

# The Strategic Guide to Managing Student Debt

Presented by Legal Assistance of Western NY Regional Consumer Unit

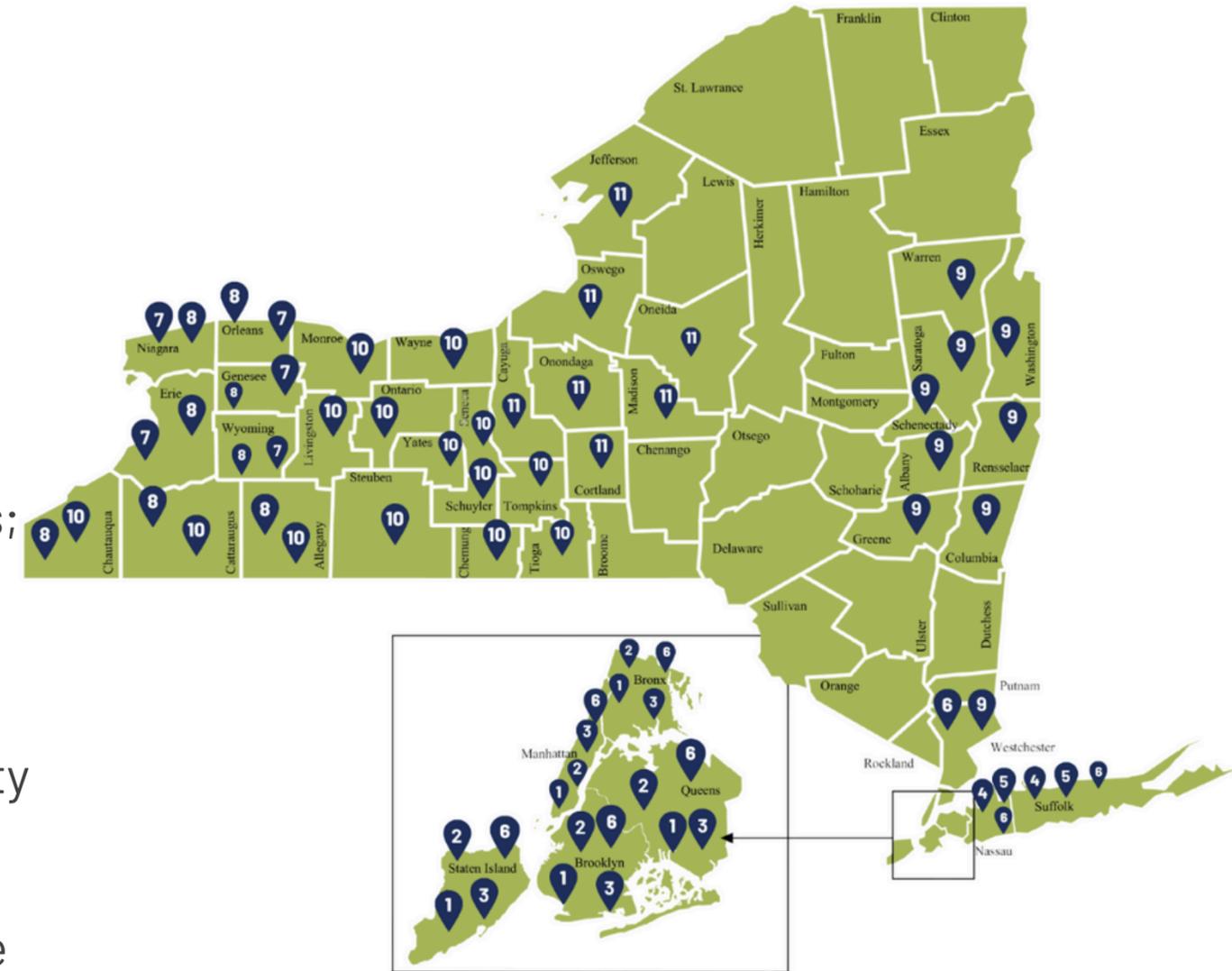


# Agenda

- About EDCAP and LawNY
- Important Dates
- Three Strategies for Tackling Student Debt: What's yours?
- Repayment Options: Focus on SAVE
- Exploring Forgiveness, Cancellation, and Discharge
- **IDR Account Adjustment (Deadline Extended!)**
- Fresh Start
- Private Loans
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# About EDCAP and LawNY

- Legal Assistance of Western New York is a member of the EDCAP Network.
- EDCAP is a program of the Community Service Society.
- Created to help tackle the student debt crisis in NY.
- Through our **Helpline and Network**, we help you:
  - **Determine** your best student loan repayment option;
  - **Access** loan forgiveness, cancellation, and discharge programs;
  - **Apply** for consolidation, deferment, and forbearance;
  - **Resolve** issues with loan servicers and lenders;
  - **Get out of default** to prevent wage garnishments, social security offsets, and tax intercepts;
  - **Understand** financial aid offers and make a plan to go to college with less debt.



