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SPEAKER OF THE ASSEMBLY

Student Debt Cancellation and Federal Loan Information

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Co-Hosted By:



Important Information About This Webinar

This webinar is being recorded.

- Your microphone, video, and chat has been disabled and will remain so for the duration of this webinar.

Have a question?

- Submit it using Zoom's Q&A function!

All information presented in this webinar is accurate as of this date.



The Campaign for California Borrowers' Rights

The Campaign for California Borrowers' Rights is the leading statewide coalition of students, workers, consumers, older people, communities of color, veterans, and millions of other Californians affected by the student debt crisis, working to ensure student borrowers see a future free of debt.

The following organizations lead The Campaign:



STUDENT
BORROWER
PROTECTION
CENTER





DFPI Responsibilities

- Regulate companies of financial products to ensure compliance- includes student loan servicers.
- Accept and review consumer complaints.
- Take legal action when companies are not in compliance.
- Protect consumers from fraud and abuse.
- Conduct education & outreach
 - Student loans and student loan literacy
 - Credit building
 - Protect yourself from scams & frauds

Student Loan Debt in California

- In California, 4 million borrowers owe \$141B of student loan debt.
- California has the highest number of enrolled college students at 2.58 million.
- The average debt load of a California borrower is \$37,000 and average monthly payment is \$203.
- The majority of debt is held by borrowers between ages of 35-49 years old.
- In the United States, borrowers owe \$1.78T of student loan debt.

Outsized Impact to Students of Color

- Over half (56%) of the students who attend public two and four-year institutions in California come from families that earn under \$40,000 annually.
- Ninety percent of Black and 72% of Latinx students take out college loans in comparison to 66% of white borrowers.
- A borrower in a 75 percent minority neighborhood is 5 times more likely to fall behind on their student loan payments.
- Default rates are higher for black borrowers, followed by Latinx borrowers and first-generation students.
- Black women have the largest student debt burdens of all.



California Student Borrower Bill of Rights

[Bill Text - AB-376 Student loan servicing. \(ca.gov\)](#)

- Prohibits servicers from engaging in abusive, unfair or deceptive practices and requires that they work in "best financial interest" of borrowers.
- Servicers must provide borrowers with information and applications for Income-Driven Repayment plans and other forms for federal benefits and protections.
- Establishes special protections for military borrowers, borrowers working in public service, older borrowers, and borrowers with disabilities.
- Protect borrowers from any negative consequences stemming from a sale, assignment, transfer, system conversion, or payment made by the borrower to the original student loan servicer consistent with the original student loan servicer's policy.
- Borrowers can file a complaint with DFPI <https://dfpi.ca.gov/submit-a-complaint/>
- Created Student Loan Ombudsman position

Federal Loans vs Private Loans

Federal Loans- Made and funded directly by the U.S. Department of Education(ED). Interest rates are fixed and will not change unless consolidated. There are aggregate and annual limits.

Subsidized or Unsubsidized.

Private Loans- Made by a lender such as a bank, credit union, state agency, or a school. Do not offer the flexible repayment terms and forgiveness options provided by federal student loans. Often require an established credit record or a cosigner. Have higher limits.

A borrower may have a mix of federal and private loans.

Lender vs Servicer

Lender- A company or organization lending you the money. They "originate" the loan. For federal loans, ED is lender.

Student Loan Servicer- The borrower's main point of contact. Company that tracks loans while you are in school and sends a borrower their bill each month. Collects and processes loan payments. Processes changes in repayment plans, deferments, forbearances, or other activities to prevent default. A borrower may be transferred to several servicers throughout the life of the loan and may have more than one servicer.

Federal Loan Servicers

 **MOHELA**®

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SERVICES

Private Lenders

NAVIENT®

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Federal Student Debt Cancellation

August 2022, President Biden announces a student debt cancellation plan using the emergency powers provided in the HEROES Act.

- Debt relief would be available to individuals with federally-held student loans that earned less than \$125,000 per year, or \$250,000 per household.
- The plan provided up to \$10,000 in relief to all qualifying borrowers, and up to \$20,000 to those who received Pell Grants
- Over 26 million people applied and over 16 million had their application approved.

June 2023, the U.S. Supreme Court blocks the initial plan after hearing two cases challenging it.

