Traveling Through

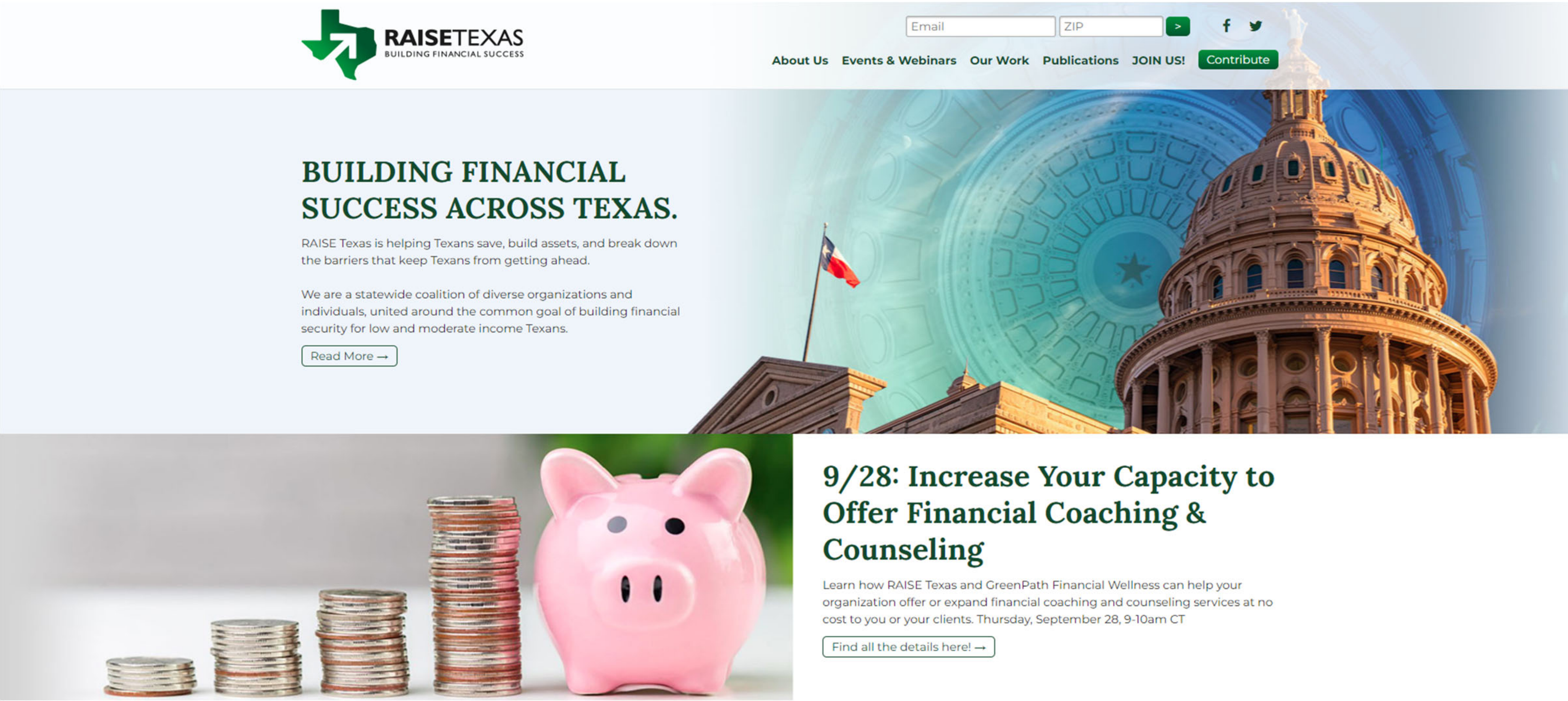
Uncharted Territory

SWASFAA | TASFAA

Conference 2023

What to Know About Student Loans Right Now

Kat Welbeck, Student Borrower Protection Center
Eileen Eiden, Austin Community College



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- Student Debt Cancellation Plan
- Income-Driven Repayment Account Adjustment
- Public Service Loan Forgiveness
- Fresh Start
- Return to Repayment
- Important Takeaways
- Q&A

Ways to Engage and Support Student Loan Borrowers

- Tell community about upcoming deadlines
- Partner to provide trainings for student loan borrowers
- Employers can push student loan debt information
- Promote trusted sources
- Share borrowers’ experiences with policymakers

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IDR Account Announcement

- One-time “revision” and adjustment of Direct and FFEL qualifying payments;
- Repayment status (regardless of payment, loan, plan)
- Forbearance (12 consecutive, 36 cumulative, “other”)
- Deferment prior to 2013
- Credit before consolidation
- Commercial FFEL & Perkins must consolidate
- Refunds & PSLF credit

