STUDENT LOANS + COVID-19

MONDAY, MAY 11 @ 6:30-7:30PM
Homeless Americans also qualify for an Economic Impact Payment. If they normally don’t file taxes, they need to sign up at IRS.gov.

www.irs.gov/nonfilereip
Financial Assistance for Churches

- Join us this week as we continue the Faith-based Webinar Series with Session 3: Financial Assistance for Churches on Thursday, May 14, 2020 at 6:00pm.
- This topic will be presented by Lisa Potts, Program Director, St. Louis Mental Health Board. There will be very viable information to help your church financially.
- Go to this link and like us: https://www.facebook.com/BCRWellnessChampions/
- Join Zoom Meeting
  - https://bhnstl-org.zoom.us/j/4433124650
WHO WE ARE

The Coalition is a diverse group of community stakeholders who are dedicated to increasing family self-sufficiency and prosperity through financial education and asset-building.

MISSION

Promoting equitable opportunities for financial health to build wealth and economic prosperity.
Our Mission

Legal Services of Eastern Missouri advances justice through legal representation, education and supportive services. We partner with the community to improve lives, promote fairness and create opportunities for those in need.
Student Loans and COVID-19

Presented by: Terry Lawson, Consumer Program Attorney
Slides and Further Information are available for download:

https://t2m.io/BX4YfBeK
Password: studentloans
Types of Student Loans

- Federal vs. Private

Fed Loan Types:
- FFEL vs. Direct
- Perkins
- PLUS

Student Loan Issues

- Loan Status
  - Repayment
  - Forbearance
  - Deferment
  - Default
  - Discharged

- Fed Loan Payment Plans
  - Standard
  - IDR
  - PSLF Issues

CARES Act
Student Loan Relief

- Payment Plans suspended
- Collections Ceased
- Refunds of (some) collections
- Special Issues: Rehab, PSLF and IDR plans
Total U.S. Student Loan Debt Is Enormous

$1,560,000,000 (est. Q3 2019)

And growing so fast, it will be $9.2 M more by the end of the hour.

Source NY Fed. Reserve Bank
How to control your student loans

• Know your loans – Type, amount, and status

• Know your payment plan – and choose it correctly

• Know what relief you can get when things change
First: Know the Types of Student Loans

Three Major Categories:
TWO Types for most people:

Federal Loans – 90% of loan volume

Private Loans – very inflexible, bad underwriting, no rules to protect borrowers

State Loans – rare; funded directly by states
Federal Student Loans
Which one do YOU have?

**FFEL loans** – the “old fogey”
   a/k/a/ Federal Family Educational Loan
   All loans before 1993, phased out by 2010.

**Direct Loans** – Borrowing straight from ED
   a/k/a/ William D. Ford Federal Direct Loan Program
   Most ALL loans from 2005 forward.

**PLUS Loans** – Parents or Grad Students only
   made under both FFEL and DL Programs

**Perkins Loans** – from the school, funded by ED
   made under both FFEL and DL Programs
Federal Student Loans
Which one do YOU have?

FFEL loans – the “old fogey”
a/k/a/ Federal Family Educational Loan
Older program, most loans prior to 2010 or so

Direct Loans – Borrowing straight from ED
a/k/a/ William D. Ford Federal Direct Loan Program
Almost ALL loans from 2000s are made this way.

PLUS Loans – Parents or Grad Students only
made under both FFEL and DL Programs

Perkins Loans – from the school, funded by ED
made under both FFEL and DL Programs
This is confusing!

How am I going to find out what type of federal loans I have?

I don’t have any paperwork!

I went to school years ago!
The keys to knowing your loans

First Key: studentaid.gov
Dept. of ED “National Student Loan Data System” (NSLDS)
Records of all grants and loans

Second Key: annualcreditreport.com
Use this website, to request credit report(s).

Didn’t work? Send a letter or form requesting report(s)
Almost all student loan lenders report student loan debt.
An FSA ID is required to login

To create or manage an FSA ID go to:

fsaid.ed.gov

Go here for info on payment plans and options in default
During these times of COVID-19, accessing your credit is important. That’s why Equifax, Experian, and TransUnion are now offering free weekly online reports through April 2021.

