

Important Announcement for Students: Federal Student Loan Interest to Resume on September 1st

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The US Department of Education has confirmed that federal student loan interest will resume starting September 1, 2023. This announcement comes after a three-year pause on student loan payments due to the COVID-19 pandemic. The Education Department will notify borrowers well before the payments restart, allowing them to prepare accordingly.

During the temporary relief period, the Education Department had repeatedly indicated that student loan bills would resume, only to extend the pause further. However, this time, the agency intends to follow through with its plan, and changing this course of action will be challenging due to a recent law passed by Congress.

This development will require borrowers to make adjustments as the pandemic-era policy expires. Approximately 40 million Americans carry student loan debt, with the average monthly payment amounting to around \$350. The pause on payments has been a life-altering respite for many borrowers, providing financial relief and enabling some to progress toward their financial goals.

The pause on student loan payments and the accrual of interest was initially implemented by former President Donald Trump in March 2020 when the pandemic struck the US, causing severe economic repercussions. Since then, the pause has been extended eight times, benefiting most eligible borrowers. Less than 1% of qualifying borrowers continued paying for their education debt during this period, resulting in substantial savings. On average, borrowers likely saved approximately \$15,000 in student loan payments, according to higher education expert Mark Kantrowitz.

The reason for the resumption of student loan payments in the fall is due to a law passed by Congress to raise the nation's debt ceiling, signed into law by President Joe Biden. As part of this agreement, the pause on student loan payments officially ends after August. While Republicans sought to repeal Biden's executive action on student loan forgiveness during the negotiations, the Biden administration rejected that demand.

The Education Department advises that borrowers will be expected to make their first payment after the pause in October, with interest on their debt accruing again from September 1. The specific due dates will vary based on individual account details, and borrowers will receive their loan statements at least 21 days before the due date, as outlined by Kantrowitz.

It is essential for students to be aware of these upcoming changes and to plan accordingly. The resumption of student loan interest and payments emphasizes the need to review personal financial situations and explore available options for repayment, loan forgiveness programs, and other forms of financial assistance. By staying informed and proactive, students can navigate this transition effectively and make informed decisions regarding their student loan obligations.

Seeking Options for Repayment:

With the imminent resumption of student loan payments, students must explore various options to manage their repayment effectively. Here are a few avenues to consider:

Income-Driven Repayment Plans: These plans base monthly payments on the borrower's income and family size, offering more manageable payment options. Students can research and apply for income-driven repayment plans such as Income-Based Repayment (IBR), Pay As You Earn (PAYE), or Revised Pay As You Earn (REPAYE).

Loan Consolidation: Consolidating multiple federal student loans into a single loan can simplify repayment and

offer lower monthly payments. However, it is essential to evaluate the terms and interest rates of the consolidated loan before proceeding.

Loan Forgiveness Programs: Certain professions, such as public service, teaching, or working for a nonprofit organization, may qualify for loan forgiveness programs. These programs provide loan forgiveness after a specified service period and can significantly reduce the burden of student loan debt.

Refinancing Options: Refinancing student loans through private lenders may be an option for borrowers with good credit and a stable income. It involves replacing existing loans with new loans at a potentially lower interest rate. However, refinancing federal loans with private lenders may result in losing federal loan benefits, such as income-driven repayment plans and loan forgiveness options.

Budgeting and Financial Planning: Creating a realistic budget and actively managing personal finances can help students allocate funds for student loan payments. Prioritizing loan repayment and reducing unnecessary expenses can contribute to smoother financial management.

Accessing Resources and Support:

Students are encouraged to utilize available resources and seek assistance to navigate the complexities of student loan repayment. Here are some valuable sources of information and support:

US Department of Education: The department's official website provides comprehensive information on student loan repayment options, loan servicers, and guidance on managing student loan debt.

Loan Servicers: Contacting loan servicers, the companies that handle student loan billing and repayment, can help students understand their specific loan terms, payment schedules, and available assistance programs.

Financial Aid Offices: Students can contact their school's financial aid offices for guidance on loan repayment, exploring repayment plans, and accessing resources specific to their institution.

Student Loan Counselors: Certified student loan counselors can offer expert guidance on loan repayment options, debt management strategies, and personalized advice based on individual circumstances. Non-profit organizations and financial counseling agencies often provide free or low-cost counseling services.

Student Loan Advocacy Organizations: Organizations like the Student Borrower Protection Center and the National Consumer Law Center focus on protecting student borrowers' rights and can provide valuable resources and advocacy support.

As the resumption of student loan interest approaches, students must proactively assess their financial situation and make informed decisions. Exploring repayment options, understanding the terms of their loans, and seeking assistance from relevant resources can empower students to manage their loan obligations effectively.