

Trump administration delays plan to withhold wages for borrowers

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WASHINGTON>> The Trump administration is delaying its plans to withhold pay from student loan borrowers who default on their payments, backing off a measure that threatened to deliver a financial blow to millions of Americans.

The Education Department announced Friday involuntary collections on federal student loans will remain on hold as the agency finalizes new repayment plans.

The shift reverses course on earlier plans to restart wage garnishments this month after a pandemic-era pause.

Nicholas Kent, the department's higher-education chief, said the agency is "committed to helping student and parent borrowers resume regular, on-time repayment, with more clear and affordable options."

"The Department determined that involuntary collection efforts such as Administrative Wage Garnishment and the Treasury Offset Program will function more efficiently and fairly after the Trump Administration implements significant improvements to our broken student loan system," Kent said in a statement.

Federal student loan borrowers can have their wages garnished and their federal tax refunds withheld if they default on their loans, meaning they are at least 270 days behind on payments. The penalties were put on hold during the pandemic-era pause on student loan payments that the Trump administration lifted.

Last spring, Trump officials said they would resume targeting tax refunds for borrowers in default. In December, officials said they would restart wage garnishment in January, with initial notices being sent to 1,000 borrowers the week of Jan. 7.

Both penalties — withholding wages and federal payments — are being paused, according to the Friday announcement.

More than 5 million Americans were in default on their federal student loans as of September, according to department data.

Millions more have fallen behind on loan payments and are at risk of going into default this year.

The department did not set a new date for involuntary collections. It said the delay will give borrowers time to evaluate new repayment plans that are scheduled to be available starting July 1.

Friday's announcement was welcomed by student loan advocates who urged the department not to resume wage garnishment.

"The administration's plans would have been economically reckless and would have risked pushing nearly 9 million defaulted borrowers even further into debt," said Aissa Canchola Bañez, policy director at the nonprofit Protect Borrowers.

Congress last year ordered the department to overhaul repayment plans that critics said had become too confusing. New borrowers will have two options: a standard plan and a plan that lowers payments based on the borrower's income.

Last month, the department scrapped the SAVE Plan, which was created under former President Joe Biden and offered lower payments and a quicker path to student loan forgiveness. The plan had been blocked by a federal judge after Missouri and other states challenged it in court.