Student Loan Repayment Essentials

Presented by the Student Borrower Protection Center & the American Federation of Teachers
March 2020
Topics covered in today’s webinar:

- Enrolling or updating an income-driven repayment plan
- Getting out of default
- Avoiding federal tax refund offsets
- Options if you have private student loans
- Q&A session
Federal Student Loan Repayment Options
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 to Enroll in an Income-Driven Repayment Plan
Two options for enrolling in IDR

Online application. Best for borrowers with:

- stead 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
☐ IBR
☐ PAYE
☐ 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
- No credit reporting for 90 days
- Most servicers allow online enrollment in forbearance – you can use forbearance while awaiting your IDR application processing

Postpone Payments

Already know what option you’re eligible for?
Skip the quiz to access the full list of Deferment and Forbearance forms.
> I know the form I need

Eligibility Quiz

1. DETERMINE YOUR SITUATION
2. 
3.

Select ALL the statements that describe your situation.

Education Related
Common questions

I just lost my job and my student loan payment is due next week. What do I do?

- Step 1: Cancel autopay
- Step 2: Complete IDR application. Self-attest to no income.

I still have a job but all of my hours have been cut. How do I document my change in income?

- Letter from employer
- Letter accompanying self-attestation of no income/change in income
Common questions

I just recertified my IDR plan but now my employment situation has changed. I was told I had to wait a year to resubmit my income-documentation. How can I lower my payment?

- On IDR application, select “I am submitting documentation early to have my payment recalculated immediately.”

I am receiving unemployment benefits. Does this count as income?

- Yes – submit as alternative documentation of income
- You can recertify your income before you file for or start receiving unemployment benefits
Getting 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
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
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
Protecting your federal tax refund

- File an extension online to postpone filing taxes until October 15.
- If you are actively making payments under a rehabilitation plan, your federal tax refund will not be withheld or offset.
- Borrowers with defaulted FFELP loans held by state guaranty agencies may be subject to state tax refund offsets.
Options for Private Student Loan Borrowers
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
Private student lenders that are waiving late fees

- Wells Fargo*
- Discover*
- Earnest
- Commonbond

Companies may still report your loans as delinquent to credit bureaus

*These companies did not charge late fees prior to the coronavirus pandemic
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

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<thead>
<tr>
<th>Servicer</th>
<th>Call Center</th>
<th>Email</th>
<th>Social Media</th>
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<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>
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<tr>
<td>FedLoan Servicing</td>
<td>1-800-699-2908</td>
<td><a href="mailto:Escalated@myfedloan.org">Escalated@myfedloan.org</a></td>
<td>@PHEAAaid</td>
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<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>
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<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>
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<tr>
<td>EdFinancial/HESC</td>
<td>1-855-337-6884</td>
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<td>@Edfinancial</td>
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<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>
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<tr>
<td>Navient</td>
<td>1-800-722-1300</td>
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<tr>
<td>Nelnet</td>
<td>1-888-486-4722</td>
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<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>
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More Resources

- AFT’s Forgive My Student Debt
- National Consumer Law Center
- Department of Education Repayment Estimator

Recorded webinar and FAQs will be made available at:

ForgiveMyStudentDebt.org and
ProtectBorrowers.org/webinar
Questions?