

Student Loan Updates: Helping Older Borrowers Navigate the Changing Federal Student Loan System

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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.

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.

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.

Student Loans and Older Americans



When Older Borrowers Default on Their Federal Student Loans, the Consequences Can Be Devastating...

- The government can seize portions of their **Social Security benefits** and **seize their tax refund** to pay off the debt.

The Student Loan World Has Been Busy... And More is Coming!

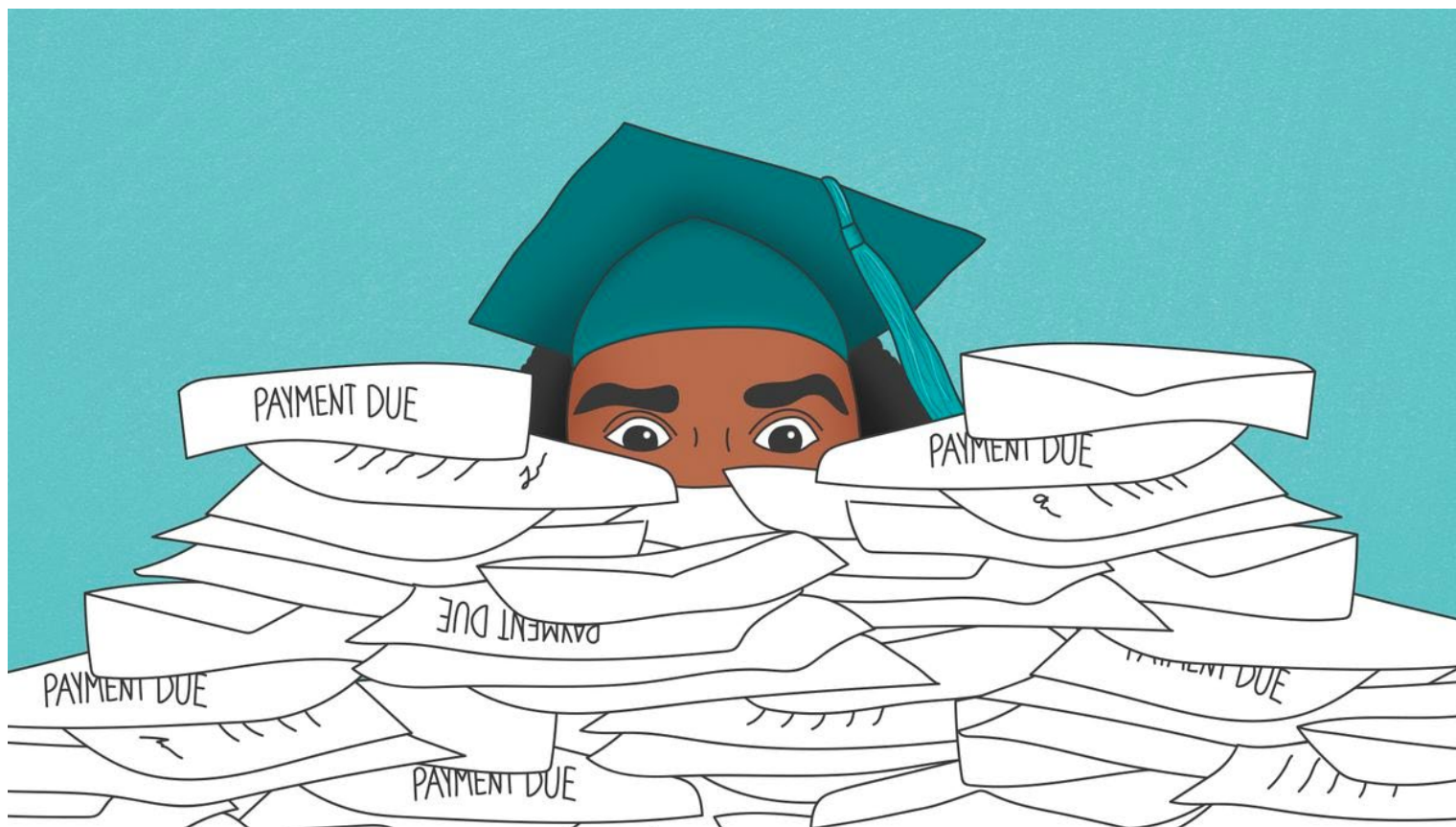
- Servicer Changes
- President Biden's Cancellation Plan
- Payment Pause
- New regulations on administrative discharges