- The Supreme Court's decision narrowly applies to the HEROES Act only.

Federal Student Debt Cancellation

Following the Supreme Court ruling the President announced a plan to pursue student debt cancellation using an alternative legal authority in the Higher Education Act (HEA),

- A negotiated rulemaking process - or NegReg - has begun which will allow the public to submit comment about, and a committee of stakeholders to negotiate, a final rule to be presented to the Department of Education.
- This process can take some time and the final rule may look different than the President's initial plan.

The administration is also pursuing targeted debt cancellation for specific groups of borrowers including those who have been in an income-driven repayment plan for over 20 years and those defrauded by predatory for-profit institutions.

Federal Student Loan Updates

Pandemic-related Payment and Interest Pause Ends August 31

- Since March 2020, federally-held student loans have had payments and interest paused.
- Relief ended on August 31: interest resumed starting September 1 and payments will resume in October (exact due date varies by borrower).

“On-Ramp” to Repayment

- The Department of Education will launch an “on-ramp” program for borrowers who cannot afford payments when they resume this fall.
- The program will prevent borrowers from becoming delinquent or defaulting on their loans if they miss payments during the 12 month program.
- Missed payments during the “on-ramp” period will not be reported to collection agencies or credit bureaus.
- Interest will continue to accrue should you miss your monthly payment. Future monthly bills will be automatically adjusted to reflect the accrued interest during those months for borrowers not enrolled in an income driven repayment plan.

Federal Student Loan Updates

Fresh Start Program

- One-time temporary program from the U.S. Department of Education (ED) that offers special benefits for borrowers with defaulted federal student loans.
 - Return your defaulted loans to “in repayment” status.
 - Remove the record of your default from your credit report.
 - Access to Federal Student Aid
 - Stopped Collections
 - Eligibility for Other Government Loans
- You must contact your loan holder. If your loans are held by a GA you must contact them, If they are held by ED, you can:
 - Online: Go to myeddebt.ed.gov
 - Phone: Call 1-800-621-3115
 - Mail: Write to P.O. Box 5609, Greenville, TX 75403.
- Borrowers who do not enroll, will be automatically placed back into collections on 10/01/2024.

Federal Student Loan Updates

Saving on a Valuable Education Plan (SAVE)

- New Income-Driven Repayment (IDR) plan that replaced Revised Pay As You Earn (REPAYE).
- The plan raises the amount of income that is considered non discretionary income, guaranteeing that no borrower earning less than 225% of the federal poverty level (roughly \$15/hour for a single borrower) will have to make a monthly payment.
- Borrowers enrolled in the SAVE Plan will not be charged unpaid monthly interest, meaning no borrower's loan balance will grow as long as they make their monthly payment.
- Additional benefits will launch in the summer of 2024:
 - For undergraduate loans, the plan will cut the amount borrowers have to pay each month, from 10% to 5% of discretionary income.
 - Borrowers who have both undergrad and grad loans will pay a weighted average of 5-10% of their income based upon the original principal balances.
 - For those with original undergrad loan balances less than \$12,000, remaining debt will be forgiven after 10 years of payments.
- If borrowers were already enrolled in the REPAYE Plan, they will automatically be enrolled in the SAVE Plan.

Federal Student Loan Updates

One-Time Income-Driven Repayment (IDR) Account Adjustment

- If you're on an IDR plan or working toward PSLF, your remaining loan balance is forgiven after you make the required number of payments.
- Applicable to all federal Direct Loans and federally-held FFEL Loans.
- Commercially-held FFEL Loans can qualify if they are consolidated before 12/31/23! If borrowers do not consolidate, they will not be given credit for any previous payments.
- The account adjustment will count time toward forgiveness:
 - any months in a repayment status, regardless of the payments made, loan type, or repayment plan;
 - 12+ months of consecutive forbearance or 36+ months of cumulative forbearance;
 - Months spent in economic hardship or military deferments in 2013 or later;
 - Months spent in any deferment (except in-school deferment) prior to 2013;
 - Time in repayment on earlier loans before consolidation of those loans into a consolidation loan.
- All periods credited toward IDR will also be credited toward PSLF for eligible loans and periods where the borrower certifies public service employment

Public Service Loan Forgiveness (PSLF)

Background

- Program created in 2007 to encourage individuals to enter and remain in public service.
- Student loan forgiveness granted after satisfying certain criteria for 10 years.

