

December 2020

Managing Student Loans During and After the COVID-19 Pandemic

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Who Are We?

- MA based non-profit that offers free, expert, unbiased, student loan advice and dispute resolution to all consumers.

- freestudentloanadvice.org

**The Institute of Student Loan
Advisors (TISLA)**





Disclaimer

The presenter is not an attorney and the information shared within this presentation is not legal advice.

The materials provided are for informational purposes only.



COVID-19 Relief for Federally Held Student Loans

Eligible for Waivers and CARES Act Provisions

Eligible Loans

- Federal Direct Loans
 - Stafford
 - Graduate Plus
 - Parent Plus
 - Consolidations
- Federally Held
 - FFEL
 - Perkins
- Includes defaulted loans

Non-Eligible Loans

- Commercially held
 - FFEL
 - Perkins
- State Loans
- Institutional Loans

COVID-19 Waivers

- 0% interest rate effective March 13th for federally held federal student loans, until January 31, 2021
 - Includes defaulted loans
 - Payment waiver for same period
 - Waiver period DOES count for PSLF, IDR forgiveness, rehabilitation purposes
 - Interest will not capitalize
 - Unless another capping event occurs
 - Credit report will reflect same as if borrower was paying
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CARES Act Provisions

- No involuntary payments on defaulted loans through January 31, 2021
 - TOP, AWG, SSA taken on or after March 13th returned
- Cessation of collection activity likely until January 31, 2021
- Rehab not impacted negatively
 - Time is considered payments made
- Borrower may pay if they choose



Borrower Communications

- Servicers/ED to send at least six notices starting ~~August 1, 2020~~??
 - Notifying of payment resumption
 - Advising of IDR options if payments unaffordable



COVID-19 Relief for Non- Federally Held Student Loans

Relief as of March 20th, 2020



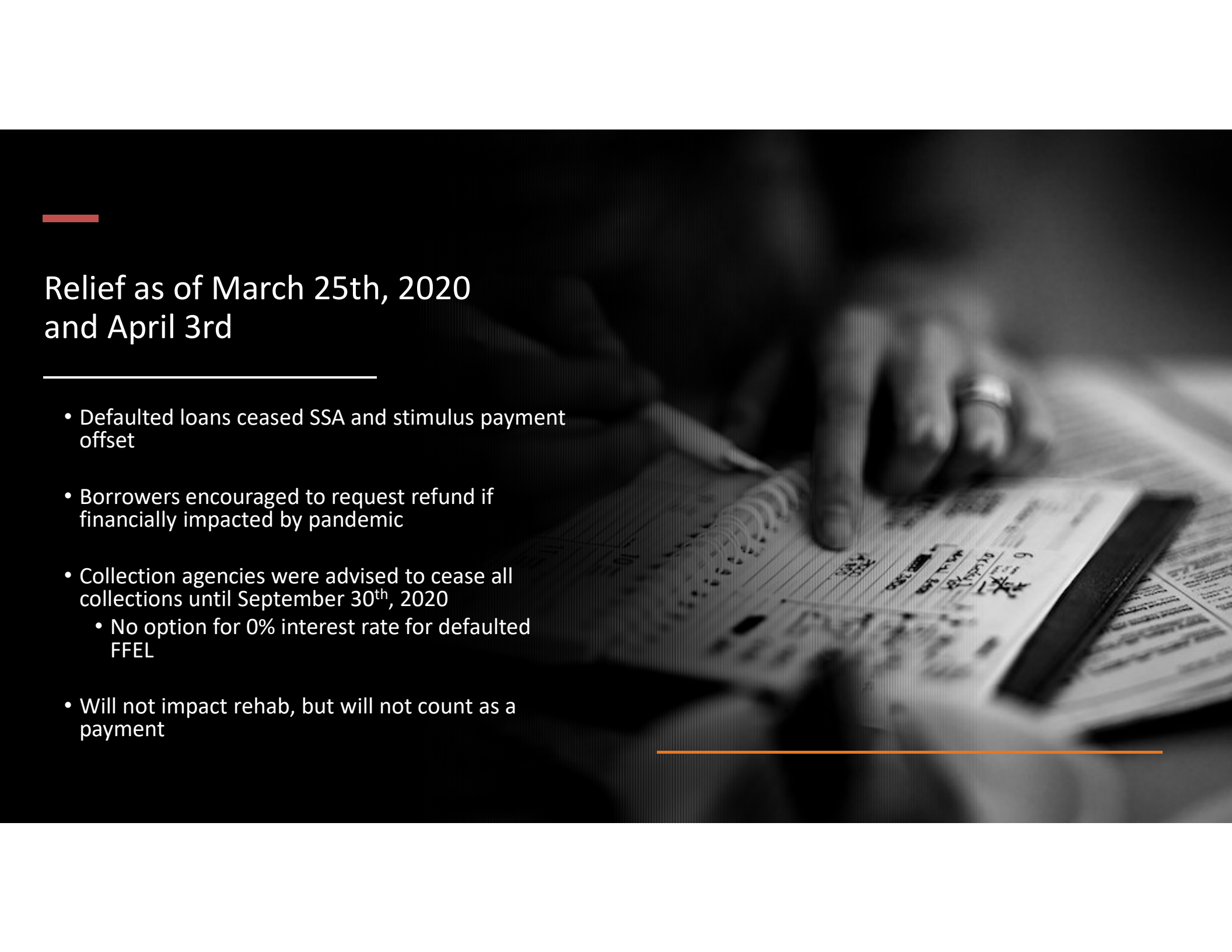
- Non-federally held, federal student loans may be put into disaster forbearance for 90 days
 - Some may do so automatically
 - Can be extended
 - Includes FFEL and Perkins
- Interest will still accrue
Lender/school discretion for non-defaulted loans
- Can request it be removed
- Can continue to make payments