- Discharging loans of borrowers who went to specific schools
- PSLF Waiver
- IDR Account Adjustment

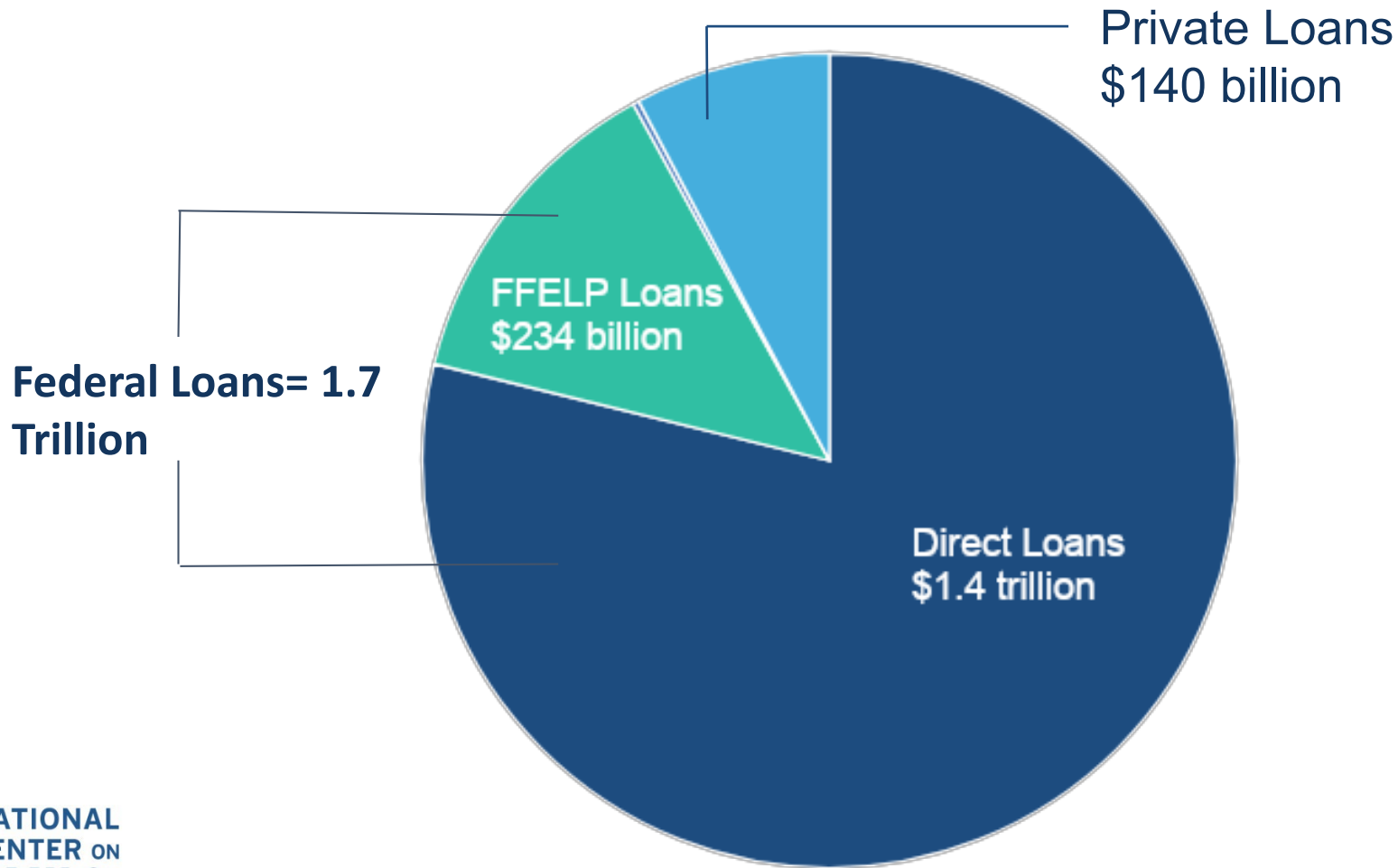
Agenda

1. Level-setting: what is the student loan system?
2. Understanding student loan news: 2020-today
 - a) Payment Pause
 - b) Servicer Transfers
 - c) IDR Account Adjustment
 - d) PSLF
 - e) Where do FFEL borrowers fit in?
 - f) Fresh Start
 - g) Bankruptcy Guidelines
3. Helping older student loan borrowers prepare for the future
 - a) President Biden's Cancellation Plan
 - b) Preparing to Return to Repayment
