Student Loan Repayment During the Coronavirus Pandemic

Presented by the Student Borrower Protection Center
August 2020
Student Loan Protections under the CARES Act
Protections under the CARES Act, extended through executive action

Through December 31, 2020:

- 0% interest
- Automatic payment suspension
- Qualified payments for PSLF and IDR forgiveness
- Suspension of all collection activity
  - Wage garnishment
  - Social Security benefits offset
  - Tax refund offset

Only for Direct Loans and ED-held FFELP Loans
What borrowers need to know

- Payment suspension and interest waiver are automatic
- Turn off autopay
- You can request a refund for payments auto-debited after March 13, 2020
- Garnishment pause needs to be done through employer
- IDR recertification extended, but borrowers should continue to enroll and recertify income-driven repayment plans
Common questions

- What options will be made available to Perkins loan and commercially held FFELP loans?
  
  Reach out to your loan servicer directly

- Will accrued interest on loans capitalize after the suspension period?
  
  No, as long as you enroll in a non-capitalizing repayment plan (e.g., IDR)

- Will borrowers who face coronavirus-related employment disruption still receive credit for purposes of PSLF?
  
  No
# Types of federal student loans

<table>
<thead>
<tr>
<th>Covered in CARES Act</th>
<th>Not covered in CARES Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Loans</td>
<td>Perkins Loans</td>
</tr>
<tr>
<td>Federal Family Education Loans owned by ED</td>
<td>Federal Family Education Loans owned by private companies</td>
</tr>
</tbody>
</table>
How to tell what type of federal student loan you have

Step 1: Log into studentaid.gov

Step 2: Under your student aid dashboard, navigate to “View Details”

Step 3: On the top right, select “Download My Aid Data”
How to tell what type of federal student loan you have

Direct and ED-held FFELP Loans

1. Determine FFEL or Direct

2. Will state “Current ED Servicer”

3. Current Lender will be listed as U.S. Dept of Ed
How to tell what type of federal student loan you have

Commerically held FFELP Loans

1. FFEL only
2. Will state “Current Guaranty Agency”
3. Current Lender will be a bank or other private company
What federal student loan repayment plan is best for me?
Multiple repayment options

**STANDARD REPAYMENT PLAN**
Pay the same amount every month for 10 years (or longer with Consolidation Loans)

**EXTENDED REPAYMENT PLAN**
Pay the same amount every month for up to 25 years. Payments are lower than standard payments. Must owe more than $30,000.

**GRADUATED REPAYMENT PLAN**
Payments start low and increase every two years. Loans are paid off within 10 years (or up to 30 years with Consolidation Loans)

**INCOME-DRIVEN REPAYMENT PLAN**
Monthly payments are tied to your income, not your loan balance. Payments can be as low as $0.
Income-Driven Repayment (IDR) Plans

- IDR plans set monthly payments based on your discretionary income, rather than your outstanding loan balance. Unemployment or income shock could result in $0 payments.
- Remaining balance is forgiven after 20 or 25 years
- Remaining balance is forgiven after 10 years under PSLF.

Types of IDR plans:
- Income-Contingent Repayment Plan (ICR)
- Income-Based Repayment Plan (IBR)
- Pay as you Earn (PAYE)
- Revised Pay as you Earn (REPAYE)
IDR payment calculation

- 10% - 15% of discretionary income
- Discretionary income = Adjusted Gross Income (AGI) – 150% of federal poverty guideline for your family size
  - For single borrowers earning less than ~ $19,000, payments are $0
  - For a family of 4 earning less than ~$39,000, payments are $0
- Department of Education’s Repayment Estimator
Benefits of an IDR plan

- Interest subsidies
- Enrollment will cure past delinquency without additional payments (no change to credit reporting)
- Payment can be recalculated if your income changes
- Some plans offer protections against interest capitalization
How do I enroll in an income-driven repayment plan?
Two options for enrolling in IDR

Online application. Best for borrowers with:
- Steady income
- Current income similar to 2019 tax filings

