

Policies for the Office of Student Financial Aid

Subject
Fresh Start Initiative (U-1)

Office of Student Financial Aid/Scholarships

August 2022

Page 1 of 3

Under the Fresh Start Initiative, as early as August 17, 2022 (and possibly earlier), defaulted borrowers regain eligibility for all forms of Title IV aid (grants, work-study, and loans) if they hold Fresh Start-eligible loans. This initiative is detailed in the [Fresh Start fact sheet](#) and Dear Colleague Letter [GEN-22-13](#).

The Fresh Start initiative restores *Title IV* aid eligibility for borrowers with loans in the following categories that defaulted prior to the start of the student loan repayment pause on March 13, 2020:

- William D. Ford Federal Direct Loan Program loans (Direct Loans);
- Federal Family Education Loan (FFEL) Program loans, including Federal Insured Student Loans (FISL); and
- Federal Perkins Loans (Perkins Loans) that are serviced by the Department's Debt Management and Collections System (DMCS).

For Direct Loans, the default date is the most recent "Start" date for transfer of the loan to DMCS as shown under "Guaranty Agency/Lender/Service Agent History" in the "Loan Detail" section.

For FFEL Program loans, the default date is the most recent "Insurance Claim Payment" date with a "Reason Code" of DF or DU shown under "Claim Details for Loan" in the "Loan Detail" section.

For Perkins Loans, the default date is the most recent "Start" date for transfer of the loan to DMCS as shown under "Guaranty Agency/Lender/Service Agent History" in the "Loan Detail" section.

Loans Not Eligible for Fresh Start:

- Defaulted school-held Perkins Loans
- Defaulted Health Education Assistance Loan Program loans
- Student loans remaining with the U.S. Department of Justice (DOJ)
- Direct Loans and commercial-held FFEL Program loans that default after the end of the pause on student loan payments and collections

The Fresh Start initiative will begin after December 31, 2022 and will remain available to previously defaulted borrowers for one year after the end of COVID-19 pandemic student loan payment pause.

Policies for the Office of Student Financial Aid

Subject Fresh Start Initiative

Office of Student Financial Aid/Scholarships

August 2022

Page 2 of 3

Defaulted Borrowers will have until December 31, 2023 to either:

1. Return to school and apply for Title IV aid; or
2. If not returning to school, contact the loan servicer and make payment arrangements by selecting a repayment plan in accordance with guidance in the [Fresh Start Fact Sheet](#).

If the student applies for aid (FAFSA or otherwise) and the school receives an Institutional Student Information Record (ISIR) for a defaulted borrower and the default is the only item blocking the student's Title IV eligibility, the school is **required** to process Title IV aid for that student, unless the institution exercises its professional judgment authority to deny or reduce loan eligibility. Processing aid includes packaging (or awarding) Title IV aid. The school is not required to go back and look at previously-received ISIRs to identify defaulted borrowers who may be eligible for Fresh Start.

If the defaulted borrower notifies the school that they want Title IV aid, and that student is otherwise eligible and provides the acknowledgment detailed below, then the school must process Title IV aid for the student.

Fresh Start-Eligible Loans and Borrowers: Once the school receives the ISIR or student's request for aid, the school must:

1. Determine if the borrower's defaulted loans are Federal Direct Student Loans, Federal Family Education Loan (FFEL) loans, or ED-held Federal Perkins Loans (Fresh Start-eligible loans); and if so
2. Determine the default date on each of those loans to see whether the student defaulted before or on or after March 13, 2020.

Documentation requirements differ based on whether the student defaulted before or on or after March 13, 2020.

Defaulted Before March 13, 2020: For borrowers with eligible loans that defaulted before March 13, 2020, the school only needs the following documentation:

- A screenshot of the National Student Loan Data System (NSLDS) loan detail information showing that the default date for the loan was prior to March 13, 2020; and
- A signed acknowledgment from the borrower, stating, *"I, [full name], understand that I am eligible for Title IV aid as a result of the Fresh Start initiative. As a Fresh Start-eligible borrower, I understand that, by accepting Title IV HEA federal student aid during the Fresh Start period, I am agreeing to have my defaulted loans transferred to a new loan servicer – the company that will manage my loan - which will result in continued Title IV, HEA federal student aid eligibility beyond the Fresh Start period. I understand that this transfer may not occur immediately and that I can contact the holder(s) of my defaulted loan(s) to request transfer sooner."*

Policies for the Office of Student Financial Aid

Subject Fresh Start Initiative

Office of Student Financial Aid/Scholarships

August 2022

Page 3 of 3

The school **does not need to collect any other** documents, statements, or ED/servicer letters for these students. Some students will submit them to the school anyway, but **these Fresh Start servicer letters do not establish Title IV eligibility for the student.**

Defaulted On or After March 13, 2020 and Before the Repayment Pause End Date: For borrowers with eligible loans that defaulted on or after March 13, 2020, and prior to the repayment pause end date, which are primarily FFEL Loan borrowers, the school only needs to retain a screenshot of the NSLDS loan detail information showing that the default date for the loan was on or after March 13, 2020. The school does not need to collect the above-mentioned borrower acknowledgment or any other documents, statements, or ED/servicer letters for these students.

These borrowers are automatically eligible if they meet the conditions in GEN-22-13 and [GEN-21-03](#).

ED-Held Loans Defaulted On or After March 13, 2020: ED's guidance does not address this population because all of those borrowers already have been made current.

Once new aid is disbursed to a Fresh Start-eligible borrower, ED will automatically transfer the borrower's defaulted loans to a non-default loan servicer. This transfer will remove the default status of the loans, and they will be placed in an In School status instead. This will allow the borrowers to remain eligible to receive Title IV aid beyond the Fresh Start period, provided they do not default again.

ED notes that it will not be able to get these borrowers automatically transferred to a non-default servicer until sometime in early 2023. So, it may be a case where the school awards aid to a borrower this fall, but the student's status is not yet changed to In School when the spring semester comes around. These borrowers are still Fresh Start-eligible in the meantime, following the [GEN-22-13](#) guidance.

Defaulting Again After the One-Year Fresh Start Period: When a student returns to school for the one-year Fresh Start period and receives Title IV aid under Fresh Start, his, her, or their default is cleared; they are no longer in default. If the borrower later becomes delinquent beyond the Fresh Start period, the borrower does not immediately return to default and previously received Title IV aid is not returned; the 240-day clock starts over before they go into default again and become ineligible for Title IV aid again based on the new default.

Denying Direct Loan Eligibility: If the financial aid administrator is considering denying additional Direct Loan eligibility to Fresh Start-eligible borrowers, the aid administrator would have to exercise professional judgment (PJ) authority on a case-by-case basis and document that decision in the student's file in accordance with [Section 479A\(c\) of the Higher Education Act \(HEA\), as amended, \[20 USC 1087tt\]](#) and [34 CFR 685.301\(a\)\(8\)](#). You cannot have a policy to deny Title IV aid or loans across-the-board to students in this category.