



Free my Future

STUDENT LOAN DEBT SUMMIT

Workshop: California Rights and Resources for Student Borrowers

2:00 pm - 3:00 pm

#FMF2024





About DFPI

- California's consumer protection agency.
- Regulate companies of financial products to ensure compliance- includes student loan servicers.
- Accept and evaluate consumer complaints.
- Take enforcement and legal action when companies are not in compliance.
- Enforce student loan related protections.
- Conduct education & outreach to enhance consumer awareness and protect them from fraud and abuse.
- Role of Ombudsperson.

DFPI redesigned webpage

The screenshot shows the top portion of the DFPI website. At the top left is the CA*gov logo and social media icons for X, Facebook, LinkedIn, and Instagram. On the top right are links for 'Translate' and 'Settings'. Below this is the DFPI logo and the text 'DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION'. A search bar contains the text 'Search any financial topic or provider' and a magnifying glass icon. A navigation menu includes 'HOME', 'CONSUMERS', 'REGULATED INDUSTRIES', 'RULES & ENFORCEMENT', 'NEWS', 'ABOUT', and 'SUBMIT A COMPLAINT'. The main content area features a blue background with a diamond-shaped image of a smiling student with glasses. To the left of the image, the text reads: 'Student Loans', 'Learn about your rights as a Californian with student loans. Explore options for repayment, find answers to frequently asked questions, and access free resources and support.' At the bottom of this section, a link states: 'Esta página está disponible en Español.'

dfpi.ca.gov/consumers/student-loans/

Student loan debt in California



- In California, 4 million borrowers owe \$141B of student loan debt.
- The average debt load of a California borrower is \$37,000.
- The majority of debt is held by borrowers between ages of 35-49 years old.
- Women hold nearly two-thirds of the outstanding student debt, close to \$929 billion.
- The default rate in California is 7.1%.
- In the United States, borrowers owe \$1.78T of student loan debt.

Disproportionate amount of student loan debt



Disproportionate debt burdens held by women, low-income borrowers and borrowers of color.

- Rising cost of tuition and fees at public colleges and universities.
- Racial wage gap results in less family support.
- Predatory institutions and practices.
- Gender and racial pay gap.

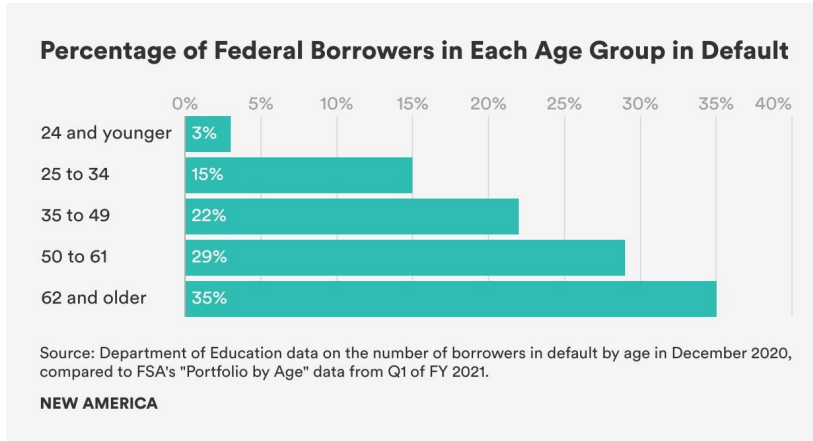
A borrower in a 75 percent minority neighborhood is 5 times more likely to fall behind on their student loan payments.

Women hold nearly two-thirds of the national student debt.

Default rates are higher for black borrowers, followed by Latinx borrowers and first-generation students.

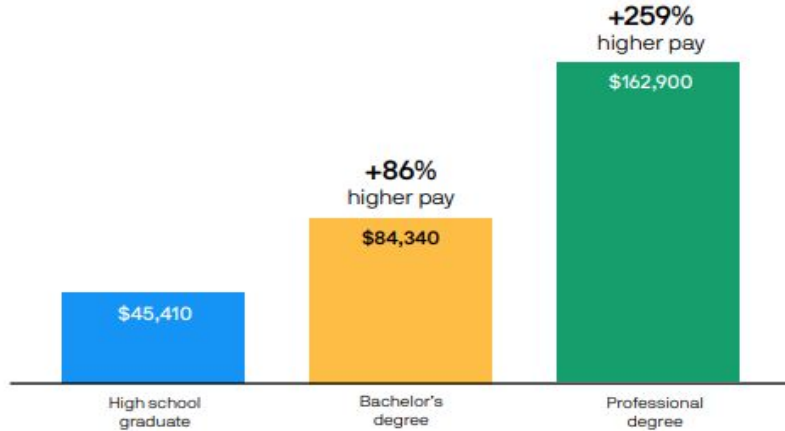
Older Americans and student loan debt

- Borrowers aged 50-61 owe \$283 Billion in federal student loan debt.
- Borrowers aged 62 and older owe \$117 Billion in federal student loan debt.