Request your free credit reports
Obtain your reports, know your loans

1. On NSLDS? Yes = federal loan
   Not on NSLDS? No = go to Step 2 (Credit Report)

2. On Credit Report? Yes but not NSLDS? = private loans
   Yes & NSLDS? = federal loans

3. Not on CR or NSLDS? = major glitch, scam, or issue
Need more help to figure out your loans?

Call 1-800-4-FED-AID or 1-800-999-8219

Good online resources / step-by-steps:
https://www.studentloanborrowerassistance.org/start-here/what-type-of-loan-do-i-have/
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ED Repayment Plans
Standard vs. Income Dependent Repayment (IDR)

**Standard Repayment:** like car payment or mortgage
Amount borrowed + interest rate + term = set monthly payment

**Income Dependent Repayment:**
Not tied to what you owe, tied to how much you make (INCOME)
Make less the 150% poverty line? Payment = $0!
Make more, pay more. Make less, pay less!
“Standard” Payment Plans:

a/k/a: if you don’t pick, ED picks for you!

1. Standard = 10 years, same payment
2. Graduated = 10 years, payments grows
3. Extended Fixed = 25 years, same payment
4. Extended Graduated up to 25 years, payment grows

ED ALWAYS chooses “Standard” for those who won’t choose their own plan!
IDR Plans = Income based!

<table>
<thead>
<tr>
<th>PAYE (PAY AS YOU EARN)</th>
<th>IBR INCOME-BASED REPAYMENT</th>
<th>ICR INCOME-CONTINGENT REPAYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHO QUALIFIES?</td>
<td>New borrowers* on or after July 1, 2014</td>
<td>NOT new borrowers* on or after July 1, 2014</td>
</tr>
<tr>
<td>Qualifies if you received your loan within the last 6 years and your debt-to-income ratio is below 20%</td>
<td>Eligibility depends on when you received your loans and your debt-to-income ratio</td>
<td>Eligibility depends on your debt-to-income ratio</td>
</tr>
<tr>
<td>PAYMENTS GENERALLY EQUAL TO:</td>
<td>10% of your discretionary income**</td>
<td>10% of your discretionary income**</td>
</tr>
<tr>
<td>FORGIVES ANY REMAINING BALANCE AFTER:</td>
<td>20 Years of qualifying repayment</td>
<td>20 Years of qualifying repayment</td>
</tr>
</tbody>
</table>

* You are considered a new borrower if you have no outstanding balance on Direct Loan or Federal Family Education Loan (FFEL) program loan when you receive a Direct Loan or FFEL Program loan on or after the specified date.
** Payments will never be more than the 10-Year Standard Repayment Plan amount.
IDR Plans – one “newer” plan: REPAYE

Pay As You Earn (PAYE)
Effective 2012 for those who qualify
Income formula only (10% of discretionary income)
Balance forgiven after 20 years of successful payments

Revised Pay As You Earn (REPAYE) Began Dec. 2015

Like PAYE, sets payments at 10% of discretionary income
• Available to OLDER Direct Loans, not just recent borrowers
• REPAYE is lower payment than IBR
• 20 years for undergrad; 25 years for grad loans
• Caution: always includes spouse’s income, even when filing taxes separately
Which plan is best for you? 
studentaid.gov/loan-simulator/

Try Loan Simulator

Loan Simulator is a new tool to help you make decisions about your student loans. Use it to find a repayment plan that meets your needs and goals or to decide whether to consolidate.

Let's get started.

We will guide you through a series of questions based on your selection below.

- I Want to Find the Best Repayment Strategy
- I'm Struggling With My Payments
- I Want to Simulate Borrowing More Money
A “Special” Payment Plan:

Public Service Loan Forgiveness*
a/k/a PSLF

1. Work full time in public service
2. Make 120 qualifying payments on loan
3. Tax free discharge of loan in 10 years!

*Direct Loan Program Only, must be in a payment plan, other restrictions apply
What if …
I can’t pay?
I’m not paying?

THEN Your loan is likely one of these FIVE Statuses:

- Deferment
- Forbearance
- Delinquent
- Default
- Discharge
Deferment – a loan payment “delay”

- Special conditions apply
- Typically a special hardship exists.
- Most common: still in school

In-School
Graduate Fellowship
Rehabilitation Training

Military Service
Post-Active Duty
Parent PLUS Borrower

Unemployment
Economic Hardship
Cancer Treatment
Forbearance – put your payments on “pause”

1. Interest accumulates – loan gets bigger
2. Many kinds available; some discretionary, or mandatory

3. CAUTION: not always the best fix.
   a) doesn’t speed forgiveness as IDR would
   b) doesn’t discharge loan
   c) COVID-19 relief may be exception.
“Delinquency” vs. “Default”

**Delinquency** = 270 days or less late

**Default** = 270 days or more late

**EXCEPT:** Perkins Loans are default on the first day late!
(if you can’t afford all loans, pay Perkins first)
Consequences of “Default”