Paper application. Best for borrowers with:
- Irregular income
- Recent unemployment, furloughs, or other income impairment

Both options allow borrowers to choose the IDR plan that offers the lowest monthly payment

2. Choose a plan and then continue to Item 3.
- (Recommended) I want the income-driven repayment plan with the lowest monthly payment.
- REPAYE
- PAYE
- IBR
- ICR
Option 1: Online

- Visit studentaid.gov and navigate to “apply for an income-driven repayment plan”

- New applicants and returning borrowers have different options to enroll or recertify
Option 1: Online

- Navigate the online application
- Spouses of married borrowers are required to “cosign” the IDR application
- Automatically import IRS income information
- Information gets automatically routed to your student loan servicer
Option 2: Paper application

- Download the IDR application [here](#)

- Attach proof of income (paystub, letter from employer, etc.) and note how often you are paid (monthly, bi-weekly, etc.)

- Self-attest to no taxable income (also available in online application)

11. Has your income significantly decreased since you filed your last federal income tax return?
   For example, have you lost your job, experienced a drop in income, or gotten divorced, or did you most recently file a joint return with your spouse, but you have since become separated or lost the ability to access your spouse’s income information?
   - Yes - Continue to Item 12.
   - No - Provide your most recent federal income tax return or transcript. Skip to Section 6.
   - I haven’t filed a federal income tax return in the last two years - Continue to Item 12.

12. Do you currently have taxable income?
   Check “No” if you do not have any income or receive only untaxed income.
   - Yes - Provide documentation of your income as instructed in Section 5. Skip to that section.
   - No - You are not required to provide documentation of your income. Skip to Section 6.

Note: Remember, any person who knowingly makes a false statement or misrepresentation on this form can be subject to penalties including fines, imprisonment, or both.
Tips for handling federal student loans amid immediate financial distress

- Autopay must be cancelled at least 3 days before the payment is due
- Delinquent borrowers may have already been enrolled in forbearance
- No derogatory credit reporting until January 2021
- Work directly with your employer/HR department to have garnishment paused.
How do I get out of default on a federal student loan?
What happens if your federal student loans default?

- Wage garnishment
- Social Security benefits offset
- Tax refunds offset
- Credit reporting

Beginning January 1, 2021, borrowers in default will be subject to these collection practices
Getting out of default on a federal student loan

- **Consolidate “out of” default**
  - Must have eligible loan
  - Must enroll in IDR
  - Cannot currently be in wage garnishment

- **Rehabilitation**
  - 9 payments based on income/expenses
  - As low as $5 per month
  - Garnishment/offsets end after 5 payments
  - Fees (some can be waived)

Source: Consumer Financial Protection Bureau (2016)
Consolidation

- Consolidation application and IDR application can be completed online [here](#).
- Next payment due can be made under an IDR plan.
- Does not remove default from your credit history.
- Process can be completed in about 30 days (application to disbursement).
Rehabilitation

- Contact your collector and ask to enroll in a rehabilitation plan
  - Make 9 on-time payments over 10 months
  - After 5 on-time payments, garnishment is lifted
  - Payments can be based on income and expenses (garnished wages can factor into payment amount, but not replace payment)
- After rehabilitation is complete, your loan is transferred to regular servicing (ask to enroll in IDR)
- Removes default but not delinquency from your credit history

“Borrowers completing private student loan rehabilitation programs would likely experience minimal improvement in their access to credit. Removing a student loan default from a credit profile would increase the borrower’s credit score by only about 8 points, on average, according to a simulation that a credit scoring firm conducted for GAO.” GAO study of private student loan rehabilitation, May 2019
What if I already consolidated/rehabilitated and defaulted again?