- IBR is affected



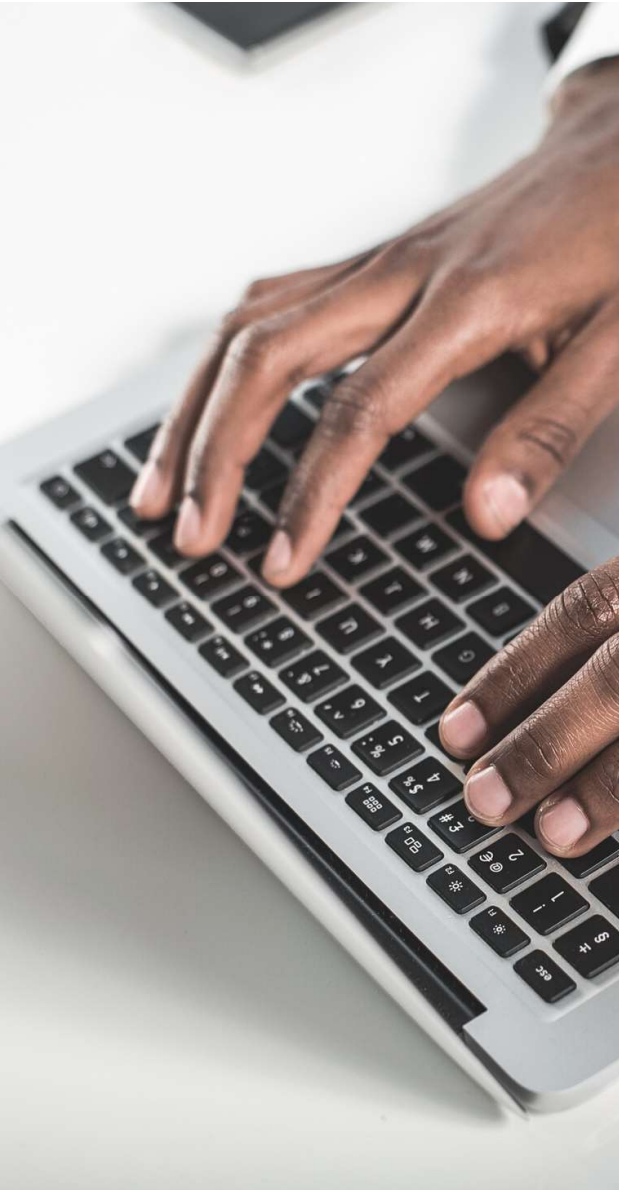
Other Options

- Consolidation
 - Pros and cons
- Income based repayment
- Unemployment deferment
- Economic hardship deferment