4. Summing up what borrowers should do now



Student Loans In The US: A Quick Overview

The Student Loan Market



There Are Many Types of Federal Loans!

A yellow diamond-shaped sign with a black border and two white circular fasteners at the top and bottom. The text "Perkins Loans" is centered in black.

Perkins
Loans

A yellow diamond-shaped sign with a black border and two white circular fasteners at the top and bottom. The text "Federal Family Education Loans (FFEL)" is centered in black.

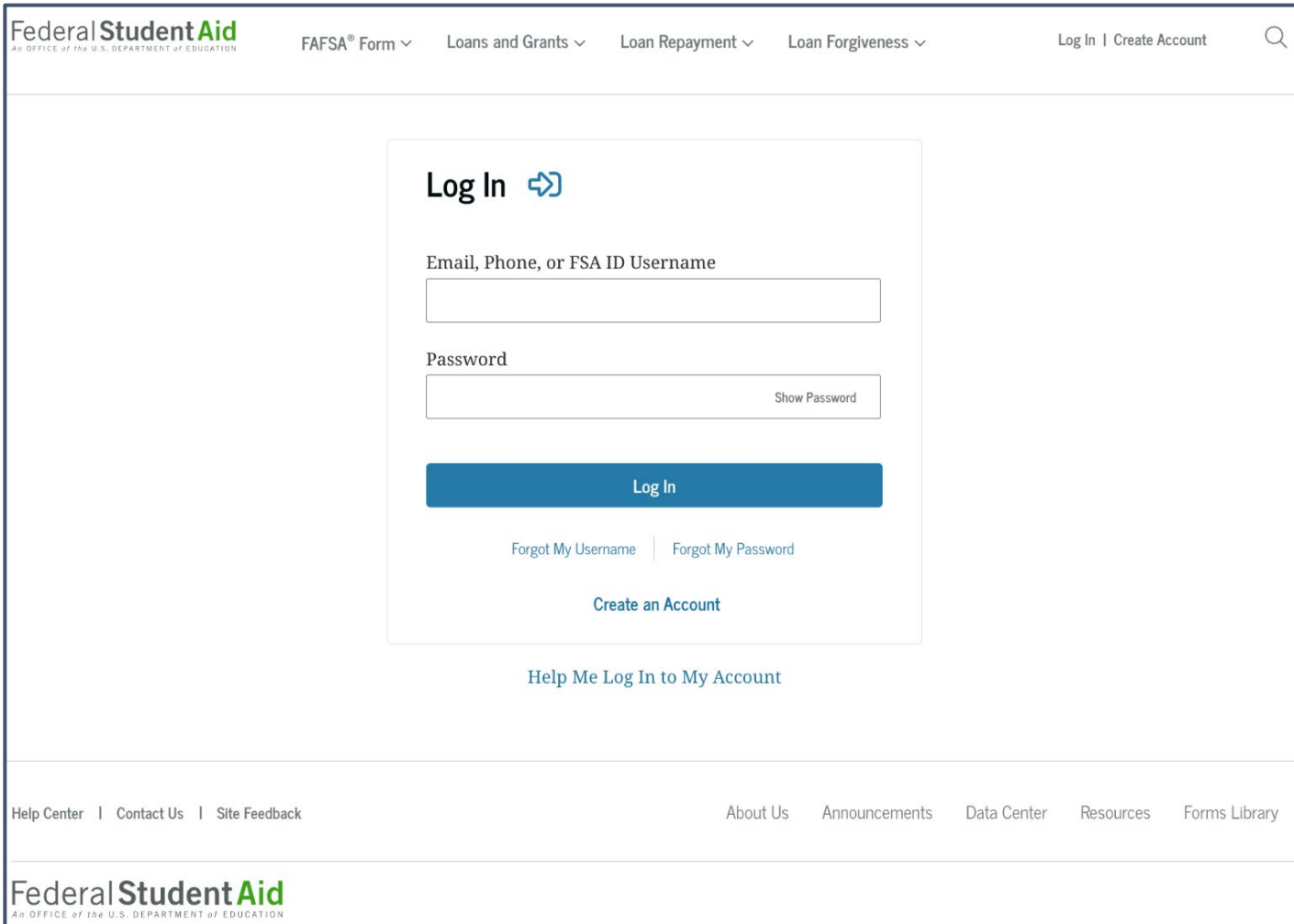
Federal Family
Education Loans
(FFEL)

