Your Path to Student Loan Freedom: Maximizing Your Forgiveness Options

Presented by Jordan Daniels
Student Debt Counselor
Empire Justice Center
THE EDUCATION DEBT CONSUMER ASSISTANCE PROGRAM (EDCAP)

- EDCAP is a program initiative of the Community Service Society of New York.

- We assist New Yorkers with navigating the complicated student loan repayment system by developing educational materials and providing direct counseling services.

- Our ten community-based organizations around the state offer free, unbiased, one-on-one student debt counseling services to:
  - Advise on student loan repayment options.
  - Rehabilitate loans to help prevent wage garnishments, social security offsets and tax intercepts.
  - Apply for loan forgiveness, cancellation and discharge.
  - Resolve issues with loan servicers and lenders.
AGENDA

Cancellation
• Biden-Harris $10,000/$20,000 Cancellation
• Payment Resumption

Loan Forgiveness
• Income-Driven Repayment Forgiveness (IDRF)
• Public Service Loan Forgiveness (PSLF)
• Income-Driven Repayment (IDR) Account Adjustment
• Teacher Loan Forgiveness (TLF)

Discharge
• Total and Permanent Disability Discharge (TPD)
• Borrower Defense to Repayment (BDR)
• Closed School Discharge

How to Prepare for Payment Resumption
• Fresh Start Initiative for defaulted borrowers
• Navigating StudentAid.gov
• Loan Servicer Changes
Cancellation vs Forgiveness vs Discharge

- **Cancellations** are distributed based on the types of loans you have.
  
  Ex) Biden-Harris Cancellation is for anyone with federal loans below a certain income threshold.

- **Forgiveness** is earned by accumulating qualifying credit towards a specific program.
  
  Ex) Public Service Loan Forgiveness (PSLF) you must pay for 10 years and have qualifying public service employment to accumulate credit towards forgiveness.

- **Discharges** are distributed for circumstances usually out of a borrower’s control.
  
  Ex) Total Permanent Disability (TPD) and Closed School Discharge are for scenarios where the borrower is not at fault.
Loan Cancellation
Biden-Harris Loan Cancellation

• The Biden Administration announced a plan to cancel up to $20,000 in student debt for federal borrowers.
  - Standard borrowers are eligible for up to $10,000.
  - Pell Grant recipients are eligible for up to $20,000.

• The relief will be available to borrowers with:
  - Direct federal loans,
  - Loans disbursed prior to 7/1/22,
  - And an income less than $125,000 (single) or $250,000 (married) in 2020 or 2021.

• The program is currently being blocked by the courts. The Supreme Court heard the case in February 2023 and a decision is expected by 6/30/23.
HOW THE COURT CASE AFFECTS YOU

• Online and paper applications for the Biden Harris cancellation are currently unavailable.

• If you filed an application while they were available, it is currently being held and will be processed if the program is able to proceed.

• The current extension of the payment pause is linked to the decision on this court case. Payments are set to resume 60 days after the resolution of this case. If there is no resolution by 6/30/23, payments will resume 9/1/23.

If you have commercially-held FFELP (Federal Family Education Loan Program) or Perkins loans do NOT consolidate them with your direct federal loans while this case is still going on. Mixing these types of loans together will make your entire balance ineligible for cancellation if the program goes through. They must be consolidated separately. Contact EDCAP for help before consolidating!
Supreme Court decision does not impact the timing or availability of most programs

• The **ONLY** case the Supreme Court heard in February is the Biden-Harris Debt Relief plan to cancel up to $20,000 of student debt for eligible borrowers! This ruling does not affect any other student loan program.

• Borrowers will still be able to take advantage of:
  • Income Driven Repayment Forgiveness (IDRF)
  • Public Service Loan Forgiveness (PSLF)
  • Total and Permanent Disability (TPD) Discharge
  • Borrower Defense To Repayment (BDR)
  • Fresh Start Initiative for defaulted borrowers and more…
Loan Forgiveness
INCOME-DRIVEN REPAYMENT FORGIVENESS (IDRF)

- Forgives the remaining loan balance for borrowers enrolled in an income-driven repayment plan after making 20-25 years of qualifying payments.