Relief as of March 25th, 2020 and April 3rd

- Defaulted loans ceased SSA and stimulus payment offset
 - Borrowers encouraged to request refund if financially impacted by pandemic
 - Collection agencies were advised to cease all collections until September 30th, 2020
 - No option for 0% interest rate for defaulted FFEL
 - Will not impact rehab, but will not count as a payment
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Private and other Non-Federal Loans

- Private loans programs vary
 - Many only offer short forbearances, sometimes for a fee
 - Some will offer reduced payments if loans past due
 - Lenders likely more accommodating during pandemic but are often restricted by regulation
 - Call if experiencing hardship
 - Some states considering postponing payments for state loans
 - Institutional loan options will vary dependent on whether it's a state school
 - Overall best advice is to call if experiencing hardship
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Other Factors

- Some states are prohibiting collections
- Doesn't mean they received the waiver or that they aren't past due





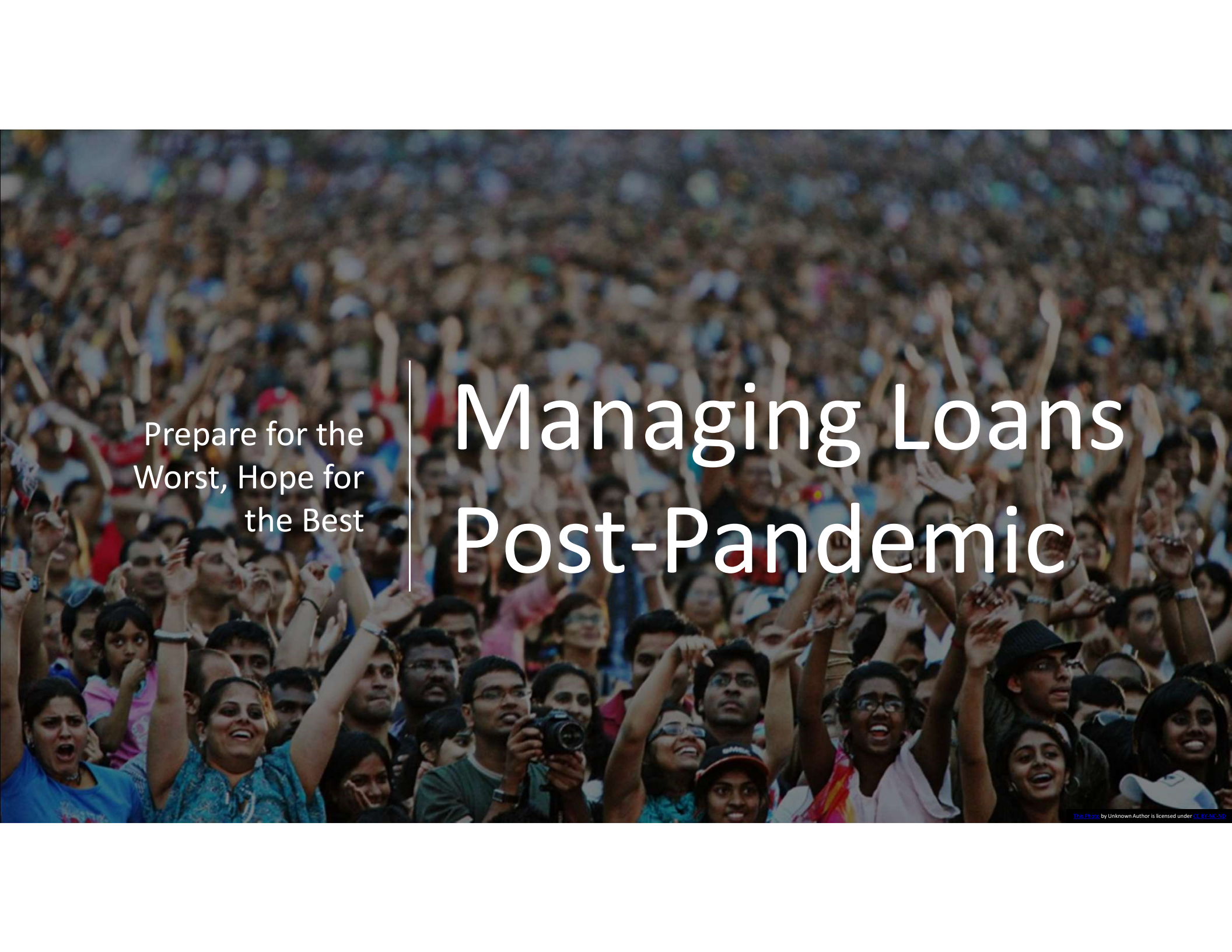
Managing Federal Loans During the Pandemic





