

GET HELP WITH YOUR STUDENT DEBT!



STUDENT LOAN WORKSHOP

Tuesday, October 17th



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DISTRICT 64



DEPARTMENT OF
FINANCIAL PROTECTION
& INNOVATION



The Campaign for

CALIFORNIA

Borrowers' Rights

Important Information About This Webinar

We are not lawyers or financial counselors. We are policy and program experts, and borrowers helping borrowers.

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:





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



- 4 million borrowers owe over \$149 billion of federal student loan debt.
- The majority of debt is held by borrowers between ages of 35-49 years old.
- In 2019-2020, 5% of graduates had private student loan debt.
- The average debt load of a California borrower is \$37,000.
- Borrowers who attend for-profit institutions have higher debt amount and make less progress in paying the debt down.
- In the United States, borrowers owe \$1.78T of student loan debt.

SLSA & CCPFL

2017- Cal. Fin. Code, § 28100 et seq. - Student Loan Servicing Act (SLSA)

Granted DFPI authority to license and regulate all persons “engage[d] in the business of servicing a student loan” in California.

Currently there 44 federal and private student loan servicers licensed through DFPI.

2020- Cal. Fin. Code, § 90000 et seq. - California Consumer Financial Protection Law (CCFPL)

Encourage responsible innovation in financial services by clarifying regulatory expectations for emerging products and services.

Increase public outreach and education to historically vulnerable populations throughout the state.

2022- Cal. Civ. Code, § 1788.200, et seq- Private Student Loan Collections Reform Act

May not initiate a private education loan collection action unless possess certain documents.

A court may not enter a judgment in favor of a private education lender or a private education loan collector unless the documents were introduced.

California Student Borrower Bill of Rights

- 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) through the William D. Ford Federal Direct Loan Program. Interest rates are fixed and set by Congress. No credit check required (except Plus loans). 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.

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- 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. The borrower's main point of contact. A borrower may be transferred to several servicers throughout the life of the loan.

Federal Loan Servicers

 MOHELA®

 nelnet

aidVantage

 EdFinancial
SERVICES

Private Lenders

NAVIENT®

 WELLS
FARGO

 SallieMae®

SoFi 

DISCOVER®

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 have started.**

“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 ED, you can contact us using one of the three methods below. If your loans are held by a guaranty agency, you’ll need to call that agency.
 - Online: Go to myeddebt.ed.gov
 - Phone: Call 1-800-621-3115
 - Mail: Write to P.O. Box 5609, Greenville, TX 75403.

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 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.
- There were a variety of reasons why some months may not have been credited.
- 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)
- Employer's definition of full-time or work at least 30 hours per week.

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.”

Restart of Payments

- Lots of changes since March 2020.
 - Servicer transfers
 - Personal circumstance changes
- Know your loan information; loan type, balance and loan servicer.
- Update your contact information with your loan servicer and studentaid.gov
- Read all communications
- There are other repayment plans. Explore your repayment options.
<https://studentaid.gov/loan-simulator/>
- If you are in default apply for <https://studentaid.gov/announcements-events/default-fresh-start>
- Who is at higher risk of falling behind?

Beware of Student Loan Scams!

Scammers are contacting borrowers by phone, email, and mail.



Protect Yourself:

- 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.
- Verify the information and research the company.
- Never give out your login information or passwords.
- Do not subscribe to any monthly service offering help.
- File a complaint if you have been a victim of fraud.

What's Next In California?

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

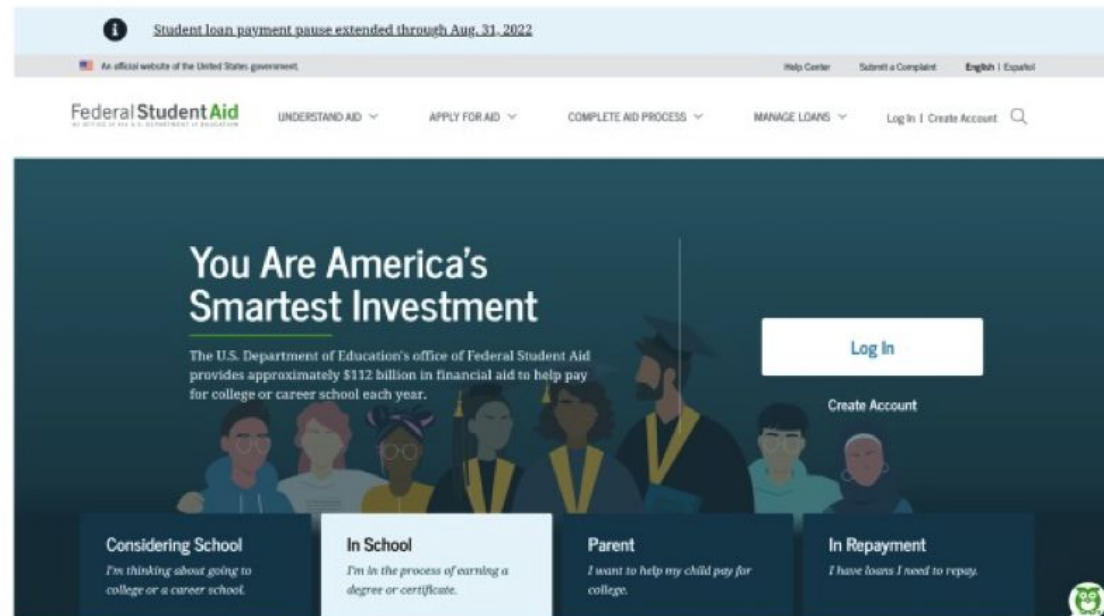
- Institutional debt is debt owed by students directly to a higher education institution that results in unpaid tuition or other financial obligations. Students may better recognize this as having to pay “outstanding fees” to their campus.
- Colleges and universities can withhold diplomas or bar students 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 ?



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: <https://studentaid.gov/h/manage-loans>
- Subscribe to the DFPI's newsletter: www.dfpi.ca.gov/subscribe
- File a complaint against a servicer: <https://dfpi.ca.gov/submit-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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Thank You for Joining Us!



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