STUDENT DEBT IN A TIME OF COVID-19

APRIL 28, 2021

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Today's Agenda

Public Service Loan Forgiveness – The Basics
The CARES Act
New Data
New Rules
New Forms
Resources
Policy Predications

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Public Service Loan Forgiveness

You: Make 120 qualifying loan payments while working full time in a qualifying public service position after October 1, 2007

The Federal Government: Forgives tax free the balance (principal and any accrued interest) remaining on your eligible Federal Direct Loans

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Requirements for Loan Forgiveness

Qualifying Employment
Qualifying Payments
Eligible Loans

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Sources of Student Loans

- Federal Loans: may be eligible for relief programs
  - FFEL – Federal Family Education Loans – Government guaranteed loans but funds came from banks and other financial institutions. FFEL ended in 2010.
  - Federal Direct - Funds for the loans come directly from the US Department of Education.
- Private Loans: the government cannot forgive or write off debt that it does not own
- State Loans: States may have different repayment options

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Ensure Your Ability to Earn PSLF

- Know what loans you have
- Consolidate or reconsolidate any FFEL loans into eligible Federal Direct Loans
- Enroll for an eligible loan repayment plan

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Payment Plans of Federal Loans

Federal Direct Loans
- Income-Based Repayment
- Pay As You Earn
- Revised Pay As You Earn
- Income-Contingent Repayment
- Public Service Loan Forgiveness

FFEL Loans

Income-Based Repayment

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Income-Driven Repayment Plans

- Repayment Plans for Federal Loans
- Income is a factor when determining monthly payment amounts
- No required type of employment
- Taxable forgiveness after 20 or 25 years

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Four Plans to Know

- Income-Based Repayment (IBR)
- Pay As You Earn (PAYE)
- Revised Pay As You Earn (REPAYE)
- Income-Contingent Repayment (ICR)

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Interest Accrual

- Standard 10-year repayment pays off both base loan and interest accrued
- Under IDR, your payment may not be enough to pay all the interest accruing on your loans
- You may end up paying more overall, due to interest accruing

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PSLF: Qualifying Payments

- Must make 120 on-time payments in a **QUALIFYING PAYMENT PLAN:**
- 10-Year "Standard" Repayment Plan
- Plan under which your payments are at least as much as they'd be under 10-Year Repayment
- Income-Contingent Repayment
- Income-Based Repayment
- Pay As You Earn
- REPAYE
- ***Payments do not need to be consecutive***

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Qualifying Employment

- Government
- 501 (c) (3)
- Peace Corps
- Americorps
- Public Service Organization

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Full-time Employment

- Working in what your employers consider full-time employment
- Working a minimum of 30 hours per week
- Can combine two part-time jobs
- Can change positions
- Must be paid for the work performed
- Must be paid by the qualifying employer

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How Do I Apply? Things to Keep in Mind

- Only after making 120 qualifying payments on eligible loans while working full time in qualifying employment
- Submit PSLF Application with proof of employment
- You must be in qualifying employment at the time of forgiveness
- If you are married, know that your joint income will be considered for IDR purposes and calculating your monthly payment. The only way to have your income considered on its own, you need to file your taxes married filing separately. Consult a tax advisor for more information.

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Coronavirus Aid, Relief, and Economic Security (CARES) Act

Applies only to "federally-held" student loans:
- Direct Loans
- Other federal loans held by ED

Payment Suspension

Interest Waiver

Involuntary Collection Suspension

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CARES Act Timeline

20 Mar. 2020: ED announced that it would suspend loan payments, stop collections on defaulted loans, and set interest rates to 0% for a period of 60 days.

27 Mar. 2020: Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which provided for the relief measures through Sept. 30, 2020.

Aug. 2020: President Trump directed the Secretary to continue CARES Act protections through Jan. 31, 2021.

Jan. 2020: President Biden directed that CARES Act protections be continued through at least Sept. 30, 2021.

Oct. 2021: Unless Congress or the President take further action, payments resume.

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How to tell if loans are "federally-held"

Login to StudentAid.gov with FSA ID,

From StudentAid.gov dashboard, click on "view details"

Scroll down from Aid Summary to "Loan Breakdown"

A servicer name that starts with "DEPT OF ED," is for a loan that is owned by ED and "federally-held"

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Option to consolidate commercially-held loans

- but after the 0% interest rate period ends, the interest rate may be higher
- outstanding interest will capitalize
- progress towards long-term forgiveness will be lost

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If PSLF is likely:

- Borrowers don't benefit from paying on Direct Loans during the period of suspension
- Prioritize private student loans and other debts
- File Employment Certification Form regularly and verify count

If PSLF forgiveness is unlikely:

- Borrowers should determine whether they have unpaid accrued interest and how much
- Consider whether to pay aggressively while there is a 0% interest rate

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Keep an eye on those loan servicers

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New Data: November 2020

Employment Certifications,
Public Service Loan Forgiveness,
Temporary Expanded PSLF