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IDR Account Announcement

- Confirm loan types on studentaid.gov
- Loans that are not currently held by the Department of Education will need to be consolidated before **December 31, 2023**
- The Department has already begun making adjustments to accounts that have been in repayment for 20-25 years first
- All other borrowers' accounts will be adjusted after those

Public Service Loan Forgiveness

Four Requirements:

1. Right type of loan
2. Right type of repayment plan
3. Right type of employment
4. Right number of payments

- ✓ Direct Loans
- ✓ IDR
- ✓ Public Service Employer [30 hours]
- ✓ 120 payments

PSLF: Payment Pause

Payment pause months **COUNT** toward 120 payments, BUT You still need to meet all the other criteria

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PSLF & The IDR Account Adjustment

- Loan type: Credit for payments on FFEL and Perkins loans if the borrower consolidates (or already has)
- Payment plan: any payment counts
- Employer and payment count still apply
- Military deferments and forbearances count

- Direct Loans
- IDR
- Public Service Employer [30 hours]
- 120 payments

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PSLF & The IDR Account Adjustment

- Not completely automatic
  - FFEL/Perkins must consolidate
  - File PSLF Form if have not previously
- FFEL and Perkins borrowers are at greatest risk of missing out

- Direct Loans
- IDR
- Public Service Employer [30 hours]
- 120 payments

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Parent PLUS Borrowers

- The Department of Education announced at the end of 2022 that time Parent PLUS Borrowers get as a result of the IDR Account Adjustment can count as PSLF Credit for past public service
- Submit PSLF Forms for past public service employment since October 1, 2007
- Might consider consolidating to get on an IDR plan if not yet reached ten years in public service

DECEMBER 31, 2023, DEADLINE TO ACT

How to Get PSLF Credit through the IDR Account Adjustment

- Check what types of loans types by logging in to studentaid.gov
- Non-Direct loans, consolidate **before December 31, 2023**
- Parent PLUS loans, consider consolidating to get on an income-driven repayment plan
- Submit PSLF Forms for all eligible public service work since October 1, 2007

Fresh Start

- Restores repayment options for borrowers, including IDR plans
- Immediately restores Title IV eligibility
- Restores one-time rehabilitation if used during the payment pause
- Provides beneficial credit reporting features
- Protects borrowers from involuntary collections

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Fresh Start

- Eligible Defaulted Loans:
    - Must have defaulted prior to March 13, 2020*
    - William D. Ford Federal Direct Loans
    - Federal Family Education Loans (FFEL), includes ED-held and Commercially held
    - ED-held Perkins Loans

*Because of the payment pause and other ED guidance, no borrowers should have defaulted after March 13, 2020

Fresh Start

- Ineligible Defaulted Loans:
    - School-held Perkins Loans
    - HEAL Program Loans
    - Student loans remaining with the Department of Justice
    - Direct Loans and FFEL loans that default after the payment pause ends

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Fresh Start

- Action Items and Timeline
    - Borrowers have one year, following the payment pause to:
        - Communicate with DRG via DCMS or a guaranty agency to request to enter a repayment plan (or other pre-default option), or
        - Request Title IV aid at an eligible school
            - Schools will need to get a signed statement from borrower agreeing to transfer of defaulted loans to non-default servicer

***Borrowers who do not do one of the above will be placed back in default after the one year time period using the original date of delinquency**

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What to know about payments resuming

- “Pause” ended on August 30, 2023
- Update your contact information
- Income-driven repayment plan recertifications are extended; verbal IDR available, continue to enroll and recertify income-driven repayment plans
- Automatic payments should be stopped, best to confirm

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What to know about payments resuming

- “On-ramp” to repayment that will last until September 30, 2024
  - Borrowers who miss payments this year will not be considered delinquent, sent to credit bureaus, placed in default, or referred to debt collection agencies
  - Interest will continue to accrue
- Saving on A Valuable Education (SAVE) Repayment Plan
  - Lower monthly payments, no unpaid interest capitalization, cancellation after ten years of payments for those who borrowed less than $12,000 initially

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SAVE Income-Driven Repayment Plan

- Income exemption raised from 150% of Federal Poverty Level (FPL) to 225%, decreasing monthly payments for eligible borrowers
- SAVE eliminates 100% of remaining interest for both subsidized and unsubsidized loans after a scheduled payment is made
- Excludes spousal income for student loan borrowers filing separately

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SAVE Income-Driven Repayment Plan

- **Will be implemented in July 2024:**
    - Student loan who only have undergraduate loans will pay 5% of discretionary income instead of 10%, cutting payments in half. Those with graduate and undergraduate loans will pay a weighted average between 5% and 10%
    - The plan offers a shortened timeline to cancellation for borrowers with lower starting balances. Student loan borrowers with an initial principal balance of $12,000 will receive full cancellation in 10 years of repayment (tiered)

What should schools be doing?

