NCLC National Consumer Law Center

# How to Get Federal Student Loans Out of Default

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A federal student loan goes into default after 9 months of missed payments. Once you have a loan in default, the government can sue you, garnish your wages, take some of your federal benefits, or take your tax refund to collect your debt. The default may also damage your credit and make you ineligible for new government loans.

**If you have received a notice that your loans are in default, do not wait to take action to get your loans out of default! If you wait, the government could use its collection powers against you.**

## WHAT HAPPENS WHEN YOU'RE IN DEFAULT?

After your loans enter default, they will be transferred to a default servicer. The default servicer for many federal student loans is the Default Resolution Group (DRG).

The default servicer will send you a notice telling you that your loans are in default.

> If you have FFEL loans, your loans might be transferred to a different default servicer. But, the Default Resolution Group will still be able to tell you who that servicer is.

After you get this notice, you will have 65 days to take action before your loans are referred for collection. Learn more about **what happens when you're in default**.

There are three ways that you can get your loans out of default after your loans have been transferred. You will have to work with your default servicer to get your loans out of default.

> If you stopped making payments in the last year and your loans have not yet been transferred to a default servicer, you may be able to **reverse the default**. You can call your servicer about your options to get back in good standing, which may include getting a forbearance and applying for a more affordable repayment plan. To check your loan status and current servicer, you can sign in to your **Studentaid.gov** account or call Federal Student Aid at 1-800-433-3243. Learn more about how to **find your student loan information**.

> As of July 2026, collections on federal student loans are paused and it is not clear when they will restart. You should act now to remove your loans from default so you won't be subject to collections.

## YOUR OPTIONS FOR GETTING OUT OF DEFAULT:

Almost all borrowers have options to remove their loans from default. The two most common ways are loan rehabilitation and consolidation. Learn more about other options, including loan cancellation and discharge.

### 1. Loan Rehabilitation

Most defaulted federal student loans are eligible for loan rehabilitation. Rehabilitation is when you reach an agreement with your loan holder to make nine, on-time monthly payments to get taken out of default. The payments that you make will be based on your income. After you make all nine payments, your loans will be removed from default and the record of default will be deleted from your credit report.

**Reach an agreement with your loan holder** → **Make nine on-time monthly payments** → **Loans removed from default and the record of default is deleted from your credit report**

*Five important things to know about rehabilitation:*

1. You will need to provide proof of your income and household size to set up a rehabilitation agreement. Most people provide a copy of last year's taxes.
2. Loan rehabilitation is great if you want to keep your current repayment options, or if you have qualifying payments towards loan cancellation in an Income-Driven Repayment (IDR) plan that you want to keep.
3. There is *very little room for error*. If more than one of the nine payments is late or missed, then the agreement is broken and you will not be taken out of default.
4. After you finish your rehabilitation agreement, your loans will be transferred to a new servicer and you will be eligible for other repayment plan options, like income-driven repayment plans that determine your monthly payment based on family size and income.
5. You can only rehabilitate a loan once before July 1, 2027 (after that, you can rehabilitate twice). However, if you started but didn't complete a rehabilitation agreement, you are eligible to rehabilitate again.

Read more **tips on rehabilitation**.

## 2. Loan Consolidation

Almost all federal student loans are eligible for loan consolidation. Consolidation is when you take out a new loan called a "**Direct Consolidation Loan**" to pay off your existing federal student loan(s) and any interest or fees that you have been charged on them. If you consolidate your defaulted student loans, then you will be considered out of default and in good standing. You will need to start making payments on the consolidated loan with a new servicer. Read more about **consolidating to get out of default**.

Remember, you can consolidate a single defaulted student loan.

*Five important things to know about consolidation:*

1. You can apply online at **studentaid.gov** or by mail using a paper application. Paper applications can be downloaded at **studentaid.gov/forms-library**.
2. When you apply to consolidate, you can apply for the Repayment Assistance Plan (RAP) at the same time. RAP bases your payments on your income and family size.
3. You will have to pick a new servicer for your Direct Consolidation Loan.
4. Consolidation is faster than rehabilitation – it usually takes 4-6 weeks to get your loans in good standing and applications can usually be filled out online in one sitting.
5. Consolidation has downsides. You will lose credit for payments that you have made towards cancellation in an Income-Driven Repayment (IDR) plan and you will lose access to some repayment plan options that may be more affordable. Learn about the **pros and cons of loan consolidation**.

Learn more about **applying for loan consolidation**.

## 3. Loan Cancellation or Discharge

In some cases, you might be eligible for loan cancellation or discharge programs, such as for borrowers with permanent disabilities or whose school closed before they could complete their program. These programs could both cancel your loan and remove it from default. While cancellation provides the most relief, most borrowers are not eligible.

Learn more about **loan cancellation and discharge**.

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