- Rehabilitation can only be completed once
- Consolidation requires at least one eligible loan
  - Direct Consolidation Loan + another eligible loan
  - FFELP Consolidation Loan → Direct Consolidation Loan
- Request a hearing to stop wage garnishment for 12 months
  - Log into myeddebt.ed.gov to access request form
  - Challenges to wage garnishment
    - Involuntary termination of employment
    - Financial hardship
    - Ongoing repayment negotiations with collector
Options for Private Student Loan Borrowers
Multistate agreement for relief (private and commercial FFEL)

- CA, CO, CT, DC, IL, MA, NJ, NY, VT, VA, WA
- 90 days of forbearance
- Waiving late payment fees
- No negative credit reporting
- Ceasing debt collection lawsuits for 90 days

- Aspire Resources, Inc.
- College Ave
- Earnest Operations
- Edfinancial
- Kentucky HESLC
- Lendkey Technologies, Inc.
- MOHELA
- Navient
- Nelnet
- SoFi Lending Corp.
- Tuition Options
- United Guaranty Services, Inc.
- Upstart Network, Inc.
- UHEAA
- VSAC
Private student loan payment relief

- Alternative repayment options
  - Interest-only payments
  - Economic hardship
  - Often only temporary payment relief
  - Confirm how your payments will be reported to credit bureaus

- Partial payment instructions

- If you’re denied an alternative repayment plan, ask why
Defaulted private student loans

- Defaulted private student loan
  - Negotiate with your collector
  - Offer a monthly payment or lump sum amount
  - Get the settlement in writing
  - Confirm how it will be reported to credit bureaus

- Statute of limitations on collections
Getting in touch with your servicer
# How to get in touch with your student loan servicer

<table>
<thead>
<tr>
<th>Servicer</th>
<th>Call Center</th>
<th>Email</th>
<th>Social Media</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cornerstone</td>
<td>1-800-663-1662</td>
<td><a href="mailto:CSOmb@mycornerstoneloan.org">CSOmb@mycornerstoneloan.org</a></td>
<td>@CornerStoneLoan</td>
</tr>
<tr>
<td>FedLoan Servicing</td>
<td>1-800-699-2908</td>
<td><a href="mailto:Escalated@myfedloan.org">Escalated@myfedloan.org</a></td>
<td>@PHEAAid</td>
</tr>
<tr>
<td>Granite State</td>
<td>1-888-556-0022</td>
<td><a href="mailto:dlcustomerservice@gsmr.org">dlcustomerservice@gsmr.org</a></td>
<td>@NHHEAF</td>
</tr>
<tr>
<td>Great Lakes</td>
<td>1-800-236-4300</td>
<td><a href="mailto:greatlakesservicingombudsman@glhec.org">greatlakesservicingombudsman@glhec.org</a></td>
<td>@MyGreatLakes</td>
</tr>
<tr>
<td>EdFinancial/HESC</td>
<td>1-855-337-6884</td>
<td><a href="mailto:CustomerResolutionsUnit@edfinancial.com">CustomerResolutionsUnit@edfinancial.com</a></td>
<td>@Edfinancial</td>
</tr>
<tr>
<td>MOHELA</td>
<td>1-888-866-4352</td>
<td><a href="mailto:gwendolyna@mohela.com">gwendolyna@mohela.com</a></td>
<td>@MOHELA</td>
</tr>
<tr>
<td>Navient</td>
<td>1-800-722-1300</td>
<td><a href="mailto:advocate@Navient.com">advocate@Navient.com</a></td>
<td>@Navient</td>
</tr>
<tr>
<td>Nelnet</td>
<td>1-888-486-4722</td>
<td><a href="mailto:nelnetcustomersolutions@nelnet.net">nelnetcustomersolutions@nelnet.net</a></td>
<td>@Nelnet</td>
</tr>
<tr>
<td>OSLA</td>
<td>1-866-264-9762</td>
<td><a href="mailto:DLcustserv@osla.org">DLcustserv@osla.org</a></td>
<td>FB: @OklahomaStudentLoanAuthority</td>
</tr>
<tr>
<td>Heartland/ECSI</td>
<td>1-866-313-3797</td>
<td>Live Chat</td>
<td>@HeartlandHPY</td>
</tr>
</tbody>
</table>
www.protectborrowers.org/coronavirus