- The payment term depends on the IDR plan you choose and whether you have graduate/undergraduate debt.

- No public sector/non-profit employment requirement.

- No application required, just enroll in an IDR and make your payments on time and in full.

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Eligible After...</th>
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<tbody>
<tr>
<td>PLUS Loans for parents (or consolidation loans that included a PLUS Loan for parents)</td>
<td>25 years (300 months) of payments</td>
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<tr>
<td>Borrowers with only undergraduate loans</td>
<td>20 years (240 months) of payments</td>
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<tr>
<td>Borrowers with graduate loans AND currently enrolled in the Pay As You Earn (PAYE) repayment plan</td>
<td>20 years (240 months) of payments</td>
</tr>
<tr>
<td>Borrowers with graduate loans and NOT currently enrolled in the PAYE repayment plan</td>
<td>25 years (300 months) of payments</td>
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What is an Income Driven Repayment (IDR) Plan?

- Income Driven Repayment plans were created as a more affordable option for borrowers that could not afford the Traditional/Standard plans.

- There are five income-driven repayment plans to choose from:
  - **Pay As You Earn (PAYE)**, **Revised Pay As You Earn (REPAYE)**, **Income Based Repayment (IBR and IBR for new borrowers with loans disbursed after 7/1/14)** and **Income-Contingent Repayment (ICR)**.
  - Plans must be recertified annually because they are based on your income.
  - There are unique calculations for each plan, but they generally use a borrower’s Adjusted Gross Income (AGI), tax filing status, and family size to determine their monthly payment.
  - **Most borrowers do not qualify for all five plans.** Your choice of IDR plan can directly impact how long you are in repayment or how long until you reach IDRF.

- You can easily apply for, recertify, recalculate or switch plans on [studentaid.gov](http://studentaid.gov) or through your servicer.
PUBLIC SERVICE LOAN FORGIVENESS (PSLF)

• Forgives the remaining loan balance for borrowers working for qualified employers after making 120 (10 years) of qualifying monthly payments

• Qualifying employers include federal/state/local/tribal government agencies, 501c3 non-profit organizations, public schools, etc. You can check if your employer qualifies here https://studentaid.gov/pslf/employer-search.

• Your payments must also be under an income-driven repayment plan to qualify.
How to apply for Public Service Loan Forgiveness (PSLF)

1. Consolidate any non-direct loans (commercially-held FFELP or Perkins) into direct loans to qualify. This can be done on studentaid.gov.

   **Reminder:** If you must consolidate non-direct loans for the purpose of PSLF, do it separately from your already existing direct loans, or else your entire balance may become ineligible for the Biden-Harris cancellation.**

2. Fill out the PSLF Application using the Help Tool on Studentaid.gov. It does require a portion to be filled out by all qualifying employers.

3. Enroll in an income-driven repayment plan if you are not already.

If you are a Parent Plus borrower, the parent must be the one with the qualifying employment, not the student.
INCOME-DRIVEN REPAYMENT (IDR)
ACCOUNT ADJUSTMENT

- IDRF and PSLF are being temporarily expanded under a program called the IDR Account Adjustment.

- The Department of Education is implementing this one-time adjustment to allow borrowers to earn PSLF and IDRF credit, that would normally not qualify, until the end of 2023.

- Prior to 2022, the PSLF approval rate was only 1-2%. As of June 2021, only 157 loans have ever been forgiven under IDRF. This adjustment will drastically increase those numbers.
How does the IDR Account Adjustment impact IDRF and PSLF?

- The IDR Account Adjustment will allow more borrowers to get qualifying payment credit towards PSLF and IDRF. Through this process, borrowers may get credit for the following:
  - Periods in repayment.
  - Time spent in forbearance if the forbearance was more than 12 consecutive months (up to 36 months).
  - Most months spent in deferment prior to 2013 and all months in economic hardship deferments after 2013.
  - Months prior to loan consolidation.
  - Payments made without being enrolled in an IDR plan.
- Borrowers will **NOT** get credit for time spent in an in-school deferment, grace period or default.
- For PSLF, you must still meet the employment requirement.
When and how do I qualify for the IDR Account Adjustment?