Loan Type vs. Student Loan Servicer

Federal loans AND private loans have servicers—
and that's who most borrowers are interacting with.



Check Loan Type on StudentAid.gov



The screenshot shows the Federal Student Aid login page. At the top, the header includes the Federal Student Aid logo, navigation links for FAFSA Form, Loans and Grants, Loan Repayment, and Loan Forgiveness, and links for Log In and Create Account. The main content area features a login box with a 'Log In' button and a 'Create an Account' link. Below the login box is a link to 'Help Me Log In to My Account'. The footer contains links for Help Center, Contact Us, Site Feedback, About Us, Announcements, Data Center, Resources, and Forms Library.

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FAFSA® Form ▾ Loans and Grants ▾ Loan Repayment ▾ Loan Forgiveness ▾ Log In | Create Account

Log In ↗

Email, Phone, or FSA ID Username

Password

Show Password

Log In

Forgot My Username | Forgot My Password

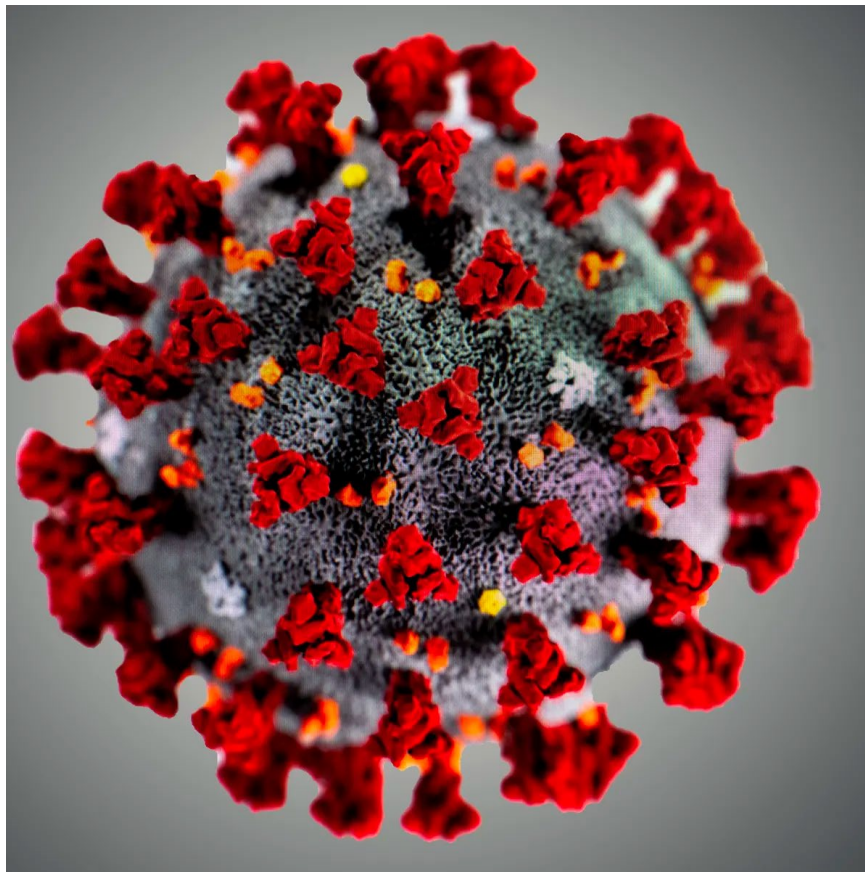
Create an Account

Help Me Log In to My Account

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Payment Pause

COVID-19 Payment Pause (1 of 2)

- March 13, 2020: ED-held loans in repayment put into a payment pause.
 - Time in pause counts towards Income-Driven Repayment and Public Service Loan Forgiveness.
 - Interest stops accruing during pause
- Involuntary collections are stopped for loans in default.
- Borrowers **who made payments** during the pause can call their student loan servicer to **request a refund** (even if their servicer changed during the payment pause)

COVID-19 Payment Pause (2 of 2)

Department of Education/President Biden have extended the student loan pause multiple times...