# Important Dates

# Important Dates

<b>June 30, 2024</b>	<b>IDR Account Adjustment Deadline (Recently Extended)</b>
<b>July 1, 2024</b>	<b>New Income Driven Repayment (IDR) rules go into effect</b>
<b>September 30, 2024</b>	<b>End of On-Ramp (Grace period for skipping payments)</b>
<b>September 30, 2024</b>	<b>End of Fresh Start Program (For Defaulted Borrowers)</b>

# Three Strategies for Tackling Student Debt: What's yours?

# What's your strategy?

## Did you know?

Some repayment strategies do not involve repaying the entire balance?

Strategy	Description
<p><b>Pay debt in full as quickly as possible</b></p>	<ul style="list-style-type: none"> <li>○ This strategy is suitable for borrowers with low loan balances or high income relative to their balance.</li> <li>○ They have the option to make lump sum payments or pay more than the required amount, regardless of the repayment plan.</li> </ul>
<p><b>Pay minimum required and pursue forgiveness, if eligible</b></p>	<ul style="list-style-type: none"> <li>○ Borrowers with high balances or low to moderate income compared to their debt can opt for this strategy.</li> <li>○ They make the minimum required payment until they become eligible for forgiveness.</li> <li>○ Making extra payments is not advisable if you expect to get forgiveness.</li> </ul>
<p><b>Pay minimum required until death do you part!</b></p>	<ul style="list-style-type: none"> <li>○ If paying off your debt or pursuing forgiveness is not a feasible option, consider paying the minimum required until you die.</li> <li>○ This strategy is often chosen by older borrowers who cannot realistically repay their loans or achieve forgiveness.</li> <li>○ Federal student loans are dischargeable upon death.</li> </ul>

# Repayment Options



# Choosing the right repayment plan

	Traditional Repayment Plans	Income Driven Repayment Plans
<b>Pros</b>	<ul style="list-style-type: none"> <li>More predictable payments.</li> <li>Shorter repayment period in some cases, potentially paying off loans faster.</li> <li>No recertification or income verification.</li> <li>Best suited for those with high income relative to their debt.</li> </ul>	<ul style="list-style-type: none"> <li>Affordable payments based on income.</li> <li>Loan forgiveness after 10-25 yrs of payments.</li> <li>Required for other forgiveness programs.</li> <li>Can adjust payments when income changes.</li> <li>Best suited for those with high debt balances and low-moderate income or for people pursuing certain forgiveness programs.</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>Higher monthly payments, potentially challenging for those with limited income.</li> <li>Limited flexibility in adjusting payments.</li> <li>No forgiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Annual renewal &amp; income verification required.</li> <li>Potential interest accumulation over extended repayment period.</li> <li>Longer repayment period, extending time to become debt-free.</li> </ul>
<b>Plan Names</b>	<ul style="list-style-type: none"> <li>Standard</li> <li>Extended</li> <li>Graduated</li> </ul>	<ul style="list-style-type: none"> <li><b>Savings for a Valuable Education (SAVE)</b></li> <li>Pay As You Earn (PAYE) – Phasing out July 1, 2024.</li> <li><b>Income-Based Repayment (IBR)</b></li> <li>Income-Contingent Repayment (ICR) – Phasing out for non-Parent Plus borrowers July 1, 2024.</li> </ul>

# SAVE plan features

- **Cost-Effective:** SAVE replaces REPAYE as the cheapest option for most borrowers.
- **Interest Subsidy:** Interest won't accumulate if your required payment does not cover it.
- **Forgiveness Component:** Beginning February 1, 2024, borrowers with original loan balances up to \$12,000 may receive forgiveness after 10 years. Additional years of repayment added for every extra \$1,000 borrowed, up to 20-25 years.
- **Eligibility:** All Direct Loan holders qualify for SAVE except those with Direct Parent Plus loans.
- **Consolidation Option:** Borrowers with non-Direct loans (e.g., FFELP, Perkins, or HEAL) can consolidate to access SAVE.
- **Direct Parent Plus Loans:** Not eligible for any IDR plans but may be consolidated to access the ICR plan. Visit the EDCAP [website](#) for Parent Plus loan management.
- **Upcoming Benefits:** Additional benefits coming in July 2024 will reduce payments for select borrowers. Learn [more](#) for maximum advantage.

