# Student Loan Issues for Older Borrowers

Moderated by:

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Presented by:

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# Housekeeping

- All on mute. Use Questions function for substantive questions and for technical concerns.
- Problems getting on the webinar? Send an e-mail to NCLER@acl.hhs.gov.
- Written materials and a recording will be available at NCLER.acl.gov. See also the chat box for this web address.

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# About NCLER

The National Center on Law and Elder Rights (NCLER) provides the legal services and aging and disability communities with the tools and resources they need to serve older adults with the greatest economic and social needs. A centralized, one-stop shop for legal assistance, NCLER provides Legal Training, Case Consultations, and Technical Assistance on Legal Systems Development. Justice in Aging administers the NCLER through a contract with the Administration for Community Living's Administration on Aging.

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# About NCLC

Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S.

NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services; and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state government and courts across the nation to stop exploitative practices, help financially stressed families build and retain wealth, and advance economic fairness.

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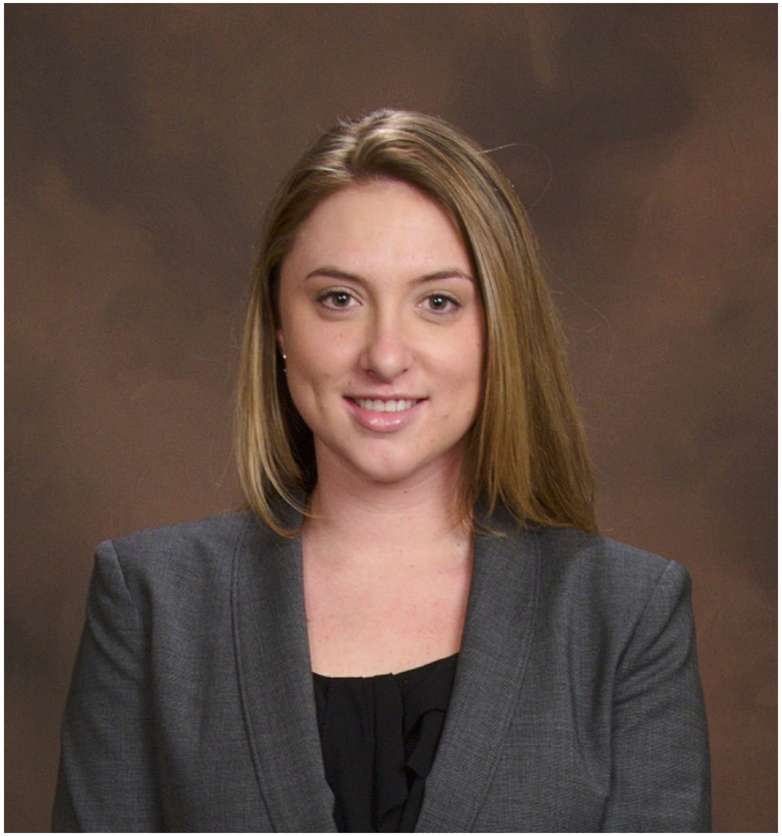
# Speakers (1 of 2)



- Bonnie Latreille
  - Director of Research and Advocacy
  - Student Borrower Protection Center

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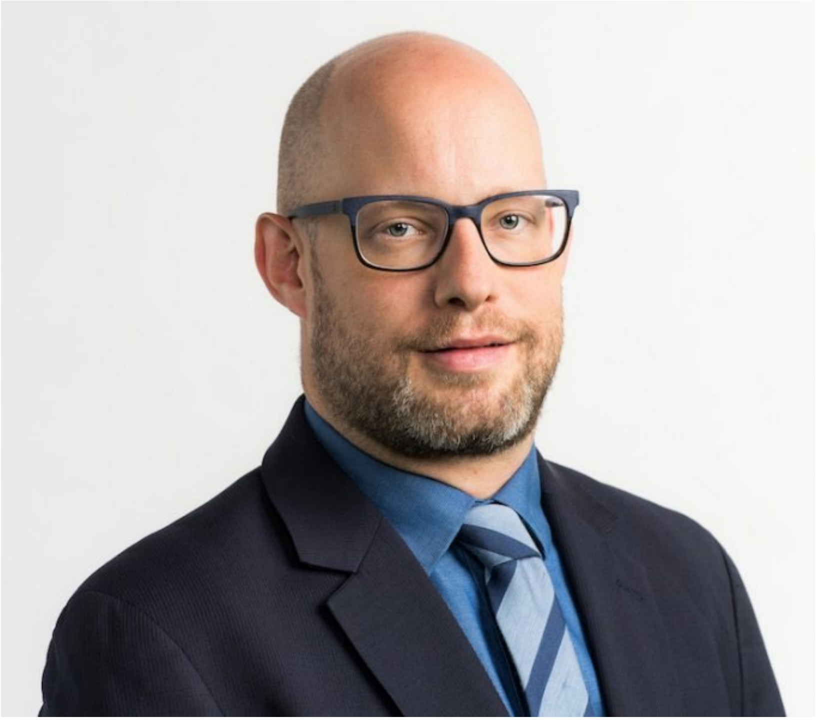
# Speakers (2 of 2)



- Joe Valenti
  - Senior Strategic Policy Advisor
  - AARP Public Policy Institute

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# Moderator

- Persis Yu
  - Director Student Loan Borrower Assistance Project
  - National Consumer Law Center

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# Key Lessons

1. Student loan debt threatens the well-being and financial security of an increasing number of older adults.
2. The student loan type and status matter.
3. Older adults with federal student loans may have very good options for making their payments affordable or recovering from default and stopping collection activity.
4. Private student loans present different problems and solutions from federal student loans.

