity for a hearing to present and obtain a ruling on an objection to the garnishment (see below for the kinds of objections you may bring to a hearing);



- have the garnishment action withheld by filing a timely request for a hearing, until the hearing is completed and a decision issued;
- not be discharged from employment, refused employment, or subjected to disciplinary action due to the garnishment;
- initiate any legal action against your employer if the employer discharges, refuses to hire, or takes disciplinary action against you based on the garnishment action; and
- not have any information provided to your employer about the garnishment other than what is necessary for the employer to comply with the withholding order.

## Avoiding Withholding From Wages

### Negotiate Your Loan Repayment

One way to avoid garnishment of 15% of your disposable pay is to negotiate repayment terms acceptable to your loan holder and ensure that ED receives the first payment no later than 30 days from the date the garnishment notice was sent.

### Get a Hearing

Your other option to avoid garnishment is to make a request for a hearing. You have the right to request a hearing and get a ruling on

- any objection you have to the existence, amount, or enforceability of the debt;
- any objection that garnishment of 15% of your disposable pay would produce an extreme financial hardship; or
- any objection stating that garnishment cannot be used at this time because you've been employed for less than 12 months after having previously been involuntarily separated from employment.

Here are three steps you should take to get a hearing:

1. Make a hearing request in writing, postmarked no later than 30 days from the date the garnishment notice was sent. You should request a hearing even if you are still in the process of requesting copies of your documents, because requesting documents doesn't delay a garnishment order.
2. Provide proof to support any objection made to the existence, amount, or enforceability of the debt, or financial hardship.
3. Pay any expenses you incur to obtain legal representation and to attend an in-person hearing.


Note: All in-person hearings are held at one of the three regional offices: Atlanta, Chicago, or San Francisco. You are responsible for the cost of attending and the cost of any witnesses that attend on your behalf.

Your loan holder will arrange the hearing. The hearing may be held in person or on the phone or may be based simply on records you submit to make your case.

A decision about whether your wages will be garnished will usually be made within approximately 60 days from the day that your hearing request is received.

If you are **successful** in your hearing, then your wages will not be garnished (for a period of 12 months) or the amount garnished may be reduced (partial garnishments are reviewed annually).

If you are **unsuccessful** in your hearing, then your wages will be garnished at the full 15% rate allowed by law.

Contact your loan holder for more detailed information about wage garnishment or the hearing process (including how to request a hearing). If you don't know who your loan holder is, [contact ED's Default Resolution Group](#) .

Find out [what to do if you believe your loan has been placed in default by mistake](#).

## Contact ED's Default Resolution Group

There are a variety of ways to contact ED's Default Resolution Group.



|                                |   |
|--------------------------------|---|
| Regular Correspondence Address | ⌵ |
| Payment Address                | ⌵ |
| Phone                          | ⌵ |

## Never Pay for Help With Your Defaulted Loan

If you are contacted by a company asking you to pay "enrollment," "subscription," or "maintenance" fees to help you get out of default, you should walk away. The Default Resolution Group can help you get your loan out of default for free.

Want to learn more? See our ["3 Ways to Spot a Student Aid Scam"](#) or find more detailed information on [avoiding student aid scams](#).

### Additional Links

[Getting Out of Default](#)

[Repayment Plans](#)

[Resolving Disputes](#)

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