- Update your default prevention plan or start working one

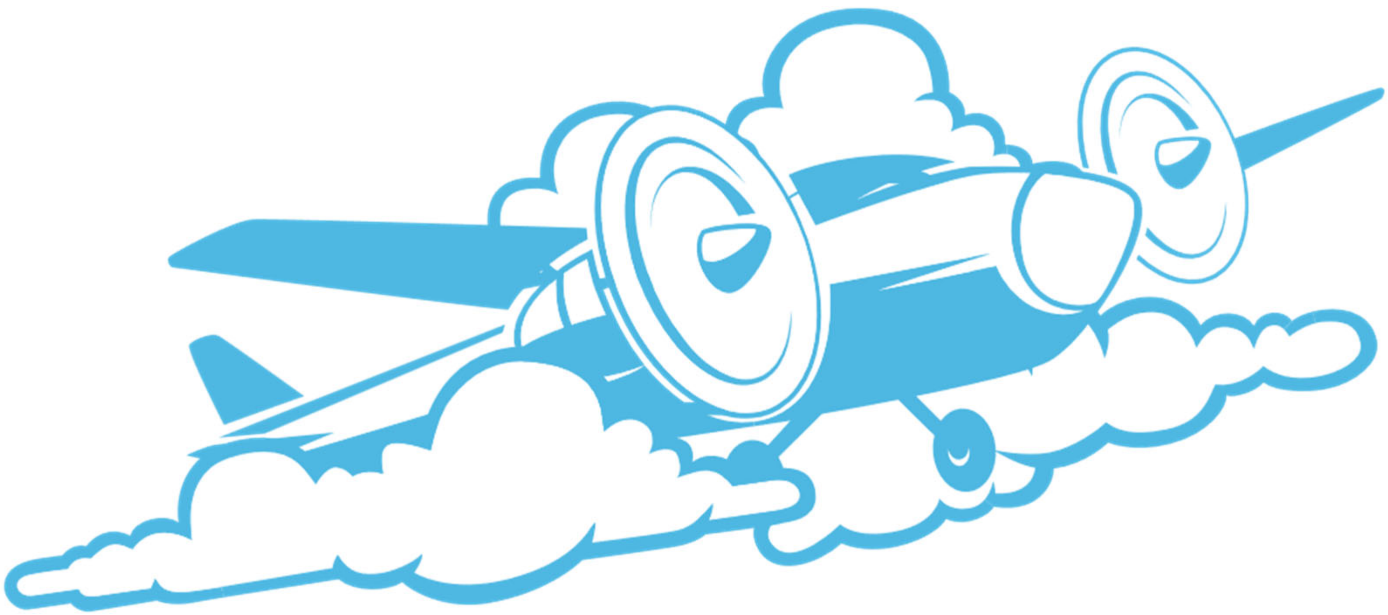
https://fsapartners.ed.gov/knowledge-center/library/fsa-assessments/2022-11-17/default-prevention-management

- Start reviewing your Cohort Default Rate (CDR) data each year

What is a cohort default rate? A school's cohort default rate is the percentage of a school's federal student loan borrowers who enter repayment within the cohort fiscal year (denominator) and default (or met other specified condition) (numerator) within the cohort default period.1

What are the draft and official cohort default rate cycles? The draft cycle begins in February of each year when draft cohort default rates are released to schools only. The official cycle begins in September of each year when official cohort default rates are released to schools and made available to the general public.

FSA CDR Quick Reference Guide: https://fsapartners.ed.gov/knowledge-center/topics/default-management



Questions?

