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The Current Status of Student Loan Debt Relief, PSLF and the IDR Waiver

Presented by:

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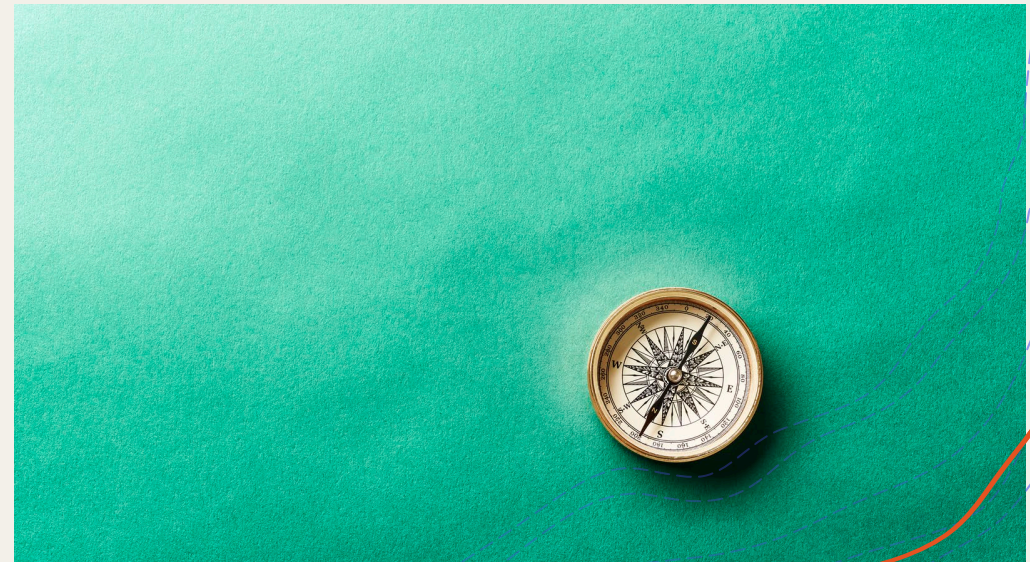


Questions

- + Questions can be posted in the Q and A panel on your screen
- + To ensure we can answer as many questions as possible, please do not ask your question until we have covered that topic
- + Please do not ask detailed, personal questions.
- + If you have non-PSLF related questions, feel free to reach out via the TISLA email on our contact page at www.freestudentloanadvice.org

Agenda

- + Background
- + Biden/Harris Debt Relief
- + PSLF/Income Driven Plan Waiver
- + Upcoming Changes
- + Strategy
- + Resources

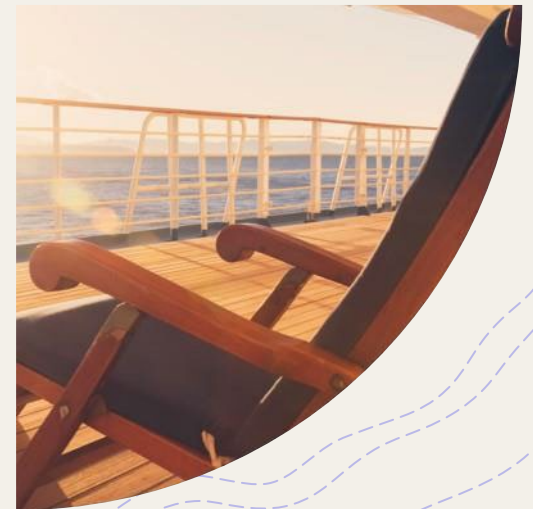


Background

Why now for the waivers?
Why are they only temporary?
Are they at risk for reversal?



One-Time Student Loan Debt Relief



Basic Eligibility

- All Department of Education held loans
 - All Federal Direct Loans
 - Stafford
 - Graduate Plus
 - Parent Plus
 - Consolidation
 - ED held FFEL and Perkins loans
 - Defaulted loans
 - FFEL or Perkins consolidated or applied for consolidation prior to September 29th, 2022

+ If the loan was eligible for the COVID pause, it's eligible for the debt relief

Income Requirements and Amounts

Income Requirements

- + Adjusted gross income (AGI) of no more than \$125K for years 2020 OR 2021 for a single borrower or married filing separately
- + AGI of no more than \$250K for married filing jointly or head of household for years 2020 OR 2021
- + Dependent students who were in school between July 1, 2021, and June 30, 2022 will be qualified based on parental income