The value of college

Average annual earnings
by highest educational degree¹



College pays
for itself

\$38,930

extra income for an average bachelor's degree holder in just one year, enough to **pay for three semesters** of current in-state public college costs.²



1. U.S. Census Bureau, Current Population Survey. Data for 2022 based on mean earnings for workers aged 18 and older.

2. College Board, *Trends in College Pricing and Student Aid 2023*. Based on average tuition, fees, and room and board at an in-state, four-year public university.

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.
- A borrower has the right to take legal action against their servicer if they fail to comply with these laws. 'Private Right of Action'.
- Borrowers can file a complaint with DFPI or contact DFPI Ombudsperson.

Borrower Protections



Private Student Loan Collections Reform Act

A private education lender or a private education loan collector may not initiate a 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.

SLSA & SBOR – Updated Regulations

Updated SLSA & SBOR to include income share agreements (ISA) and retail installment contracts (RIC) as a servicer, therefore being subject to DFPI enforcement. The rules became effective Jan. 1, 2024.

Federal Protections

Higher Education Act of 1962 (HEA)

Truth in Lending Act (TILA)

Fair Credit Reporting Act (FCRA)



How to help mitigate student loan debt

- Preparation starts in high school.
- Have a clear understanding of costs and options for financing higher education.
- Create a plan to graduate in four years.
- Understand financial aid information including award letters.
- Access all free aid (grants, loans, scholarships) before student loans.
- Develop an academic map.
- Understand student loans.
- Financial Literacy.



Planning in high school

Make sure students are on track to graduate with at least a 3.0 GPA.

- Communicate with counselors and advisors. Find mentors.
- Take advantage of AP classes, dual and concurrent enrollment.

Choosing a College

- Consider quality of school.
- Consider school's graduation and transfer rates.
- If unsure, consider community college.

Determine school's net cost

- A college's cost of attendance minus the grants and scholarships received.

Compare potential careers and salaries.

- Average starting salary of Bachelor's degree candidate: \$58,862
- Enroll in career exploration programs.

Return on Investment \$\$\$

- Never borrow more than you expect to earn in your first year after graduation.
- How much earnings you can expect versus how much the degree costs?



Important financial terms for students

Budget- A plan that helps students manage their money. It will help students avoid overspending, debt or running out of money.

Saving- One of the most critical principles and habits for students to learn. Open a savings account and having an emergency fund.

Spending wisely- Budget spending in advance and track where your is going. Students should practice living within their means.

Borrowing- Understand how credit cards and loans will impact budget.

Credit Scores & Credit Reports- Understand credit and how student loan debt and other types of credit will affect credit score.

Student loan key terms

Interest- The amount of money a lender or financial institution charges for allowing customers to borrow money. Rates are set by Congress each year. Charged daily.

Capitalization- Unpaid interest added onto the loan balance after periods of nonpayment (grace period, forbearance and deferment). Capitalization increases loan's principal balance, and interest is charged on the new, larger balance.

Grace Period- A set period of time available for undergrad students after graduation, leave school, or drop below half-time enrollment before repayment begins. Typically, six months. For most loans, interest accrues during grace period.

Forbearance & Deferment- Temporary relief available to borrowers. During a deferment, interest doesn't accrue on some types of loans. During a forbearance, interest accrues on all loan types.

aidVantage

 MOHELA®

 DEPARTMENT OF
FINANCIAL PROTECTION
& INNOVATION

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.

To confirm your student loan servicer or loan type, log on to [Log In | Federal Student Aid](#)

 nelnet®

 EdFinancial
SERVICES

 Free my Future
STUDENT LOAN DEBT SUMMIT

Federal loans

Direct Loans – All loans disbursed after 2010 are Direct Loans.

- Subsidized-Available to undergraduate students with financial need. The government pays the interest while in school at least half-time. Up to \$5500 annual award.
- Unsubsidized- Available to undergraduate students. There is no requirement to demonstrate financial need. Borrower pays all the interest since disbursement. Up to \$20,500 annual award.

