Wage Garnishment Is Back for Defaulted Student Loans: What Borrowers Need to Know

December 23, 2025 - After nearly six years without aggressive collections, the federal government is preparing to restart one of its strongest tools against people who have fallen behind on their student loans: wage garnishment.

The U.S. Department of Education has confirmed that beginning in early January 2026, it will send notices to borrowers who are in default on their federal student loans, warning that part of their paychecks may soon be withheld. The move follows the end of pandemic-era relief programs and marks a major shift in how the government is once again enforcing student loan repayment.

To understand how the country got here, it helps to rewind to March 2020. As COVID-19 shut down businesses and sent unemployment soaring, the federal government paused payments on most federal student loans. Interest was set to zero, collections stopped, and borrowers in default were protected from wage garnishment, tax refund seizures, and offsets to federal benefits. That relief lasted far longer than originally planned, stretching across multiple administrations and ending only in late 2023.

When payments restarted, many borrowers struggled to reenter repayment. Some had seen their incomes change. Others were confused about new loan servicers or repayment plans. According to federal data, millions of borrowers quickly fell behind. Today, roughly one in four federal student loan borrowers is delinquent, and several million are considered in default, meaning they are at least 270 days past due.

Under federal law, borrowers in default can have up to 15 percent of their â€œdisposable payâ€• garnished. Disposable pay is what remains after legally required deductions such as taxes. Employers are required to comply once they receive a garnishment order, and the money is sent directly to the government.

Wages are not the only income that can be affected. The government can also offset federal payments, including tax refunds. Social Security benefits can be garnished as well, although there are limits. Generally, up to 15 percent of a monthly Social Security benefit may be withheld, but benefits cannot be reduced below a minimum protected amount, which is currently about $750 per month. Supplemental Security Income (SSI), which is designed for people with very low income and disabilities, is protected and cannot be garnished for student loans.

The Education Department says it will begin cautiously, starting with a relatively small group of borrowers and expanding collections gradually over the coming months. Still, consumer advocates estimate that millions of people could eventually be affected if delinquency rates remain high.

For borrowers, the most important point is that garnishment is not automatic and it is not inevitable. Federal rules require the government to send written notice at least 30 days before garnishment begins. During that time, borrowers have options.

by Jim Malmberg

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One option is loan rehabilitation, a program that allows borrowers to get out of default by making a series of affordable payments, often based on income. Another is loan consolidation, which can roll defaulted loans into a new federal loan and restore eligibility for income-driven repayment plans. Borrowers can also request a hearing if they believe the garnishment is incorrect or would cause severe financial hardship.

Income-driven repayment plans remain a key safety valve. These plans cap monthly payments at a percentage of income and can be as low as zero dollars per month for people with very low earnings. Getting enrolled before default - or quickly after - can stop collections and protect paychecks.

The return of wage garnishment does not signal a sudden change in the law. It is the resumption of rules that existed long before the pandemic. What has changed is the number of borrowers now at risk. Years of paused payments provided relief, but they also left many people unprepared for the restart.

For borrowers who are struggling, experts say the worst step is doing nothing. Opening mail from loan servicers, checking account status, and contacting the Education Department or a certified student loan counselor can make the difference between manageable payments and an unexpected hit to a paycheck.

As the federal government reactivates its collection system, the coming months will test whether borrowers can reconnect with a system that has been largely on hold - and whether the safety nets built into federal student loans are enough to keep wage garnishment from becoming a widespread reality once again.