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	Employment Certification Form (ECF) Information	
1	Count of eligible Employment Certification Forms (ECFs)	3,296,232
	a) Government	62%
	b) Non-Profit - Section 501(c)(3)	38%
	c) Non-Profit - Other	0%
2	Count of ineligible Employment Certification Forms (ECFs)	1,441,420
3	Most common reasons for ineligible ECFs	
	Missing Information	85%
	No Eligible Loans	7%
	Employment Dates	4%
	Employer Not Eligible	4%
4	Total outstanding balance for borrowers with an eligible ECF	$118,501,551,565
5	Cumulative PSLF borrowers with an eligible ECF	1,378,000
6	Average outstanding balance for borrowers with an eligible ECF	$85,995
7	Distribution of repayment plans for borrowers with eligible ECFs	
	Income-Driven Repayment Plans	82%
	Fixed Repayment Plans	13%
	Graduated Repayment Plans	5%

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	Public Service Loan Forgiveness (PSLF) Application Information	
8	Unique Borrowers Submitting PSLF Applications	227,382
9	Total Number of PSLF Applications	296,340
10	PSLF Applications Pending Processing	26,729
11	PSLF Applications with Processing Complete	269,611
12	Count of PSLF Applications deemed eligible by the servicer	6,493
	1) Government	73%
	2) Non-Profit - Section 501(c)(3)	27%
	3) Non-Profit - Other	0%
13	Count of ineligible PSLF applications	263,118
14	Most common reasons for ineligible PSLF Applications	
	Qualifying Payments	59%
	Missing Information	26%
	No Eligible Loans	11%
15	Total balance discharged for borrowers with an eligible PSLF application	$290,395,836
16	Unique Borrowers with PSLF discharges processed	3,776
17	Average balance discharged for borrowers with an eligible PSLF application	$76,906
18	Distribution of repayment plans for borrowers with eligible PSLF Apps	
	Income Driven Repayment Plans	96%
	Fixed Repayment Plans	4%

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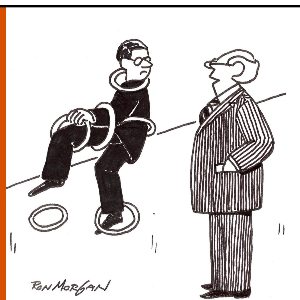

"Keep practicing, Johnson. You have to be able to jump through all of them at the same time."

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Temporary Expanded PSLF

01 Congress appropriated $700 million

02 Up to $1 billion may be forgiven

03 First come, first served basis

04 Borrowers must first be denied PSLF

05 Denial must be due to non-qualifying repayment plan

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Temporary Expanded PSLF

Borrowers must document income demonstrating that the following payments were at least as much as the borrower would have paid under an income-driven plan:

The payment made immediately prior to applying for TEPSLF, and

The payment made 12 months prior to applying for TEPSLF

An exception is made if the borrower had an unusual fluctuation in income over the prior five years

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	Temporary Expanded Public Service Loan Forgiveness (TEPSLF) Application Information	
19	Count of eligible TEPSLF requests	2,330
20	Count of ineligible TEPSLF requests	36,988
21	Most common reasons for ineligible TEPSLF requests	
	1) Borrower has not been in repayment for 10 years	30%
	2) Borrower does not meet the TEPSLF payment requirements for payments during the last 12 months	19%
	3) Borrower doesn't have 120 qualifying payments	17%
22	Total balance discharged for borrowers with an eligible TEPSLF application	$95,304,628
23	Unique Borrowers with TEPSLF discharges processed	2,184
24	Average balance discharged for borrowers with an eligible TEPSLF request	$43,638
25	Distribution of repayment plans for borrowers with an eligible TEPSLF request	
	Income-Driven Repayment Plans	65%
	Graduated Repayment	16%
	Fixed Payment, Extended Term	13%
	Standard Repayment	6%

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NEW FORM: PSLF Form

Public Service Loan Forgiveness (PSLF) & Temporary Expanded PSLF (TEPSLF) Certification & Application

combines the employment certification form and the forgiveness application

borrowers will only need to submit this one form to certify their employment or to be considered for forgiveness under PSLF or TEPSLF

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NEW RULE: Prepayments and Lump-Sum Payments

Can count as "qualifying" payments for:
- up to 12 months or
- until the next time their income-driven repayment plan is due for certification,
- whichever comes first.

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New rules allow student loan payments as a tax-free benefit of employment

	SECTION 127 QUALIFIED EDUCATIONAL ASSISTANCE PLAN	SECTION 108(F) FOSTERUS LOAN REPAYMENT ASSISTANCE PROGRAM
Maximum exclusion from income	$5,250 annually	No limit except available funding (and loan balances)
Employers eligible to participate	No restriction, for-profit OK	Must be public service (nonprofit, government, etc.)
Employees eligible to participate	According to a written classification that does not discriminate in favor of highly-compensated employees	Those working for or "under the direction of" tax-exempt nonprofits or government entities
IRS nondiscrimination testing requirements	Nondiscrimination testing is required	None; however, Fosterus will provide monthly reports to participating employers

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Resources

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Resources

Help Us Preserve Public Service Loan Forgiveness!

Text PSLF to 40649

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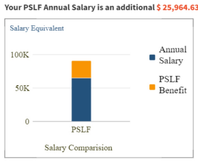
Resources

PSLFjobs

Your cost of federal debt for the next 10 years is $ 269,472.23	-	After PSLF is granted in 10 years, you will have paid $ 61,755.22	=	Your estimated PSLF savings is: $ 207,717.02

RESULTS
$ 90,964.63
IS YOUR PSLF SALARY

Your PSLF Annual Salary is an additional $ 25,964.63



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Policy predictions

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