# Exploring Forgiveness, Cancellation and Discharge Options

# The Forgiveness Programs Everyone Should Know About

## Income Driven Repayment Forgiveness (IDRF)

Forgives your remaining loan balance after making payments under an Income Driven Repayment (IDR) Plan for 10-25 years. There is no employment requirement. You must be enrolled in an IDR plan.

## Public Service Loan Forgiveness

Forgives your remaining loan balance after 10 years of having your loans in repayment under an Income Driven Repayment plan and working full-time or an average of 30 hours per week for a non-profit or government employer. You must have Direct loans. Check out updated FSA PSLF [webpage!](#)

## Borrower Defense To Repayment

Discharges remaining loan balance for borrowers who were defrauded by their higher education institution. You must have attended a school that engaged in misconduct and taken out federal student loans to attend that school. Visit [studentaid.gov](http://studentaid.gov) for more info!

## Total and Permanent Disability Discharge

Allows borrowers to discharge their remaining loan balance if they are disabled. It must be a disability that prevents you from engaging in “substantial gainful activity”—i.e., you can’t work and earn enough to support yourself.

# The IDR Account Adjustment:



**Deadline extended to June 30, 2024!**

# IDR Account Adjustment **gets you closer to eliminating your debt**

The IDR Account Adjustment opens doors for more borrowers to qualify for payment credit towards Public Service Loan Forgiveness and Income Driven repayment Forgiveness **even if no payments were made or they were not enrolled in an IDR Plan.**

You may get additional credit for...

- Periods in repayment
- Time spent in forbearance of 12 consecutive or 36 cumulative months
- Most deferments prior to 2013, economic hardship deferments from 2013 or later
- Months prior to loan consolidation!

# IDR Account Adjustment, (cont'd)

- Borrowers who consolidate loans with different repayment histories by the deadline (**June 30, 2024**) will get the longest payment history applied to the entire balance.
- Borrowers will **NOT** get credit for time in an in-school deferment, grace period or default (except when using Fresh Start to bring loans out of default, credit will be given for months in default during the payment pause).
- For PSLF, you must still meet the employment requirement!



**Did you know?** FSA is responsible for awarding credit and borrowers will get credit around September 2024

# Action Steps

- **Ensure you have Direct Loans:** Consolidate all non-Direct Loans, such as FFEL, Perkins, and HEAL, by June 30, 2024.
- **PSLF borrowers should file the PSLF Employment Certification form:** After completing the consolidation process, file the PSLF Employment Certification form for every qualifying employer you've had since October 2007. Use the PSLF Help Tool for assistance. (See next slide for timing detail)
- **Enroll in an Income Driven Repayment Plan:** Make sure you are enrolled in an Income Driven Repayment Plan to continue accumulating qualifying payments.
- **Track your progress:**
  - PSLF borrowers should have a dashboard on Federal Student Aid (FSA) at [studentaid.gov](https://studentaid.gov) sometime in July.
  - IDR borrowers should have a tracker on Federal Student Aid (FSA) at [studentaid.gov](https://studentaid.gov) later this year.



# Changes to PSLF Servicing



Starting in **July 2024**, the Department of Education (ED) will manage qualifying payment counts for the PSLF program directly. A PSLF dashboard will be created on your Federal Student Aid (FSA) account at [studentaid.gov](https://studentaid.gov).

- **May 1, 2024** – MOHELA stopped displaying the PSLF tracker on their website.
- **May–July 2024**–ED has temporarily suspended processing of PSLF Employment Certification Forms. Unless you believe you will reach 120 qualifying payments during this period, we recommend you wait to file your Certification Forms until after the transition is completed. If you think you will get to 120 qualifying payments during these months, you can still submit your forms using the [PSLF Help Tool](#) and selecting “electronic signature” by your employer, but responses will be delayed.
- If MOHELA is your servicer they will continue to provide other servicing functions like payments, billing, repayment plan, forbearance and deferment requests, etc.
- Going forward, you do not need to move your loans to any particular servicer if you’re pursuing PSLF.
- For more information about these changes visit [studentaid.gov](https://studentaid.gov).