Default on FEDERAL Loans Costs Big Buck$

1. **Capitalization**: interest and fees get added to principal
2. **Default** listed on **credit report**
3. **Lawsuit** is possible, but not likely because ED doesn’t need to sue you to collect!
4. **ED has collection tools** that most lenders don’t have
Consequences of “Default”

Extraordinary remedies:

1. Administrative Wage Garnishment (AWG) – no lawsuit or judgment necessary
2. Treasury Offsets = Tax Refund intercepts
3. Social Security Payment offset (but limited)
4. If federal employee, can have additional offset of wages
5. No federal employment while in default
6. No more Title IV financial aid while in default
7. No more deferments while in default
Discharges – getting rid of the loan

A legal termination of the student loan...
...without paying the loan in full.

Can be with or without tax consequences

Some forgiven debts are treated like taxable income.

Others are not.
Total & Permanent Disability (TPD) Discharge

☐ VA rating as unemployable or

☐ SSDI granted for Total and Perm. Disability (TPD)
School Related Discharges

School Closure:
If borrower was at the school within 180 days of closure of the school

For False Certification:
- School Certifies a non-HS grad could benefit, or
- Enrolls student that can’t meet employment requirements, or
- Forgery of loan docs or check, or
- ID theft

For Unpaid Refund: School failed to pay refund owed to student
Bankruptcy Discharges

May be worth it in some cases to “roll the dice”

Bankruptcy discharge is not impossible, but will not work for all borrowers.
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Coronavirus Aid, Relief, and Economic Security Act,

Student loan provisions are Sections 3513 & 3508

Provides some protections for borrowers regarding
- Payments borrower will make
- Actions ED will allow to collect
Not ALL Student Loans are Covered

Covered loans:

✔ Direct Loans
✔ Federal Family Education Loans (FFEL loans)

if currently owned by ED

Not covered:

⚠ Commercially-held FFEL loans
⚠ Perkins Loans
⚠ Private loans
Payment Suspension

**What it does:** The Act suspends all payments due on covered federal student loans.

**What loans?**
Non-defaulted Direct Loans and FFEL loans currently owned by ED.

**When?** March 13, 2020, to Sept. 30, 2020

**How?** ED says: “Auto-debit payments are suspended during the administrative forbearance.”
ED says “Any auto-debit payments processed between March 13, 2020, and Sept. 30, 2020, can be refunded to you.”

CAN BE refunded means:

Borrowers must ask their servicer to have any amounts auto debited returned if the borrower wants that payment back.
CARES Act Interest waiver

What it does:
Interest does not accrue on a covered loan

BUT ONLY
Those loans with suspended payments
Involuntary Collection Suspension

**What it does:** ED “shall suspend all involuntary collection” until September 30, 2020. This means all:

- Administrative wage garnishment
- Federal tax offsets
- Federal benefit offsets (e.g. Social Security benefits)
- “Any other involuntary collection” by ED
CARES Act Credit Reporting

What it does: For credit reporting purposes, any payment that has been suspended is treated as if the borrower made a regularly scheduled payment.

Should not be reported late to agencies

Beware of Errors on Credit Report!
CARES Act – Withdraw from School Loan may be cancelled?

What it does:
For borrowers who withdraw from their school during a payment period as a result of the coronavirus crisis, ED must cancel the borrower’s Direct Loan associated with the payment period in which they withdrew.

How to prove withdrawal was “a result of coronavirus crisis” is not clear yet.
Borrower Notifications

What it does: ED must notify all affected borrowers
(This should have occurred in April)

No notice? Make sure your contact information is accurate.

Beginning Aug. 1, 2020,
each borrower will get at least 6 notices to inform when
normal payment obligations resume
What it does: Suspended payments and collections “count” for forgiveness plans and loan rehabilitations

The suspended payments are considered “qualifying payments” toward eventual loan forgiveness:

- For IDR repayment plans in 20 or 25 years;
- For Public Service Loan Forgiveness in 10 years.
What it does: Suspended payments “count” for loan rehabilitations

For defaulted loans in a rehabilitation program (9 months needed) each month during the collection suspension will count as a month in which an on-time rehabilitation payment was made.
How does borrower know what “counts” and what doesn’t “count” toward later forgiveness (in 10, 20, or 25 years)?

For Public Service Loan Forgiveness, what happens to borrowers who are below full-time status because of COVID-19?

Does a default borrower in rehabilitation get “stuck” in rehabilitation until the end of the suspension period?
U.S. Department of Education FAQs.

https://studentaid.gov/announcements-events/coronavirus
Questions?

Available for download: https://t2m.io/BX4YfBeK
Password: studentloans