Direct Graduate PLUS Loans- Available to students pursuing graduate or professional degrees. Unsubsidized. A credit check is required. Max amount is cost of attendance minus other financial aid.

Parent PLUS Loans- Available to parents of undergraduate students. The maximum PLUS loan amount a parent can borrow is the cost of attendance at the school the child will attend minus any other financial assistance your child receives. Can not be transferred back to a child. Higher interest rates and origination fees. No grace period. Riskier loans.

Direct Consolidation Loans- A loan that combined one or more federal education loans into one loan.

Private loans

- Private loans are made by a lender such as a bank, credit union, state agency, or a school.
- Not funded or subsidized by the federal government.
- May have variable interest rates.
- Do not offer the flexible repayment terms and forgiveness options provided by federal student loans.
- Often require an established credit record or a cosigner.
- Once you refinance into a private loan cannot revert to a federal loan.
- CA Private Student Loan Collections Reform Act

Prior to repayment



Review student loan history

- The current loan balance and interest rate for each loan.
- The loan type
- The name of the loan servicer for each loan.
- Know end of grace period and repayment start date.
- Create an account on servicer portal and studentaid.gov.

Complete mandatory exit counseling.

Check credit report.

Understand responsibilities and options.

Create a strategy to pay debt and track any future debt.

Federal repayment plans

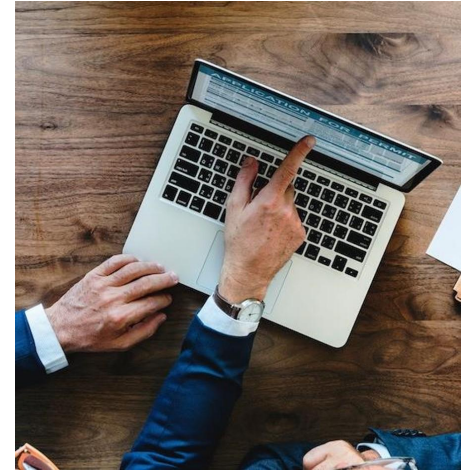
Traditional Payment Plans - Give borrowers a set amount of time to pay their student loan with a fixed or graduated monthly payment.

- Standard Repayment Plan- default plan for all borrowers after grace period.
- Graduated Repayment Plan
- Extended Repayment Plan

Income-Driven Repayment (IDR) plans- Set a borrower's monthly payments at an amount based on their income and family size. Most federal student loans are eligible for at least one IDR plan.

- Pay As You Earn (PAYE) Plan
- Income-Based Repayment (IBR) Plan
- Income-Contingent Repayment (ICR) Plan
- Saving on a Valuable Education (SAVE) Plan – Currently blocked due to court injunction.

<https://studentaid.gov/loan-simulator/?from=turboTax>



Why stay on track?

Delinquency-

The first day after you miss a student loan payment, your loan becomes past due, or delinquent.

If you are delinquent on your student loan payment for 90 days or more, your loan servicer will report the delinquency to the three major national credit bureaus.

Default-

For a federal loan, you are considered in default if you don't make your scheduled student loan payments for at least 270 days.

The consequences of default includes; losing eligibility for additional federal student aid, reporting to credit bureaus, wage garnishment, and withholding of tax refunds or federal benefit payments.



Federal forgiveness and discharge programs



Public Service Loan Forgiveness- Borrowers who work in public service to qualify for forgiveness of the remaining balance of their Direct Loans after they have made 120 qualifying payments while employed full-time by certain public service employers.

Teacher Loan Forgiveness- Teachers who work five complete and consecutive academic years in a low-income school or educational service agency may be eligible for up to \$17,500 in forgiveness.

Income-Driven Repayment (IDR) Forgiveness- Borrowers who repay their loans under an IDR plan, may have the remaining balance of their student loans forgiven after making a certain number of payments over 20 or 25 years.

Total Permanent Disability Discharge- Borrower is totally and permanently disabled.

Borrower Defense Discharge- The school engaged in certain misconduct related to the making of a federal loan.