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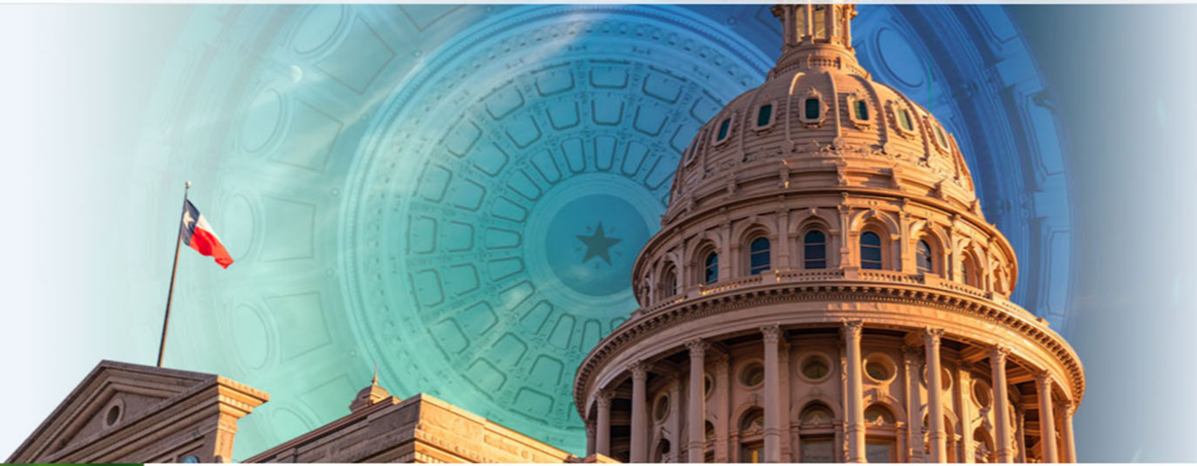

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We are a statewide coalition of diverse organizations and individuals, united around the common goal of building financial security for low and moderate income Texans.

Read More →

9/28: Increase Your Capacity to Offer Financial Coaching & Counseling

Learn how RAISE Texas and GreenPath Financial Wellness can help your organization offer or expand financial coaching and counseling services at no cost to you or your clients. Thursday, September 28, 9-10am CT

Find all the details here! →

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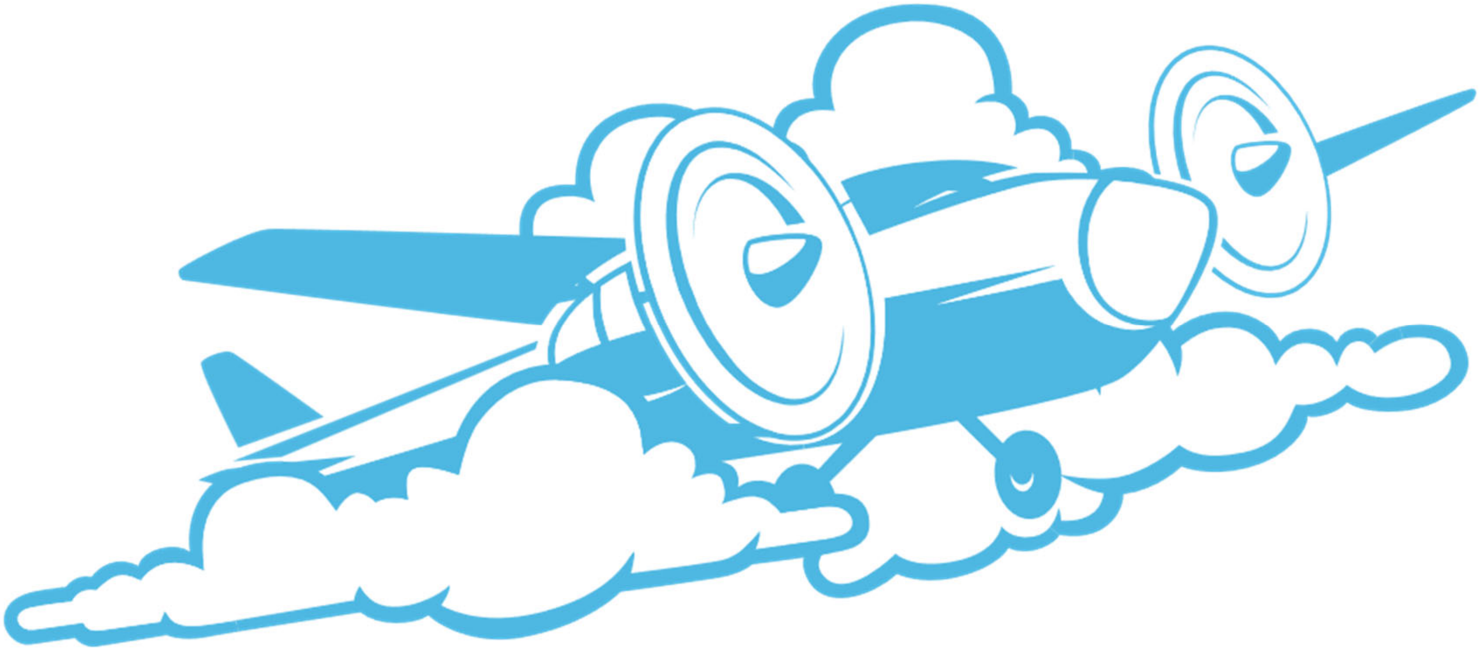

Thank you!