Borrowers Eligible for 0% Interest Rate

- Pay if you can, for many borrowers this will be interest free money
- If there is interest that accrued prior to March 13th this will need to be paid prior to money hitting principal
- If you anticipate receiving forgiveness there's no good reason to pay extra during this period
- Borrowers pursuing PSLF or other forgiveness programs should NOT be making payments



Prepare for the
Worst, Hope for
the Best

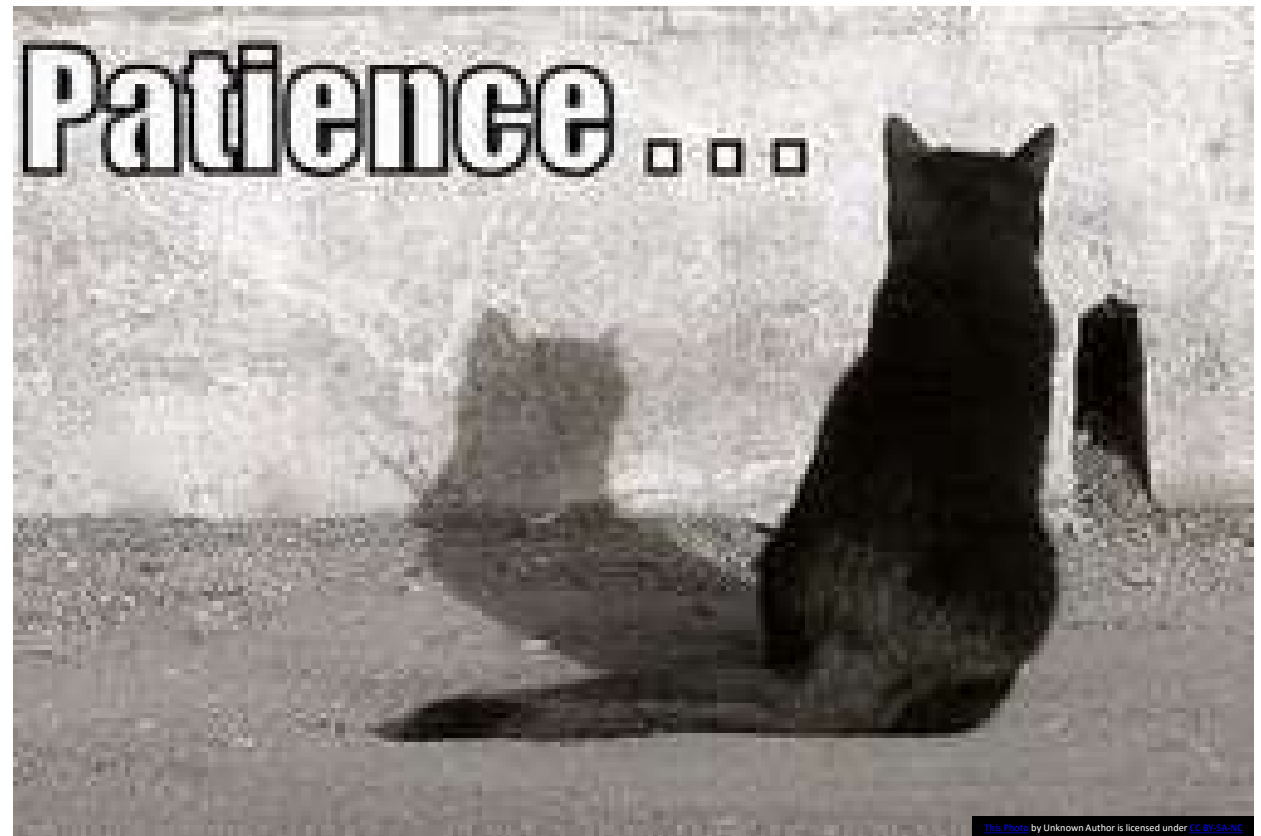
Managing Loans Post-Pandemic



Student loan borrowers entering repayment

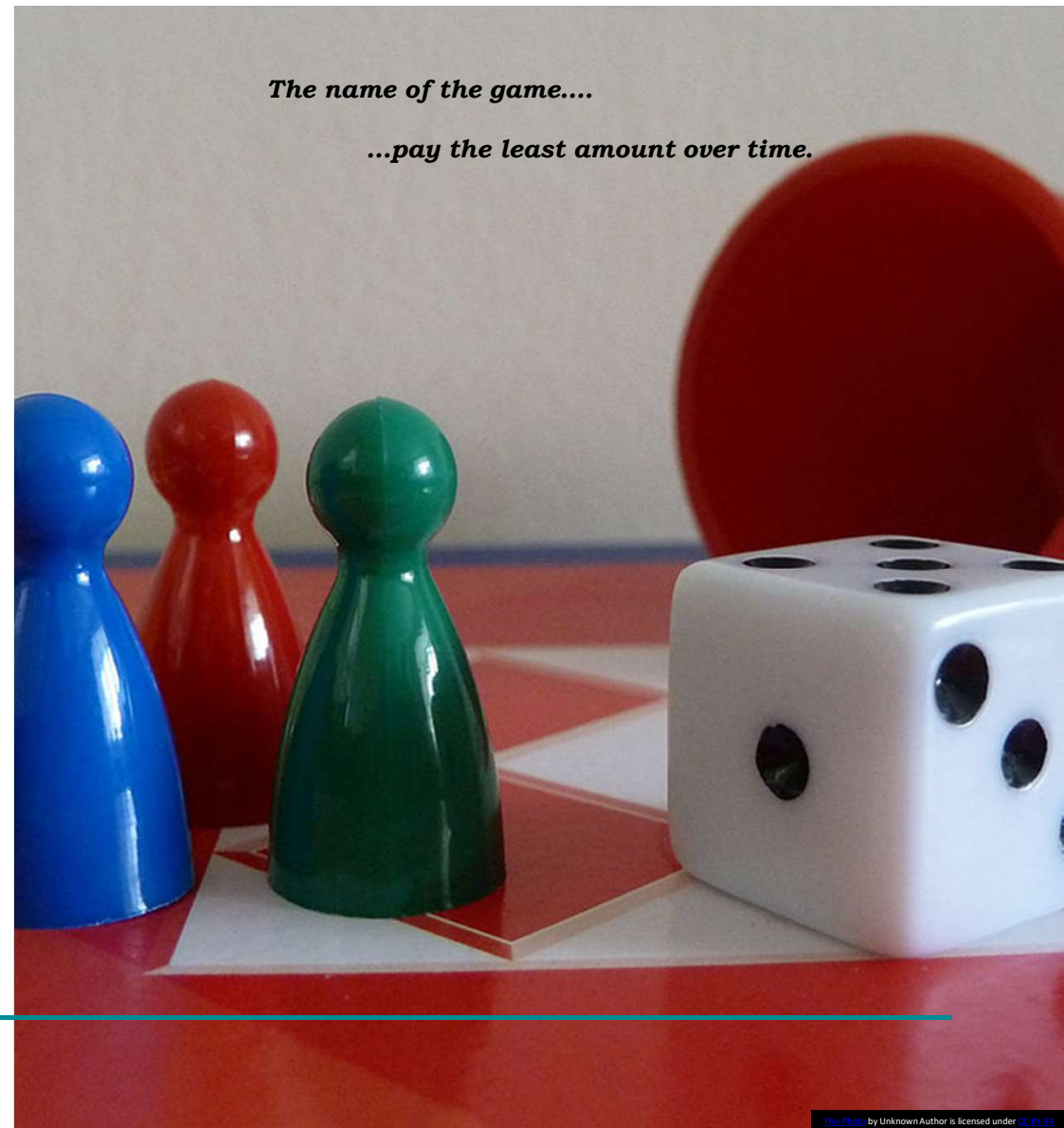
Student loan participants

Messaging for Borrowers



Understand the Landscape

- What kind of loans do I have?
- Does my servicer have my current contact info?
- Did I have accrued interest on March 12th?
 - If so, what status was I in on that date?
 - Grace, forbearance, deferment?
- What will be my payment post-wavier?
 - Was I on an income driven plan on March 12th?
 - Are my loans in default?
- Will I be able to afford these payments as of January?
- If not, can I afford a lower payment at that time?
 - How much can I reasonable afford?
 - Am I pursuing a forgiveness program such as PSLF and am reasonably sure to obtain forgiveness?



Will I have Capitalized Interest?

Hansel

March 12th:

In forbearance due to end June 7th. \$1000 in outstanding interest.