1. Any non-direct loans must be consolidated before 12/31/23.

2. If you already have direct loans, credit will be applied automatically between now and early 2024.

3. If you still need to apply for PSLF, you must do so before 12/31/23.

- EDCAP’s connections at the Department of Education said they plan to start adjusting borrowers with the oldest loans first and work their way up. If you believe you’ve hit forgiveness on PSLF or IDR prior to 8/1/23, your loans should be forgiven before payments resume later this summer.

- Everyone still working towards forgiveness most likely will not see their adjustment until after payments resume.
TEACHER LOAN FORGIVENESS (TLF)

- A program specifically for teachers that allows them to earn forgiveness up to $17,500.

- Borrower must have 5 consecutive years of service as a teacher at a low-income school or educational agency.

- A borrower cannot pursue TLF and PSLF at the same time, despite most teachers qualifying for both programs.

We recommend those with a low loan balance pursue TLF because it gets rid of debt in only 5 years. Those with high loan balances are better off pursuing PSLF because there is no limit to the amount that can be forgiven, despite it taking 10 years.
Loan Discharge
Types of Loan Discharges

- **Total Permanent Disability (TPD):** Discharges a borrower’s entire balance if they have a disability that prevents them from engaging in “substantial and gainful activity.” The disability must be proven with proper documentation.

- **Borrower Defense to Repayment (BDR):** Discharges a borrower’s entire loan balance if their school misled them or engaged in other forms of misconduct.

- **Closed School Discharge:** Discharges a borrower’s entire loan balance if the school closed while they were actively enrolled or shortly after they withdrew.

- **Death Discharge:** Discharges a borrower’s entire loan balance if they die or discharges a Parent PLUS borrower’s balance if their child dies.
How to Prepare for Payment Resumption
FRESH START INITIATIVE

• Borrowers with eligible defaulted federal student loans can bring their loans back into good standing and repair credit through an initiative called Fresh Start.

• Borrowers will have until one year after the payment pause ends to “opt-in”. Collection activities for eligible loans will remain suspended until the end of the Fresh Start Initiative.

• To opt-in borrowers must:

  If you plan to continue your education, apply for FAFSA and enroll in school at least half-time. Your loans will be transferred to a new servicer and placed in an in-school deferment.

  If you don’t plan to continue your education, contact your debt collector (in most cases this is the Default Resolution Group at 1-800-621-3115) or apply on your myeddebt.ed.gov account;

  1. Request that your loans be transferred to a new servicer;

  2. Enroll in a long-term repayment plan (you will not be required to make a payment immediately).

• After you opt-in to Fresh Start, your default should be removed from your credit history automatically.
How to Prepare for Payment Resumption

1. Create or update your studentaid.gov and individual servicer accounts.

2. Be aware of your monthly payment amount and due date once the forbearance is over.

3. Enroll in the best repayment plan for your situation and ensure it aligns with the requirements of your forgiveness program, if you are pursuing one.

4. Prepare your bank account auto debit arrangements in place prior to March 2020 will be reestablished. Notify your servicer if your bank has changed. Make sure you have sufficient funds to cover payments.

5. Be strategic with your IDR re-certification. Re-certification is not required until 6 months after payments resume. If your income hasn’t changed or has increased since 2020, do not re-certify early. If it has significantly decreased or you’re unemployed, re-certify ASAP.
Loan Servicer Changes

- **FedLoan Servicing** stopped servicing federal student loans in 2022. PSLF portfolios were transferred to MOHELA. All other accounts were transferred to other federal servicers.

- **Navient** transferred all loans directly owned by the Department of Education to Aidvantage last winter. This transition is complete. If your student loans are still with Navient, they are either commercially held FFELP or private loans.

- **Great Lakes** was acquired by Nelnet in 2018. They are in the process of transferring their accounts to Nelnet. The process started in March 2022, but it is unclear how long it will take them to finish the transition.