**Fresh Start**

# Fresh Start Initiative: A path for borrowers in default

- 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 must take action to benefit:
  - **Continuing your education?:** File the Free Application for Federal Student Aid (FAFSA) and enroll in school at least half-time. Your loans will be transferred to a non-default servicer and default history will be removed from your credit report.
  - **Not going back to school?** Contact your debt collector (in most cases this will be the **Default Resolution Group at 1-800-621-3115**) or apply on your myeddebt.ed.gov account. Your loans be transferred to a non-default servicer. You must enroll in a repayment plan after which the default history will be removed from your credit reports.
- If you consolidate your loans during the Fresh Start period you get the full benefit of the IDR Account Adjustment.
- The Fresh Start period ends **September 30, 2024**.

**Did you know?** If you use Fresh Start or consolidate your loans during the Fresh Start period to get out of default, you will get credit towards forgiveness for the period you were in default during the payment pause (from March 13, 2020).

# Private Loans

# Private Loans

- Are offered by banks, credit unions and private institutions.
- Generally, do not offer payments based on income or forgiveness programs.
- Credit checks are required, and most students must obtain co-signers (usually parents, but it can be any adult who qualifies).
- Co-signers are 100% liable for the loan if the primary borrower defaults. It can be difficult to get a co-signer release.
- Interest rates are determined by prevailing market conditions and the creditworthiness of the applicants.
- Subject to Statute of Limitations.

**Private loans should be your last resort for funding. It's best to avoid them altogether if you can!**

# Contact Information

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**2006**

**Additional  
Resources/  
Relevant Links**

# Other Forgiveness, Cancellation & Discharge Programs

NYS Get on Your Feet Loan Forgiveness Program	For individuals who earned an undergraduate degree from a college/university in NY and are living in NYS; it provides up to 24 months of loan payments for eligible participants. Learn more <a href="#">here</a> .
Teacher Loan Forgiveness (TLF)	Forgives up to \$17,500 in federal loans for teachers who meet certain criteria, including teaching in a designated subject area or shortage area for five consecutive years. <b>CAUTION:</b> Time used to qualify for Teacher Loan Forgiveness cannot be used for Public Service Loan Forgiveness. If you have a high loan balance, pursuing Public Service Loan Forgiveness only may be best. Get advice before applying.
School Closure Discharge	Granted to borrowers whose schools closed while they were enrolled or shortly after they withdrew and who did not complete teach outs or comparable programs elsewhere.
Bankruptcy	Bankruptcy should be a last resort! It is not impossible, but it is difficult to discharge federal student loans in bankruptcy. You must meet the “undue hardship” test. Seek the advice of an experienced bankruptcy attorney who specializes in student loan discharge cases.
Discharge Upon Death	While this path might seem a bit macabre, it’s just not feasible for some borrowers to pay off their student loans, and that’s okay. Rest assured that student loans are discharged upon death and can never become another loved one’s burden.

Learn more at [Student Loan Forgiveness Options - EDCAPNY.org](https://www.edcapny.org/student-loan-forgiveness-options)

# Relevant Links

- Federal Student Debt Overview
  - [Federal Student Aid Homepage \(studentaid.gov\)](https://studentaid.gov)
  - [Federal Direct Student Loan Program](#)
  - [Subsidized vs. Unsubsidized Loans](#)
  - [Federal Student Loan Borrowing Limits](#)
- Loan Repayment
  - [EDCAP's Repayment Guide](#)
  - [Traditional Repayment Plans](#)
  - [Income-Driven Repayment Plans](#)
    - [SAVE Plan](#)
    - [Apply for IDR Online](#) at studentaid.gov
  - [FSA Loan Simulator](#) (estimate your payments)

# Relevant Links, (cont'd)

- Forgiveness Programs
  - [IDR Forgiveness](#)
  - Public Service Loan Forgiveness
    - [PSLF General Info](#)
    - [PSLF Frequently Asked Questions](#)
    - [PSLF Help Tool](#)
    - [PSLF Employer Search Tool](#)
  - [Teacher Loan Forgiveness](#)
  - [Borrower Defense to Repayment](#)
  - [Total and Permanent Disability Discharge](#)
  - [NYS Get On Your Feet](#)

# Relevant Links

- Forbearance, Deferment and Consolidation
  - [Forbearance](#)
  - [Deferment](#)
  - [Consolidation](#)
    - [Consolidate online](#) at studentaid.gov
- Student Loan Servicers—Who Is Your Servicer?
  - Information about [federal student loan servicers](#), including contact information.
- Miscellaneous
  - [FSA Forms Library](#)
  - [FSA Announcements](#)
  - [Get out of Default](#)
    - Learn about [Fresh Start](#) (available until 9/30/24)