...but **it is set to expire** 60 days after a Supreme Court opinion on cancellation OR on August 30, 2023, whichever comes first.



Service Transfers

Servicer Transfers Explained

Borrowers need to be ready for the possibility that the servicer who has their account when repayment restarts is **different** than the company that serviced their loan before the payment pause.

In addition, some borrowers have more than one servicer.

How Does a Borrower Figure Out Who Their Student Loan Servicer Is?

- Log in to studentaid.gov
- Call Department of Education at 1-800-433-3243

IDR Account Adjustment

AN **INCOME-DRIVEN**
REPAYMENT PLAN
COULD **SAVE**
YOU MONEY

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Income Driven Repayment (IDR):

WHAT'S AN INCOME-DRIVEN REPAYMENT PLAN?

It's a plan that's based on your income, so it makes your monthly payments more affordable. We offer four income-driven repayment plans:

**REPAYE
Plan**



*Revised Pay
As You Earn
Repayment Plan*

**PAYE
Plan**



*Pay As You Earn
Repayment Plan*

**IBR
Plan**



*Income-Based
Repayment Plan*

**ICR
Plan**



*Income-
Contingent
Repayment Plan*

- Repayment plans that determine monthly repayment based on a borrower's income
 - (which for many low-income borrowers means a **\$0 monthly payment**)

Income Driven Repayment (IDR):

- **Cancels** the borrower's loans after **20/25 years** of repayment

Issues with IDR in the Past



IDR Account Adjustment (1 of 4)

- After finding that most borrowers in repayment for 20+ years weren't getting cancellation, Department of Education announced that it will do a **one-time account adjustment** to borrowers' accounts.