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# Student Loans and Older Adults

- Total student loan debt outstanding has grown dramatically, currently estimated at $1.5 trillion
- Between 2004 and 2019, total student loan debt among:
  - Age 50+ borrowers grew at double the rate as those under age 50
  - Age 60+ borrowers grew more than tenfold
- Today, approximately 22 percent of all student loan dollars are currently owed by someone age 50 or older (FRBNY)
- These totals reflect both loans taken out for one's own education, as well as for children, grandchildren, or other relatives

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# CARES Act Overview

- Through December 31, 2020
  - 0% interest
  - Automatic payment suspension
  - Qualified payment credit toward IDR and PSLF
  - Suspension of all collection activity
    - Wage garnishment
    - Social Security benefits offset
    - Tax refund offset
- Only applies to loans owned by the Department of Education

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# CARES Act Overview Continued

- What borrowers need to know
  - Payment suspension and interest waiver are automatic
  - Payments resume January 1st (autopay takes 3 days to turn off)
  - Request refunds for payments made after March 13, 2020 directly from servicer
  - Garnishment pauses need to be handled through employer
  - IDR recertification deadlines extended

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# Types of Loans: The Basics

- Roughly 92 percent of all student loans are federal loans
- Loans taken out for one's own education
  - Federal FFEL Loans (pre-2010)
  - Federal Direct Loans (post-2010) including Grad PLUS
  - Federal Perkins Loans
  - Federal Stafford Loans (Subsidized/Unsubsidized)
  - Private student loans
- Loans taken out for someone else
  - Federal PLUS Loans (Parent Loans for Undergraduate Students)
  - Private student loans, either borrowed or co-signed

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# Federal Loan Features

- Often lower interest rates than private loans, except for the most creditworthy borrowers
- Standard deferment and forbearance options
- Multiple repayment plans including income-driven repayment (IDR) options, with $0 payments in some cases
  - Limited IDR availability for Parent PLUS loans*
- Death and total and permanent disability (TPD) discharges
- But also severe consequences of default including:
  - Treasury Offset Program: seizure of tax refunds and a portion of Social Security benefits
  - Restricted access to future financial aid

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# Options for Federal Student Loans

- Default repayment plan for borrowers is a **Standard Repayment Plan**
- Alternative repayment plans
  - Graduated – monthly payment amount increases every two years
  - Extended – lower monthly payment paid over a longer period, usually 20-30 years
  - Income-driven repayment (IDR) – payments are based on income, not loan balance

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# Benefits of IDR

- Borrowers in IDR are 7 times less likely to default on a student loan than borrowers in standard repayment
- Most borrowers will pay between 10% and 15% of their discretionary income each month
- Payments can be as low as $0
- Payments can be recalculated as income changes
- Enroll online at studentaid.gov or via paper application

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# Options for Parent PLUS loans

- Parent PLUS loans are only eligible for Income-Contingent Repayment
  - Pay either:
    - 20% of discretionary income or
    - 12-year standard payment adjusted based on income
  - Must consolidate into a Direct Consolidation Loan
    - Consolidating a second time may open eligibility for other IDR plans
  - PSLF eligible
- Parent PLUS loans cannot be transferred to the child/student

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# Older Borrowers in Default

- Older borrowers default at higher rates:
  - Default rates are 69% higher for those age 50-64
  - 116% higher for those 65+ compared to <50
- Among older federal loan borrowers subject to Social Security offset:
  - About ¾ only had loans taken out for their own education
  - At initial offset, most owed less than $10,000 (GAO, 2016)
- Of all borrowers in default, 4 out of 5 would likely have been eligible for a $0 IDR payment instead (CFPB, 2016)

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# Options for Curing Default

- Settlement
  - Rarely offered
- Rehabilitation
  - Nine on time payments over ten months
  - Removed default notation from credit history
- Consolidation
  - Cannot currently be in wage garnishment
  - Requires enrollment in IDR

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# Options for Private Loans (1)

- No federal requirements for payment accommodations
- State Attorneys General have reached voluntary agreements with many private loan servicers
  - States: California, Colorado, Connecticut, District of Columbia, Illinois, Massachusetts, Michigan*, New Jersey, New York, Rhode Island*, Vermont, Virginia, Washington
    (***only limited relief for state loan programs: MI Loan, RISLA)***
  - Servicers: Aspire Resources, Inc.; College Ave Student Loan Servicing, LLC; Earnest Operations; Edfinancial; Figure Lending; Kentucky Higher Education Student Loan Corporation; Lendkey Technologies; MOHELA; Navient; Nelnet; Rhode Island Student Loan Authority; Scratch Services; SoFi Lending Group; TFC Credit Corporation; Tuition Options; United Guaranty Services; Upstart Network, Inc.; Utah Higher Education Assistance Authority; Vermont Student Assistance Corporation

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# Options for Private Loans (2)

- These state agreements with private servicers include
  - Minimum 90-day forbearance
  - Waived late payment fees
  - No negative credit reporting
  - No debt collection lawsuits for 90 days
  - Working with borrowers to enroll in other borrower assistance for which they may be eligible (e.g. IDR if a borrower has both federal and private loans)
- In some cases, borrowers in other states may also be eligible
- Important to contact servicer and request COVID-related relief

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# Options for Co-Signed Loans

- Many borrowers do not understand the financial implications of borrowing or cosigning
- In some cases the parent/cosigner may be released from the loan obligation if the primary (student) borrower
    - Has graduated or completed the program
    - Makes a series of on-time payments (1-2 years) and
    - Provides proof of employment and passes a credit check
- Specific eligibility criteria will vary; call servicer for details

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# Questions?

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# Case Consultations

Case consultation assistance is available for attorneys and professionals seeking more information to help older adults. Contact NCLER at ConsultNCLER@acl.hhs.gov.

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