PSLF Requirements

Federal Loans

- Direct Loans- Subsidized or unsubsidized
- Direct Plus Loans – PP loans need to consolidate

Employment

- Government organization at any level or 501(c)(3)
- Working for a weekly average, alone or when combined, equal to at least 30 hours.

Repayment Plan

- All Income-Driven Repayment (IDR) plans.

Qualifying Payments

- 120 payments- do not have to be consecutive.
- You may pre-pay or make lump sum for up to 12 months or when your next IDR is due.

Applying for Public Service Loan Forgiveness

Is your employer a qualified public service employer?

- You can check FSA Employer Eligibility Search Tool
<https://studentaid.gov/pslf/employer-search>
- You will need your employer's Federal Employee ID Number (FEIN)

What loans do you have?

- Log into <https://studentaid.gov/fsa-id/sign-in/la>

Consolidate loans if necessary *

- <https://studentaid.gov/app/launchConsolidation.action>

Submit ECF (Employer Certification Form)

- Can now be submitted electronically through DocuSign.
- You will need the correct email address for an “authorizing official.”

Return to Repayment

- Federal repayments resumed on 10/01/2023. Borrowers are reporting a lot of issues with accounts, enrolling in new repayment plans, and billing.
- Remember:
 - Servicer transfers – know your servicer and loan information.
 - Update your contact information with your loan servicer and studentaid.gov
 - Read and maintain all communication from servicer and ED.
- If you recently applied for a new/different repayment plan, your servicer may place you on “administrative forbearance” while they process.
- These months will count towards PSLF and IDR forgiveness count.
- Explore your repayment options. <https://studentaid.gov/loan-simulator/>
- If you are in default apply for the Fresh Start by 09/30/2024 to receive access to repayment plans and forgiveness programs.
<https://studentaid.gov/announcements-events/default-fresh-start>

Beware of Student Loan Scams!



Be Prepared:

- Know name of your student loan servicer.
- Verify the information and research the company.
- Never give out your login information or passwords.
- Do not subscribe to any monthly service or sign a contract.

Remember:

- There is nothing a company can do for you that you can't do on your own for free.
- Loan servicers and the federal government do not call borrowers on the phone.
- If someone is offering “special access” or there is a sense of urgency, it is most likely a scam.
- File a complaint if you have been a victim of fraud.
DFPI or FTC.

What's Next In California?

Currently California public colleges and universities utilize harmful debt collection practices around institutional debt.

- Institutional debt is debt owed by students directly to a higher education institution that results in unpaid tuition or other financial obligations.
- Colleges and universities can withhold diplomas or bar students from re-enrolling in order to collect on this debt.
- To learn more about institutional debt and share your story go to: www.californiaborrowers.org

QUESTIONS ?

A group of diverse students in a classroom setting, with several raising their hands. The image is overlaid with a blue tint. The students are of various ethnicities and are engaged in a learning activity. The word "QUESTIONS ?" is written in large, white, serif font across the top of the image.

FSA Links

Student Aid Login - Account/Loan information:

<https://studentaid.gov/fsa-id/sign-in/landing>

SAVE Plan: <https://studentaid.gov/announcements-events/save-plan>

PSLF Requirements:

<https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service>

Income Driven Repayment:

<https://studentaid.gov/announcements-events/idr-account-adjustment>

Fresh Start: <https://studentaid.gov/announcements-events/default-fresh-start>

Important Links

- Manage your federal student loans: www.studentaid.gov
- Subscribe to the DFPI's newsletter: www.dfpi.ca.gov/subscribe
- Contact DFPI with questions: Outreach@dfpi.ca.gov
- File a complaint against a servicer: www.dfpi.ca.gov/file-a-complaint/
- Email questions to Celina Damian, CA Student Loan Servicing Ombudsperson at: celina.damian@dfpi.ca.gov
- Find your local legal aid services and other regional resources: <https://dfpi.ca.gov/backontrack/resources/>
- Resources on navigating student debt relief programs: www.cancelmystudentdebt.org
- Learn more about The Campaign for California Borrowers' Rights coalition and what's happening in California: www.californiaborrowers.org



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