Interest will capitalize on January 31st.

Gretel

March 12th:

On an income driven repayment plan due to be renewed June 7th. \$1000 in outstanding interest.

Interest will NOT capitalize.

LOAN

DEFERMENT

- No interest accrues on subsidized loans
- Unemployment: Working less than 30 hours per week and actively seeking full time work
- Economic Hardship: Making less than 150% of the poverty line for your family size, in the Peace Corps or receiving federal or state assistance
- Request form from loan holder. Payment will be due until completed form received and processed

Forbearance

- Can be requested over the phone
- Lenders discretion
- Interest accrues on all loans
- Should be used as a last resort

POSTPONED

Repayment Plans

- Standard repayment: 10 years of the same payment amount
 - Assume around \$120 per month for every \$10K
- Income based repayment: 15% of discretionary income, forgives balance after 25 years
- Pay As You Earn (PAYE): 10% of discretionary income, forgives balance after 20 years
- Revised Pay As You Earn (REPAYE); 10% of discretionary income, forgiveness balance after 20 years for undergraduate only borrowers, 25 for those that have graduate loans
- Income Contingent Repayment; 20% of discretionary income or based on 12 year term. Only income driven plan for Parent PLUS loans.
- Graduated Repayment; payments start at interest only and gradually increase, 10-year repayment term
- Extended Repayment: For balances over \$30K, even payment amounts over 25 years
- Consolidation: Even payments over term based on size of balance up to 30 years, can choose any of the above plans
- www.freestudentloanadvice.org for details of plan subsidies, spousal income requirements, loan date requirements, etc

*Blue indicates both FFEL and DL loans eligible

Loan Rehabilitation Versus Consolidation



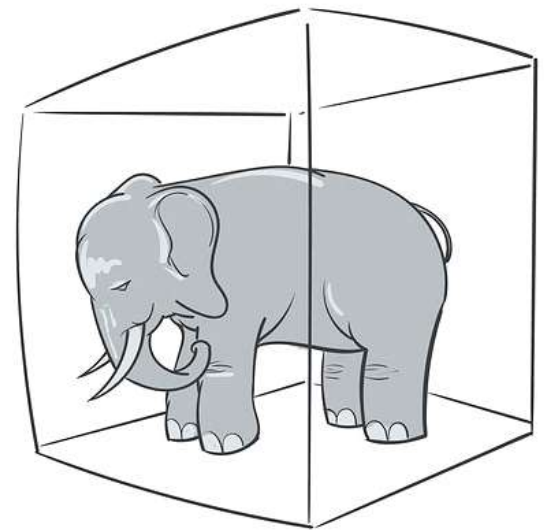
- Involuntary payments likely wouldn't start until March 2021 or later
 - TOP, AWG, SSA
 - Collection activity will restart February – courtesy reminders could start earlier
 - Rehab payments must be made as of February – on time
 - Consolidation also an option out of default
 - Note that some commercially held loans have restarted some or all collections
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Pending Legislation

- Mini stimulus relief package possible
- Congress in session until December 18th
- Post inauguration prognostication regarding COVID waivers

Student Loan Forgiveness



ELEPHANT IN THE ROOM

Resources

- www.studentaidpandemic.org
- www.freestudentloanadvice.org
- www.studentaid.gov
 - Loan simulator
- <https://studentaid.gov/announcements-events/coronavirus>
- -

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