Amounts

- + Up to \$10K for all eligible borrowers
- + Up to \$20K for borrowers who received a Pell Grant at any time
 - + Pell grants can be seen at www.studentaid.gov if awarded after 1994
- + No refunds if you owe less than your forgiveness amount*
- + Eligibility is per borrower not per family

Refunds

- + If you paid during COVID and the loan was COVID pause eligible you can request a refund of the COVID payments
- + If you still have a balance, and you paid your loan below what you will get in forgiveness during COVID the refund will be automatic
- + If you paid your loan off during COVID you have to ask the servicer for the refund proactively
- + Loans not eligible for COVID are not eligible for refunds
- + Loans paid in full by consolidation aren't eligible for pre consolidation payment refunds
- + Loans paid in full by private loan refinancing are not eligible for refunds or forgiveness



Refund Example

George has all Direct Loans, which are eligible for the COVID pause. When the pause began March 13, 2020 he owed a total of \$23K. During the pause he paid \$6K bringing his balance down to \$17K. George received a Pell grant during his academic career, so he is eligible for \$20K in debt relief. Once it is applied, he will receive an automatic refund of \$3K

Refund Example

Zeke has all Direct Loans, which are eligible for the COVID pause. When the pause began March 13, 2020 he owed a total of \$17K. During the pause he didn't make any payments. Zeke received a Pell grant during his academic career, so he is eligible for \$20K in debt relief. Once it is applied, he will have a zero balance but will not receive a refund

Application

Basic Application



www.studentaid.gov

Paused due to court proceedings



8 million won't have to apply at all

Will receive an email and given the option to opt out



Deadline to apply is December 31, 2023




Goal is to apply forgiveness before repayment restart for those that apply before mid-November



Email received once application submitted

Student Loan Debt Relief Income Verification

 Action Required

Verification

You've Been Selected to Provide Your Income Information

To process your Federal Student Loan Debt Relief Application, we need to verify that your income meets the eligibility requirements for debt relief.

If you're a parent of dependent student who was enrolled in school between July 1, 2021 and June 30, 2022, your child's eligibility for debt relief is based on your income. Upload your income documentation so we can verify that you (the parent) meet the income requirements.

The deadline to submit documentation is March 31, 2024.

Upload your Income Documentation

To verify your income, you need to upload ONE of the following documents:

- IRS Form 1040 (tax return) from 2020 or 2021
- IRS Tax Return Transcript from 2020 or 2021
- IRS Verification of Non-filing letter from 2020 or 2021 (if you didn't file federal taxes)

[Tips on locating your IRS documents >](#)

Loan Debt Relief Application Details

Date Submitted

10/23/2022

Name

John A. Smith

Email

john.smith@email.com

Phone Number

(444) 444-4444

This information reflects the details submitted in your Debt Relief Application or Parent Income Form and might not match the information in your [Account Settings](#).

Upload Document

How Forgiveness Will Be Applied

For borrowers with multiple loans, ED will apply the relief in the following order:

- Defaulted ED-held loans
- Defaulted commercial FFEL Program loans
- Non-defaulted Direct Loan Program loans and FFEL Program loans held by ED
- Perkins Loans held by ED

If you have multiple loans in a program type (e.g., multiple Direct Loan Program loans), the ED will:

- Apply relief to loans with highest statutory interest rate.
- If interest rates are the same, apply to unsubsidized loans prior to subsidized loans.
- If interest rate and subsidy status are the same, apply to the most recent loan.
- If interest rate, subsidy status, and disbursement date are the same, apply to the loan with the lowest combined principal and interest balance.

