

Back to school: Student loan wage garnishment 101

Just when you thought your school days were behind you, it may be time to take a crash course on what to expect when it comes to student loan repayments.

Student loan repayments have been suspended for the last 3 ½ years due to the global health pandemic, but that’s about to change.

Given that 45 million borrowers³ may be restarting their loan repayments, the companies they work for are likely going to see an increase in wage garnishment orders. In fact, since so many workers are affected, members at all levels of your organization are anxious about making sure the resumption of federal student loan repayments is managed as efficiently and as painlessly as possible.

Here’s a handy mini course on student loan wage garnishments:

- 1 Loan repayment efforts will impact employers on a case-by-case basis, based on your workforce and your industry.
- 2 Uncertainty and complexity can be mitigated by outsourcing wage garnishment processing so you don’t have to worry about the details.
- 3 Having a wage garnishment service provider manage any potential increased volume can help minimize the impact to your day-to-day operations.
- 4 A wage garnishment service provider will also help take completing your garnishment compliance assignments off your to-do list, helping to make it easier to get an “A” grade.



\$1.75 trillion

in total student loan debt (including federal and private loans)¹



\$32,731

As of 2022, average student loan debt per person in the U.S. reached \$32,731¹



\$42,373.23

35-49-year-olds have the highest average student loans per borrower²



\$393

The average monthly student loan payment is \$393¹



20 years

It takes the average American 20 years to repay their student loans¹



Student loan wage garnishment 101 syllabus



Assignment checklist and due dates

July 1, 2023: Student loan discharge began for eligible borrowers

- ✓ Approximately 804,000 borrowers with \$39 billion in student loans are eligible to have their current loans discharged.⁴
- ✓ The U.S. Department of Education (ED) began notifying eligible borrowers in July 2023 that they qualified for the discharge.⁵
- ✓ The discharge begins 30 days from the date ED notifies the eligible borrower.
- ✓ The borrower can opt out of the discharge.
- ✓ Other borrowers could qualify for a discharge after making 240 or 300 monthly payments (the equivalent of 20 or 25 years) under the income driven repayment program (IDR).
- ✓ The ED considers the type of loan and other variables is when reviewing eligibility for discharge.

September 1, 2023: Student loan repayment pause ends

- ✓ The pause on federal student loan repayments expired and student loan repayments and interest will resume.

October 1, 2023–September 1, 2024: Payments resume

- ✓ There is a 12-month temporary on-ramp transition period where all borrowers who miss payments are not yet considered delinquent, reported to credit bureaus, or referred to debt collection agencies. Borrowers do not need to take any action to qualify for this on-ramp.

Sources:

- ¹ <https://www.zippia.com/advice/student-loan-statistics/>
- ² <https://www.cnbc.com/select/average-student-loan-debt-by-age/>
- ³ <https://crsreports.congress.gov/product/pdf/R/R47196>
- ⁴ <https://www.forbes.com/sites/adamminsky/2023/08/03/student-loan-forgiveness-just-got-easier-for-these-borrowers/>
- ⁵ <https://www.ed.gov/news/press-releases/biden-harris-administration-provide-804000-borrowers-39-billion-automatic-loan-forgiveness-result-fixes-income-driven-repayment-plans>



Extra credit

Saving on a Valuable Education (SAVE): The new IDR plan includes many changes to assist borrowers. These include:

- ✓ **A.** Decreasing monthly payments by increasing the income exemption from 150% to 225% of the poverty line. This means SAVE can significantly decrease monthly payment amounts compared to other IDR plans, potentially lowering an employee’s payment to \$0 if their discretionary income is \$0.
- ✓ **B.** Changing how interest is charged, eliminating 100% of monthly interest payments for both subsidized and unsubsidized loans after the borrower has made a scheduled payment.
- ✓ **C.** Phasing in the implementation of repayments, with some changes taking effect last summer and some in 2024.



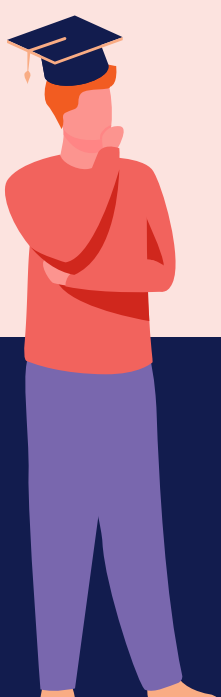
Fresh start applications

- ✓ If a borrower who was previously in delinquency applies and is eligible for Fresh Start, the loan will change from a defaulted status to an “in repayment” status.
- ✓ There is an application process that a borrower must apply for that can be found on ED’s site.



Resources

- ✓ **A.** To find information and to receive updates about the various programs available to student loan borrowers, please access ED’s Federal Student Aid site.
- ✓ **B.** Borrowers should also double-check that the site has their current contact information to ensure they will receive all communications about their student loan debt.
- ✓ **C.** Student Loan Fact Sheet
- ✓ **D.** Do you have an employee repaying for the first time?



Don’t worry: We’ll do the homework — and take the final exam for you

Manage Wage Garnishments processing with ADP SmartCompliance® Solutions

Though you may not be handling many federal student loan wage garnishments today, you’re likely to start having to do so soon. ADP has an automated solution that can help employers process student loan wage garnishments.

Learn more about how ADP SmartCompliance provides the comprehensive garnishment order processing and disbursement support you need to reduce your administrative burden, improve compliance and mitigate liabilities.