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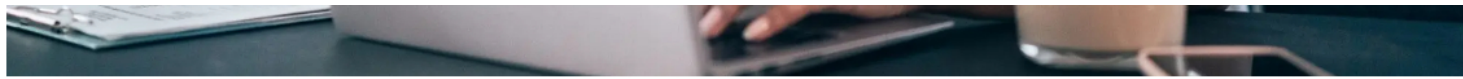
## They're Baaaack. What To Know If You Have Student Loan Payments Again

Six things you'll want to understand before bills return next month

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Interest on federal student loans began accruing again on Sept. 1, and payments are due next month. filadendron/Getty Images

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**W**ith Labor Day behind us, fall has unofficially begun. Summer vacations are done, students are returning to school, and the long reprieve on paying back federal college loans is about to be over.

For many borrowers, student loans will be their biggest monthly bill besides their rent or mortgage, and after a break of three and a half years, a lot has changed — not only with the rules and people's financial situations, but now that the [Supreme Court has nullified](#) President Joe Biden's plan to cancel up to \$20,000 from balances.

If you're one of the many millions of Americans bracing to resume payments sometime in October, here's what you should know about not only the logistics, but [important changes](#) related to interest charges and what happens if you're struggling.

## Consider the New Income-Based Payments

If you weren't enrolled in a repayment plan that considered your income (rather than your balance) before the pandemic, make sure to weigh it now that the Education Department has rolled out new rules, especially if you're worried you won't be able to manage.

The new Saving on a Valuable Education, or SAVE, plan reduces how much of your income is considered in setting payments, waives any interest not covered by your those payments (preventing balances from growing because of unpaid interest,) and forgives some balances earlier than other income-based plans.

While some of these features don't kick in until July 2024, the differences could be stark. The Education Department estimates people with undergraduate loans will see their monthly payments cut in half and more than 1 million additional low-income borrowers (people who make \$15 an hour, for instance) will qualify for a monthly bill of \$0 until their income increases or their balance has been on the books long enough to be forgiven.

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And Washington Post columnist Michelle Singletary calls the interest waiver “[a game changer](#)” for people who have been trapped in loan payments for decades because their payments don’t cover their interest charges.

More specifically, SAVE participants will immediately have their extra interest waived and less income considered discretionary. Then, by next year, their payments will fall from 10% to 5% of that discretionary income, and anyone who started out borrowing \$12,000 or less will have their remaining balance forgiven in 10 years, rather than the standard 20 years (for undergrad loans) or 25 years (for graduate loans). (A year will be added on for each additional \$1,000 borrowed above that, up to a maximum of 20 or 25 years.)

If you earn a higher income, keep in mind enrolling in SAVE could make your payment larger, which you may or may not want. Yes, you’d save on interest if you can afford to pay your loan off faster, though that’s something you can do under any circumstances, even if you have a standard 10-year repayment plan that doesn’t consider your income.

“Individual circumstances do vary, and we encourage borrowers to consider the other repayment plans,” Under Secretary of Education James Kvaal said during a conference call with reporters Tuesday. “There may be options that better serve some borrowers.”

To help figure out what’s best for you, there’s a [loan simulator](#) on the Education Department website that estimates what your payment would be under the various options. Anyone in the Revised Pay As You Earn (REPAYE) plan has automatically been enrolled in SAVE, and anyone who wants to enroll in SAVE can use [this link](#).

## **Time Your 'Recertification'**

If you were in REPAYE or one of the other income-driven repayment plans before the pandemic, your deadline to recertify your income is still at least six months away: the earliest would be March 1. If your salary has risen — hopefully that’s the case — you should wait to recertify to delay the higher payments that will result, according to Adam Minsky, an attorney specializing in helping student loan borrowers.

“For some people, if they’re making more money, it would be beneficial to start back

at the original payment they had before the start of the pandemic," he said.

On the other hand, if your income has gone down, or if you've lost your job, request an adjustment immediately by going to the [IDR application webpage](#) and choosing "Manage Your Income-Driven Repayment Plan."

To avoid larger-than-expected bills down the road, you may also want to consider opting into automated yearly recertification, Minsky said. That gives the Education Department the authority to confirm your income annually with the Internal Revenue Service so you don't have to remember.

## **Don't Panic: If You Really Need It, You Have Time to Adjust**

If you can't make room in your budget for your payment, there is a transition period. The Education Department won't report any missed payments to the credit bureaus for a grace period of 12 months, which should help protect your credit score.

That said, interest will still be accruing, so pay if you can or your balance will grow. When the COVID-19 outbreak first shut the economy down in March 2020, the Education Department lowered everyone's interest rate to 0%, but the clock started ticking again on Sept. 1, with rates returning to the 3% to 8% range they were in prior to the pandemic.

And keep in mind that if you were in default before the pandemic, you've been given a "fresh start" and restored to good standing, the Biden Administration announced last year.

## **Reconnect With Your Servicing Company**

Whether you're freshly out of college and have yet to start payments or don't recall how everything used to work, a good place to start is the Federal Student Aid website, [studentaid.gov](https://studentaid.gov), which has guidelines broken out for both first-time payers and those restarting. You can log in with your FSA ID and password or choose the option to create an account.

The first step is connecting or reconnecting with your loan servicer, the company that handles your billing.

It's very possible your loan was transferred to a new company during the pandemic, so you may have to track the company down. The Education Department began communicating the names of servicers to borrowers in July via email, letter and text — whichever they said they preferred — but it will also be listed on your FSA account.

Once you have confirmed the name, go to the servicer's website, create an account or

log in with your existing credentials. Any automatic payment arrangement you used before the pandemic likely isn't working anymore, according to Minsky, so update or add any bank account information you want them to use.

## Change Your Mindset to 'Find' Money

Student loan payments are typically bigger than any utility bill and maybe even more than a car payment, with estimates of the average varying from \$275 to over \$500. No matter how big, it may be possible to save that amount by cutting back on other expenses, according to Michael Liersch, head of advice and planning for Wells Fargo's wealth and investment management division.

Instead of focusing on the "don'ts," focus on the 'do's," he said. In fact, thinking of it the other way may set you up for failure, he warns.

"It's not about not doing things — it's about doing the same things you're doing while being what we call hyper-intentional," Liersch said. "If you're going to buy that coffee, are you doing it in the most efficient way possible? There are reward programs at a lot of those establishments."

Liersch recommends maximizing rewards programs, coupons, sales and things like "friends and family" plans for your phone bill.

"Being intentional in your spending can save you \$50 to \$100 a week," he said. "That could help you carve out the money for that student loan payment."

## Beware of Scams

Between the eight times the moratorium on payments was extended over the past three and a half years and the legal challenges to Biden's loan forgiveness plans, the uncertainty around the student loan system has made it [ripe for scams](#).

Always remember that even if options to reduce monthly payments or wipe out your debt really exist, you don't need any intermediary — or to pay any intermediary — to access them. You can go to [studentaid.gov](https://studentaid.gov) directly.

Never give out your Federal Student Aid password or login, and don't sign any agreements to allow third-party communication with your student loan servicer, the Education Department warns.

Also be suspicious of any aggressive language like "Act immediately to qualify for student loan forgiveness before the program is discontinued." or "Student alerts: Your student loan is flagged for forgiveness pending verification. Call now!"

And of course, if someone's writing seems unprofessional, it probably is.

“While many of the communications sent out by these companies look very formal (for example, fold-and-tear letters with safety patterns), they often contain spelling and grammatical errors,” the Education Department says. “If you notice unusual capitalization, improper grammar, or incomplete sentences in the communication you receive, that’s likely a red flag.”

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