- Remaining balances are re-amortized

- The amount will not be taxed as income federally or in Massachusetts

Latest on the Lawsuits

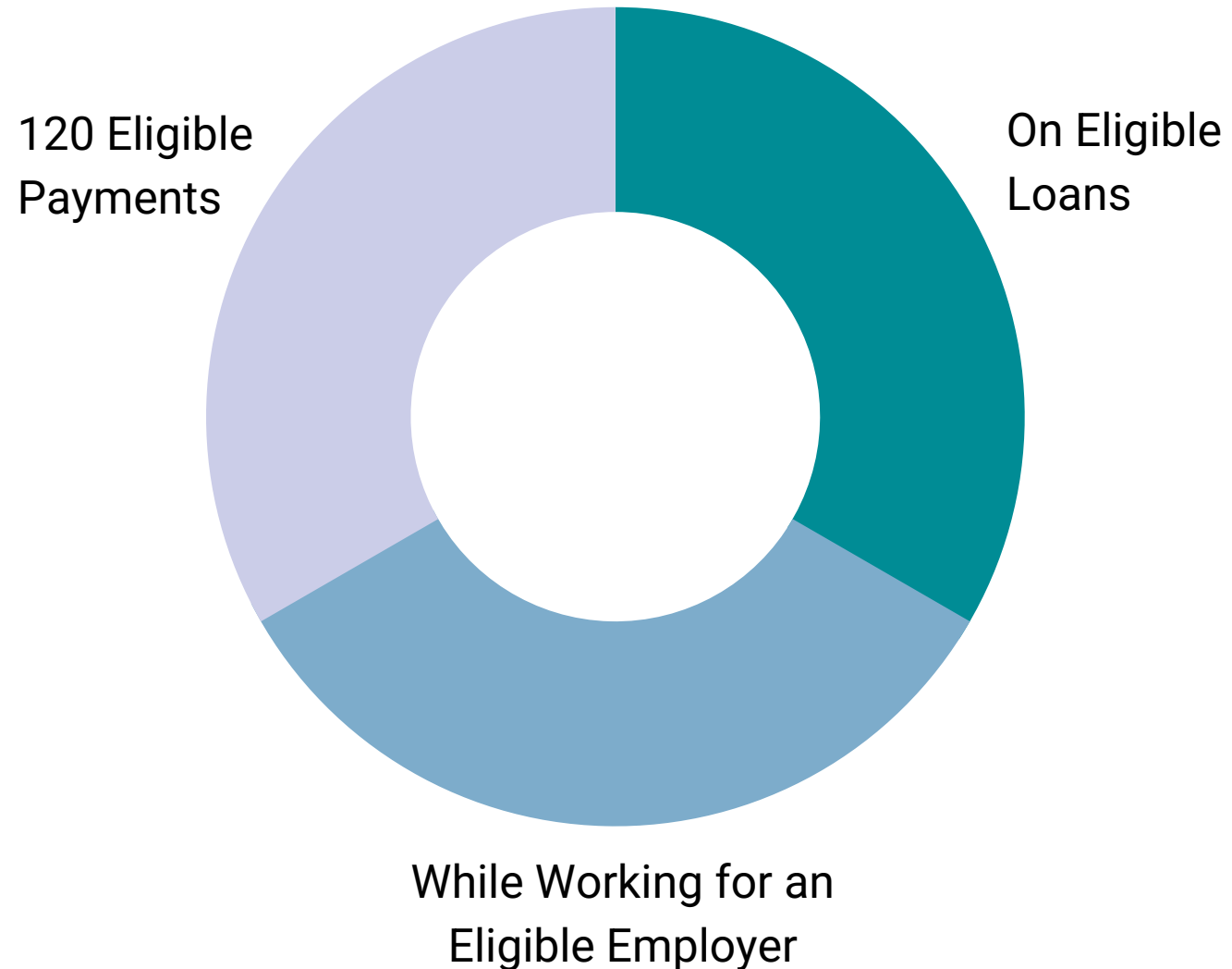


PSLF/IDR Waivers



To Obtain Forgiveness Under Public Service Loan Forgiveness

All of These
At the Same
Time



Traditional PSLF Rules

Eligible Loan

- + Any Federal Direct Loan made at any time
 - + Stafford
 - + Graduate Plus
 - + Parent Plus
 - + Consolidation

Eligible Payment

- + On time
- + Under a ten-year standard or income driven repayment plan
- + On a Direct Loan
- + While working eligible employment
- + Must be made after October 1, 2007
- + Pre consolidation payments do not count
- + Payments under default do not count

Eligible Employment

- + Full time employee for a:
 - + Government employer
 - + 501c3 non-profit
 - + Some other non-profits
- + Must be direct employee
- + Full time now defined as 30 hours per week

