Incarcerated borrowers can now consolidate student loans!

In April, the U.S. Education Department announced that incarcerated borrowers can now consolidate their loans to get them out of default. Consolidation allows people to combine one or more federal loans into a new loan. Previously, incarcerated borrowers were not eligible for consolidation.

Borrowers in default who consolidate can access certain types of loans that will allow them to sign up for income-driven repayment plans like the Saving on a Valuable Education (SAVE) Plan. People on a SAVE repayment plan may eventually be eligible for loan forgiveness after 10 or 20 years, depending on their original loan balance.

Income-driven repayment plans mean that monthly student loan payment amounts are determined by income and family size. As a result, monthly payments for incarcerated borrowers can be as little as $0.

Incarcerated borrowers can also still sign up for ***Fresh Start, a temporary program launched last year to bring defaulted loans into good standing, until Sept. 30, 2024.*** **Education Department officials urge borrowers in default to first take advantage of the Fresh Start program while it's still available before seeking consolidation.** There is no deadline for consolidation.

The Department noted that borrowers who remain in default may be unable to receive certain relief measures and may be subject to financial consequences. People with defaulted loans are ineligible for federal Pell Grants, which are the federal financial aid restored for incarcerated students in July 2023.

This measure does not allow incarcerated borrowers to take out new student loans to pay for education inside.

Borrowers who had student loans before becoming incarcerated can consolidate their loans by contacting their student loan servicer, as long as they are not students (such as being enrolled in a prison education program or Second Chance Pell program) when they consolidate.

You can access an FAQ on Fresh Start for incarcerated borrowers online from the Education Department at https://tinyurl.com/bdf3645w.

TO REQUEST A "FRESH START" VIA MAIL, WRITE TO:

P.O Box 5609
Greenville, TX 75403

In the letter, include:
- Name
- SSN
- Date of Birth
- "I would like to use Fresh Start to bring my loans back into good standing."

The National Consumer Law Center also advises incarcerated borrowers to note that they are incarcerated in their communication with the Education Department since the agency doesn't have that information on file.

You asked. We answered.

What is a federal student loan?

A federal student loan is a type of loan provided by the U.S. government to eligible students to help cover the cost of higher education. Individuals are not allowed to apply for and receive federal student loans for education inside.

What's the difference between a loan, a grant and a scholarship?

Grants and loans are both forms of federal financial aid for higher education. The main difference is repayment. A loan requires you to repay the money you borrow, whereas a grant does not.

Pell Grants are the main federal financial aid for incarcerated students and you do not need to pay them back. However, to be able to receive a Pell Grant you must be at a facility that has a prison education program that has been approved by the federal Education Department.

Scholarships are more often issued by specific colleges or organizations, whereas grants are usually given by state and federal agencies. In general, grants are given based on financial-need, also called "need-based aid". Scholarships could be based on financial need, but often they are also merit-based and could be awarded to students based on their academic achievements, field of study, specific identity, etc.

COLLEGE INSIDE
A newsletter about the future of postsecondary education in prisons.

Write to us!
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