IDR Account Adjustment (2 of 4)

- What counts automatically:
 - **Any months in a repayment status**, regardless of the payments made, loan type, or repayment plan;
 - **Longer periods of forbearance and deferment**
 - Months spent in **any deferment** (except in-school deferment) **prior to 2013**;
 - Months spent in **economic hardship or military deferments after 2013**; and
 - For consolidation loans, any time in repayment for the loans **before they were consolidated**.
- **THESE CHANGES WILL APPLY AUTOMATICALLY*!**

IDR Account Adjustment (3 of 4)

What doesn't count:

- In school deferment
- Time in default (before March 13, 2020)

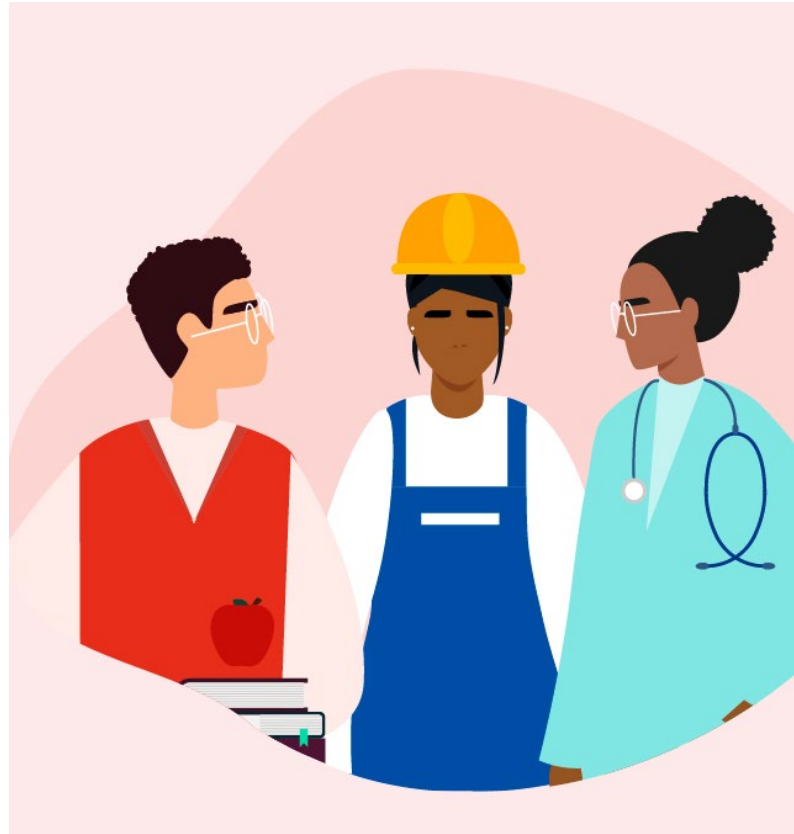


IDR Account Adjustment (4 of 4)



- When borrowers need to do something:
 - If they have a loan held by a third party (commercial FFEL loan or Perkins loan held by a school) should consider consolidating
 - If borrowers have loans with radically different periods in repayment, they should consider consolidating so that the consolidation loan gets credit for longest period of repayment (*even more true for PSLF borrowers*)
-STAY TUNED FOR BORROWERS INTERESTED IN PUBLIC SERVICE LOAN FORGIVENESS

New Updates to Public Service Loan Forgiveness



Public Service Loan Forgiveness:

- An administrative program that cancels the debt of borrowers who make 120 months of payments while
 1. In qualifying public service employment and
 2. Enrolled in an income driven repayment plan (although time spent in standard repayment also counts).

PSLF Waiver (1 of 3)

Folks who submitted an employer certification form or completed the PSLF help tool before October 31, 2022 are included in the PSLF waiver.