COVID-19 Waivers

- 0% interest rate effective March 13th for federally held federal student loans, until December 31, 2022
 - Includes defaulted loans
 - Includes commercially held defaulted FFEL
- Payment waiver for same period
- **Waiver period DOES count for PSLF, TEPSLF, IDR forgiveness, rehabilitation purposes**
- Interest will not capitalize
 - Unless another capping event occurs
- Credit report will reflect same as if borrower was paying





ONE TIME ONLY

Income Driven Plan Waiver

One Time Adjustment on All
ED Held Loans

Traditional IDR Rules

- Payments are based on income and family size
- Must apply annually
- After 20/25 years on the plan balance is forgiven
- Consolidation resets forgiveness count
- Plans include:
 - “Old” Income Based Repayment (IBR)
 - “New” Income Based Repayment
 - Pay As You Earn (PAYE)
 - Revised Pay As You Earn (REPAYE)
 - Income Contingent Repayment (ICR)

Eligible Loans

All federally held

Stafford

Graduate Plus

Parent Plus

Includes consolidated FFEL and Perkins

Must consolidate by May 1, 2023*

If it was eligible for the
COVID pause, it's
eligible for these
waivers

IDR/PSLF Waivers

- + The following are temporary exceptions:
 - + Payments made under the FFEL, Perkins or prior to consolidation will be counted
 - + Does not apply to periods of default
 - + Does apply to Parent PLUS
 - + Counted even if past due or short payments
 - + All payment plans count
 - + Periods of default do not count
 - + Some periods of deferment and forbearance will count, but not until IDR Waiver implemented
 - + ~~Periods counted under Teacher Loan Forgiveness will count~~



IDR Waiver

- + Adjustment will give IDR credit to all payments regardless of payment plan
- + Unclear how far back they will go
- + Could result in immediate forgiveness if loans have been in repayment 20/25 years
- + Consolidation will NOT reset count
- + Consolidation of loans with different counts will receive highest count
- + These will count for PSLF, including for Parent Plus loans



HEROES IDR/PSLF Waivers



- + Must consolidate ineligible loans into the Direct Loan program certification by ~~October 31, 2022~~ **May 1, 2023** to take advantage
- + Must still be working for an eligible employer for these months for PSLF
- + Any payments made over the forgiveness months needed will be refunded
 - + Does not include pre-consolidation payments
- + ~~Borrower does not need to have been working for an eligible employer at the time of forgiveness application during waiver period~~

IDR/PSLF Waivers

- + The following are temporary exceptions through May 1, 2023:
 - + Consolidation will not reset the forgiveness count
 - + If the loans have different payment counts, the consolidation will be assigned the higher count
 - + If the loan was consolidated more than once all prior periods of repayment status will be counted



Timing

- + Borrowers who have enough payments to get forgiveness under either PSLF or the IDR waivers may see the waiver applied now.
- + Most adjustments won't occur until next summer or later
- + If you must consolidate you must do so before May 1, 2023 for the IDR waiver
- + No application - it will just happen



Which Program to Pursue

Borrowers can pursue all three programs at the same time

Exception is consolidating FFEL or Perkins now will disqualify the loans from the broad debt relief

Name of the game is NOT forgiveness. It's paying the least amount over time.

Upcoming Changes

Negotiated Rulemaking



Public Service Loan Forgiveness

- Late and lump sum payments ok
- Eligible employment does not require full time status
 - 30 hours per week
 - Adjustments made for adjunct professors
- Counts periods of economic hardship, military and cancer treatment deferments
 - Must still be working eligible employment

Other Changes Effective July 1st.

Borrower Costs and Benefits

- + Most periods of interest capitalization eliminated
 - + Out of school period and leaving PAYE period maintained
- + Eliminates three-year monitoring period for disability discharge
- + Changes Closed School Discharge to 180 days from 120 from school closure date

Borrower Defense to Repayment

- + Expands examples of misrepresentation
- + Includes omissions of fact
- + Includes aggressive admissions tactics
- + Eliminates forced arbitration

Studentaid.gov

PSLF Help Tool
Loan Simulator tool
Consolidation Application
Basic Loan Information
Sign up for debt relief application availability

www.freestudentloanadvice.org

Plain English information about all things student loans
Contact page to ask questions via email
Updates to programs
Always free!

Other Links

<https://studentaid.gov/debt-relief-announcement/one-time-cancellation>
<https://studentaid.gov/announcement-s-events/idr-account-adjustment>

Resources



Thank You