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**Wealth Management &
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Federal Student Loan Repayment Postponed for Sixth Time

On April 6, the U.S. Department of Education announced a record sixth extension for federal student loan repayment, interest, and collections, through August 31, 2022.¹ The fifth payment pause was set to end on April 30, 2022. The six extensions have postponed federal student loan payments for almost two and a half years — since March 2020 at the start of the pandemic.

Education Secretary Miguel Cardona stated: "This additional extension will allow borrowers to gain more financial security as the economy continues to improve and as the nation continues to recover from the COVID-19 pandemic."²

A "fresh start"

As part of the extension, the Department of Education noted that it will give all federal student loan borrowers a "fresh start" by allowing them to enter repayment in good standing, even those individuals whose loans have been delinquent or in default. More information about loan rehabilitation will be coming from the Department in the weeks ahead.

The Department's press release stated: "During the extension, the Department will continue to assess the financial impacts of the pandemic on student loan borrowers and to prepare to transition borrowers smoothly back into repayment. This includes allowing all borrowers with paused loans to receive a 'fresh start' on repayment by eliminating the impact of delinquency and default and allowing them to reenter repayment in good standing."³

What should borrowers do between now and September?

Approximately 41 million Americans have federal student loans.⁴ There are a number of things borrowers can do between now and September 2022.

- Seek to build up financial reserves during the next few months to be ready to start repayment in September.
- Continue making student loan payments during the pause (the full amount of the payment will be applied to principal). Interest doesn't accrue during the pause. Borrowers who continue making payments during this time may be able to save money in the long term, because when the pause ends, interest will be accruing on a smaller principal balance.
- Apply for the federal Public Service Loan Forgiveness (PSLF) program if they are working in public service and have not yet applied.
- Visit the federal student aid website, studentaid.gov, to learn more about PSLF and loan repayment options, including income-based options.
- Pay attention to the news. There has been increased political pressure on the current administration to enact some type of student loan cancellation, ranging from \$10,000 per borrower to full cancellation. There are no guarantees, however. So it wouldn't be a good idea for borrowers to put all their eggs in this basket.

1-3) U.S. Department of Education, 2022

4) *The Washington Post*, April 6, 2022



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