PSLF Waiver (2 of 3)

- During the waiver:
 - Time that counts under IDR account adjustment also counts towards PSLF
 - Can receive credit that accrued on FFEL loans IF consolidate them
 - Borrowers can receive credit for both Teacher Loan Forgiveness and PSLF
 - Borrowers do not need to be working in public service to receive cancellation

PSLF Waiver (3 of 3)

- Now that the waiver has ended, the following is still in effect until IDR account adjustment occurs for all borrowers:
 - Time that counts under IDR account adjustment also counts towards PSLF
 - Can receive credit that accrued on FFEL loans IF borrower consolidates them
 - ~~• Borrowers can receive credit for both Teacher Loan Forgiveness and PSLF~~
 - ~~• Borrowers do not need to be working in public service to receive cancellation~~

PSLF Right Now

- The IDR Account Adjustment allows borrowers to get retroactive credit toward PSLF, much like how the waiver operated
- Steps to Take:
 - **Consolidate the borrower's non-direct loans by May 1, 2023***
 - Submit PSLF forms for all past and current public service work

A Word on Parent PLUS Borrowers & PSLF

- The Department of Education recently announced that Parent PLUS borrowers could receive PSLF credit under the IDR waiver.
- However, Parent PLUS borrowers need to submit PSLF employer certification forms to have this time count towards PSLF.
- Also, Parent PLUS borrowers should consider consolidating if they haven't already reached PSLF cancellation.






What About FFEL Borrowers? (1 of 3)

- Why are FFEL borrowers special?
 - Department of Education-held FFEL
 - Commercially-held FFEL
- The distinction is important!



What About FFEL Borrowers? (2 of 3)

- ED held
- FFELP
 - Held by the federal government, serviced by servicers
 - Received relief under the payment pause
 - Eligible for President Biden's Debt Relief Plan

Loan Breakdown	
LOANS SERVICED BY DIRECT LOAN SERVICING CENTER (ACS)	TOTAL BALANCE \$0 View Loans ✓
LOANS SERVICED BY WELLS FARGO BANK, N.A.  Owned by Private Lender	TOTAL BALANCE \$ 29,781 View Loans ✓
LOANS SERVICED BY AMERICAN EDUCATION SERVICES	TOTAL BALANCE \$0 View Loans ✓
LOANS SERVICED BY DEPT OF ED/MOHELA  REPAYMENT PLAN: Extended Repayment Plan  Owned by U.S. Department of Education	TOTAL BALANCE \$ 42,106 View Loans ✓

- Commercially-held FFELP
 - Held by private lenders
 - Did not receive relief under the payment pause
 - Not Eligible for President Biden's Debt Relief Plan

What About FFEL Borrowers? (3 of 3)

- Options for Cancellation
 - Income-Driven Repayment (IDR) Plans
 - Public Service Loan Forgiveness (PSLF)
- **Consolidation Deadline: Dec. 31, 2023**

Fresh Start (1 of 3)

From now until 1 year after repayment restarts, borrowers with loans in default can remove them from default without penalty.

Eligible Loans:

- Direct Loans
- FFEL Loans
- ED-Held Perkins Loans

Ineligible Loans:

- School-held Perkins loans
- HEAL loans
- Loans with DOJ
- Loans that default after the payment pause ends

Fresh Start (2 of 3)

- Benefits:
 - Avoid involuntary collection (incl. Social Security offset) when collection on defaulted loans resumes
 - Improve credit – default notation removed
 - Restore eligibility for student aid
 - Avoid collection fees
 - Available to borrowers otherwise stuck in default because they've already used up other paths out
 - Restore eligibility for IDR, PSLF, deferments

Fresh Start (3 of 3)



- What do borrowers need to do to opt-in?
 - Call Default Resolution Group (DRG) or their Guaranty Agency and ask to have their loans moved to a non-default servicer, or
 - Enroll in school and take out additional Title IV aid

New DOJ Guidelines re: Discharging Federal Student Loans in Bankruptcy



Forecasting the Future: What Borrowers Should Know/Do NOW



Psssssssssst...

This is an overview.
We've given you a more
comprehensive list of
what borrowers can do
to prepare in the
Chapter Summary that
accompanies this
session.