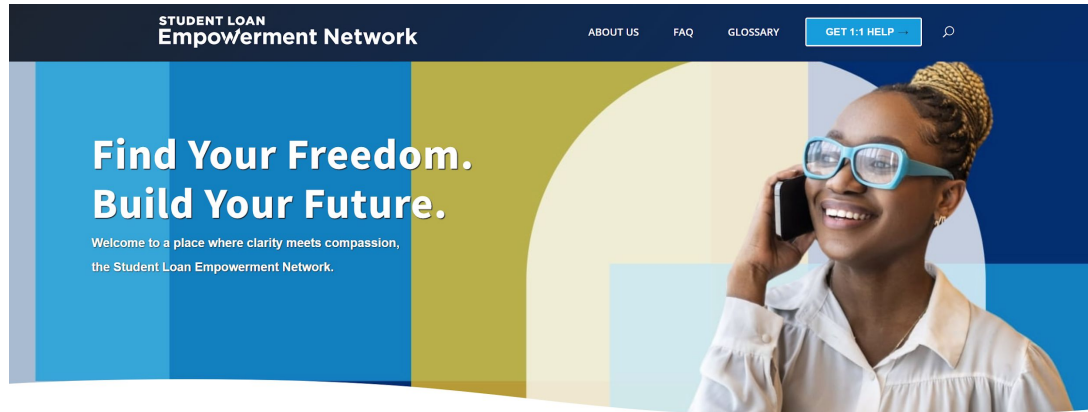
California Repayment Assistance Programs


- Steven M. Thompson Physician Corps Loan Repayment Program (STLRP)- up to \$105,000
- California State Loan Repayment Program (SLRP)- Up to \$110,000
- CalHealthCares Loan Repayment Program- up to \$300,000
- California Dental Association (CDA) Student Loan Repayment Grant- up to \$250,000
- Bachelor of Science Nursing Loan Repayment Program- up to \$10,000
- County Medical Services Program (CMSP) Loan Repayment Program- up to \$50,000
- Allied Healthcare Loan Repayment Program- up to \$16,000
- Licensed Mental Health (LMH) Services Provider Education Program- up to \$30,000
- Licensed Vocational Nurse Loan Repayment Program (LVNLRP)- up to \$6,000





<https://hcai.ca.gov/loans-scholarships-grants/>

Student Loan Empowerment Network



 **Get One-On-One**
free student loan help with a live counselor.
[Learn More >>](#)

 **Get Answers**
from trusted student loan resources.
[Learn More >>](#)

 **Get Clarification**
from the Glossary of student loan terms.
[Learn More >>](#)

<https://studentloanhelp.dfpi.ca.gov/>

Key takeaways



- Exhaust grants, scholarships before accepting student loans.
- A loan is a legal obligation and must be paid back whether student graduates or not.
- Only borrow what is needed and track debt amount.
- Make sure your contact information is updated with student loan servicer and studentaid.gov.
- Understand your options and find your trusted resources to assist you with forgiveness or repayment options.

Student loan and financial aid scams



- Know name of your student loan servicer.
- Should not pay to attend a scholarship and financial aid seminar.
- 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.
- If receiving multiple calls a day offering “special access”, “guaranteed, it may be a scam.
- File a complaint if you have been a victim of fraud. DFPI or FTC.

Resources

Federal Student Aid (FSA)

- <https://studentaid.gov/h/manage-loans>
- <https://studentaid.gov/manage-loans/repayment>
- <https://studentaid.gov/manage-loans/repayment/servicers>

Bureau of Private Post-Secondary Education (BPPE)

- <https://bppe.ca.gov/students/>

CA Student Aid Commission (CSAC)

- <https://www.csac.ca.gov/>

DFPI

- Back on Track Page: <https://dfpi.ca.gov/backontrack/>
- DFPI's YouTube channel: <https://www.youtube.com/cadfpfi>
- Celina Damian Celina.damian@dfpi.ca.gov





Free my Future
STUDENT LOAN DEBT SUMMIT

Thank you for joining us at Free My Future Student Loan Debt Summit 2024!

For a recording of the Summit check out our YouTube Channel at NextGen Policy

For free student debt resources check out our website at www.nextgenpolicy.org/FreeMyFuture

Follow us on Twitter @NextGen_Policy and Facebook @NextGenPolicyCA

#FMF2024



Free my Future

STUDENT LOAN DEBT SUMMIT

Connect with us!

Connect with FMF 2024 co-hosts to join the movement to end the student debt crisis:

Student Debt Crisis Center – www.studentdebtcrisis.org

Student Borrower Protection Center – www.protectborrowers.org

Young Invincibles – www.younginvincibles.org

Consumer Reports – www.advocacy.consumerreports.org

The Campaign for California Borrowers' Rights Coalition – www.californiaborrowers.org

#FMF2024