**Keep good records!** Download payment history, loan details, applications and important notifications from your in-box.
For Albany, Rensselaer, Schenectady, Saratoga, Westchester and Washington County residents, please contact Jordan Daniels at 518-935-2849 or at StudentDebt@empirejustice.org

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<tr>
<th>AGENCY</th>
<th>COUNTIES</th>
<th>PHONE NUMBER</th>
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<tr>
<td>Community Service Society of New York</td>
<td>Statewide</td>
<td>888-914-6400</td>
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<tr>
<td>Brooklyn Legal Services</td>
<td>NYC</td>
<td>718-237-6000</td>
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<td>City Bar Justice Center</td>
<td>NYC</td>
<td>212-382-4782</td>
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<td>Day Care Council of New York</td>
<td>NYC</td>
<td>212-206-7818 x 2128</td>
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<td>Nassau Suffolk Law Services</td>
<td>Nassau, Suffolk</td>
<td>631-292-9100</td>
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<tr>
<td>United Way of Long Island</td>
<td>Nassau, Suffolk</td>
<td>631-940-3772</td>
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<td>New York Legal Assistance Group</td>
<td>NYC, Nassau, Suffolk, Westchester</td>
<td>212-613-5000</td>
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<tr>
<td>Neighborhood Legal Services Inc.</td>
<td>Erie, Genesee, Wyoming, Orleans</td>
<td>716-847-9550 x 445</td>
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<tr>
<td>Parachute Credit Counseling</td>
<td>Erie, Niagara, Genesee, Allegany, Cattaraugus, Orleans, Wyoming</td>
<td>716-772-2006</td>
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<td>Empire Justice Center</td>
<td>Albany, Rensselaer, Schenectady, Saratoga, Westchester</td>
<td>518-915-2849</td>
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<td>Legal Assistance of Western New York</td>
<td>Allegany, Cattaraugus, Cheektowaga, Chautauqua, Chippewa, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben Tioga, Tompkins, Waynes, Yates</td>
<td>585-325-2520</td>
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Resources & Links

► Covid Relief-Payment Pause Extension-Preparing for Payment Resumption
  ► Visit studentaid.gov.

► Student Loan Cancellation
  ► Access the cancellation application (when/if available) at studentaid.gov/debt-relief/application.
  ► Visit studentaid.gov for the official announcement and latest information.
  ► To get updates and information about the cancellation application, sign up at the Department of Education subscription page.

► Public Service Loan Forgiveness
  ► PSLF Help Tool to generate the required Employer Certification and Application Form.
  ► PSLF Employer Certification and Application Form (in PDF)
  ► Loan consolidation online application.
Resources & Links, (cont’d)

- Income Driven Repayment Account Adjustment
  - Federal Student Aid (FSA) Announcement

- Repayment Plans
  - Loan Simulator to determine your repayment plan options.
  - Income Driven Repayment plan options.
  - Income Driven Repayment plan online application to enroll in an income driven repayment plan.
  - If you want to enroll in a standard plan, you will need to call your student loan servicer.

- Student Loan Servicers—Who Is Your Servicer?
  - Information about federal student loan servicers, including contact information.

- For defaulted borrowers
  - If eligible, apply for loan cancellation when the application becomes available.
  - Learn about the Fresh Start initiative.
  - Apply for Fresh Start through your myeddebt.ed.gov account.
Resources & Links, (cont’d)

► Total and Permanent Disability (TPD) Discharge
  ► Learn more about the TPD program
  ► TPD Applications (PDFs)
  ► File a TPD Application online

► Other Information
  ► Borrower Defense to Repayment (BDR) (online and manual applications)
  ► Guidance on how to write a BDR claim
  ► Teacher Loan Forgiveness
  ► Perkins Cancellation
  ► US Department of Education Press Release: 2023 Rule Changes to relief programs
  ► Federal Student Aid (FSA) Forms Library
  ► Federal Student Aid (FSA) Announcements Page
QUESTIONS?