President Biden's Cancellation Plan

- President Biden announced borrowers who earn less than \$125,000 (or \$250,000 as a married couple) would get \$10,000 in student loan relief, or \$20,000 for Pell grant recipients
- Applies to same federal loans subject to payment pause, including most Parent PLUS loans

40+ million Americans eligible, 26 million already applied

But Debt Relief is on Hold With the Supreme Court

- 2 cases argued in February; U.S. gave compelling defense
- Ideological split on substance and “Major Questions Doctrine”
- Standing may be decisive
- Decision expected by late June

If Legal Challenges Fail...

- Department of Education will move forward with the cancellation plan:
 - 26 million borrowers who previously applied will not need to re-apply
 - 16 million have already been approved—their relief will be effectuated
 - Remaining ~15 million borrowers who have not yet applied will have more time to apply
 - At least until December 31, 2023, maybe longer—look out for a new deadline

Income-Driven Repayment (IDR)

Consider IDR!

- IDR often offers the lowest payments (even \$0/month) for low-income borrowers, plus a path to cancellation
- Multiple IDR plans (and other plans) are available

How to choose and enroll?

- Great tool for determining eligibility and payments in different plans:
<https://studentaid.gov/loan-simulator/>

IDR for Parent PLUS

- Parent PLUS loans are not eligible for IDR plans
 - But, borrowers can consolidate Parent PLUS loans into a new Direct Consolidation Loan that can be paid via **Income-Contingent Repayment**
 - Unfortunately, ICR is generally the most expensive IDR plan—but may still be better than alternatives
 - Some report success consolidating twice to access better IDR plans

Income-Driven Repayment (IDR) Warning

WATCH OUT!

- Graduated Repayment and Extended Repayment are NOT IDR plans and will not provide borrower with cancellation!



Proposed IDR Improvements

- President Biden and the Department of Education proposed major improvements to IDR—and the REPAYE plan in particular—that would significantly cut monthly payments.
- But: These are all still proposals.

Be on the lookout for a more affordable IDR option soon, but it hasn't been finalized and likely won't be available by this summer.

Total and Permanent Disability (TPD) (1 of 3)

- Eligibility for TPD discharge
 - Must be total and permanently disabled and unable to engage in substantially gainful employment activity.
 - You can prove your eligibility based on your social security disability category, VA disability, or through certification from an eligible medical provider
- Applying for TPD Discharge
 - Applying based on your SSA disability category

Total and Permanent Disability (TPD) (2 of 3)

Applying for TPD Discharge

- Applying based on an eligible medical professional certification
 - You may qualify for TPD if you have a disability and can locate a physician that will complete the physician certifying portion of the TPD discharge form. The form is located on Section 4 of the TPD application
 - The physician must certify that you are disabled and unable to engage in substantially gainful employment activity as a result of your disability.
 - Any physician who has reviewed your medical record may sign this form.

Automatic TPD Discharge

- Auto discharge based on SSA disability category
- Medical Improvements Not Expected (MINE) category
- Auto discharge based on VA service connected

Total and Permanent Disability (TPD) (3 of 3)

- Improvements in the TPD regs that will take effect on July 1, 2023:
 - The three-year post-discharge monitoring period is eliminated
 - Additional medical professionals can certify a borrower's disability including nurse practitioners, physician assistants, and licensed certified psychologist
 - ED expanded the SSA disability categories that are eligible for automatic TPD cancellation beyond MINE category

Summing Up: Preparing Borrowers for Repayment

- Borrowers should:
 1. Log in to [StudentAid.gov](https://studentaid.gov) to update their contact information & verify who their servicer is
 2. Log in with their servicer & update contact info
 3. Opt-in to Fresh Start if in default
 4. Assess whether they want to consolidate their loans to take advantage or maximize current loan flexibilities (critical for FFEL borrowers)
 5. Assess whether they are eligible for administrative loan cancellation, like total and permanent disability, closed school discharge, or borrower defense
 6. Determine whether they want to enroll in an IDR plan

Questions

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