

Student Loan Repayment Counseling: Options for When You've Run Out of Options

For Local Initiatives Support Corporation Counselors

Ashley Norwood, AFC®

Regional Manager - Northeast

AccessLex Center for Education and Financial Capability

LISC

AccessLex®

CENTER FOR EDUCATION
AND FINANCIAL CAPABILITY®

Housekeeping

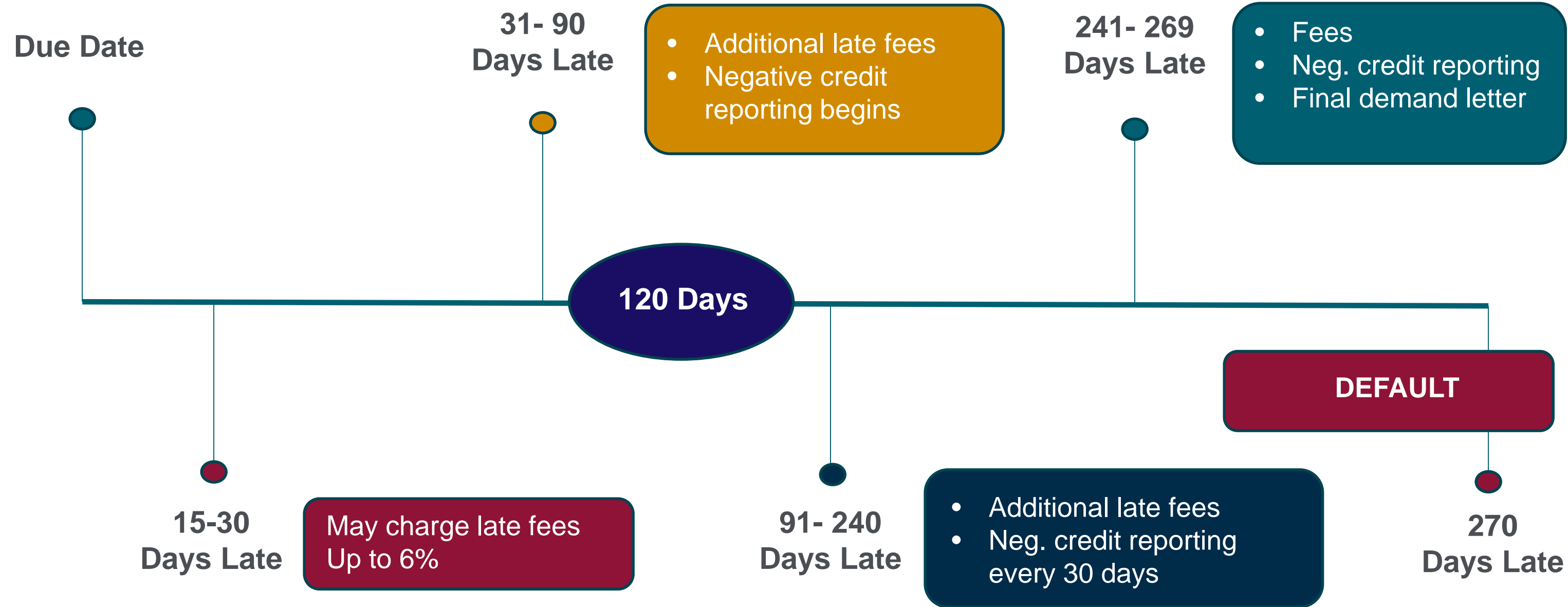
- This webinar is being recorded
- Copy of the slide deck will be available on our FOC website (<http://www.FOC-Network.org/>)
- All lines have been muted to reduce background noise
- We will take questions at the end but please write your questions into the chat box throughout the webinar
- Send any unanswered questions to your local program officer

FINDING LOAN INFORMATION

Federal Loans
[NSLDS.ed.gov](https://www.nsls.ed.gov)

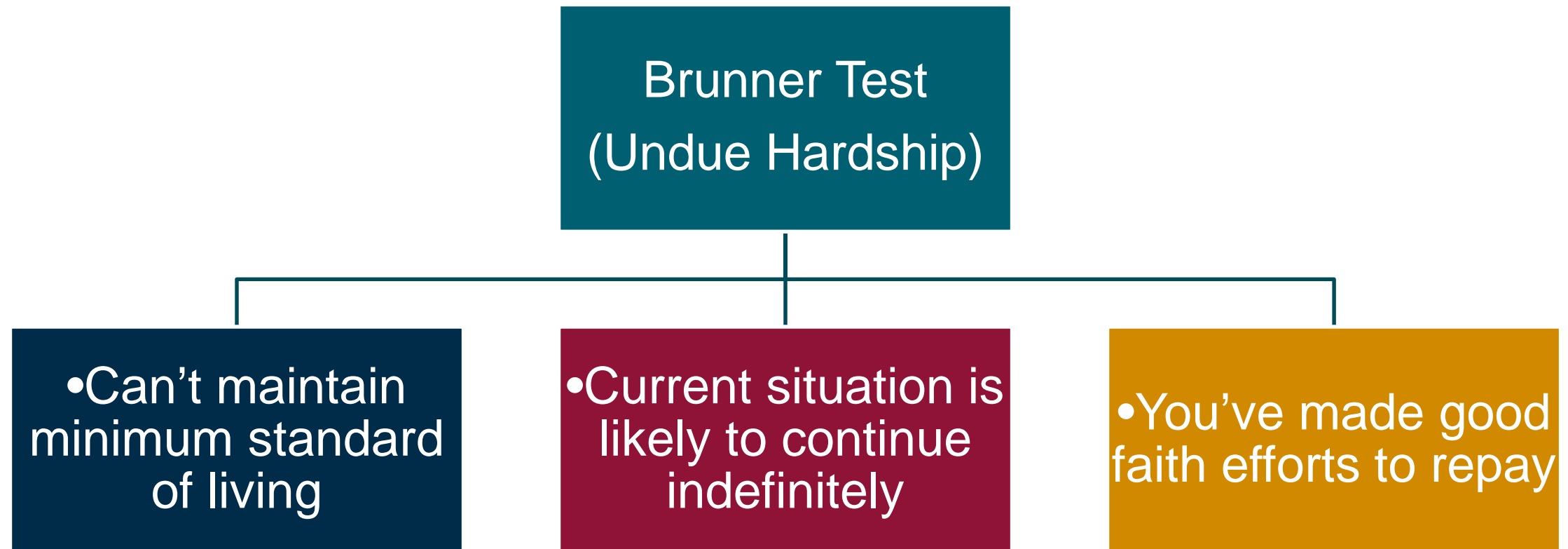
Private Loans
[AnnualCreditReport.com](https://www.annualcreditreport.com)

Delinquency Timeline



Bankruptcy & Federal Student Loans

- Slim chance to be the solution, but possible
- With IDR plans, this is a long shot in most states



Avoiding Default

Make payments

- Get caught up

- Not usually reasonable

Forbearance

- Retroactive/Limited time

- Band aid

Consolidation

- Restarts
repayment/postponement
clock

- Cleans up delinquency

Switch to IDR

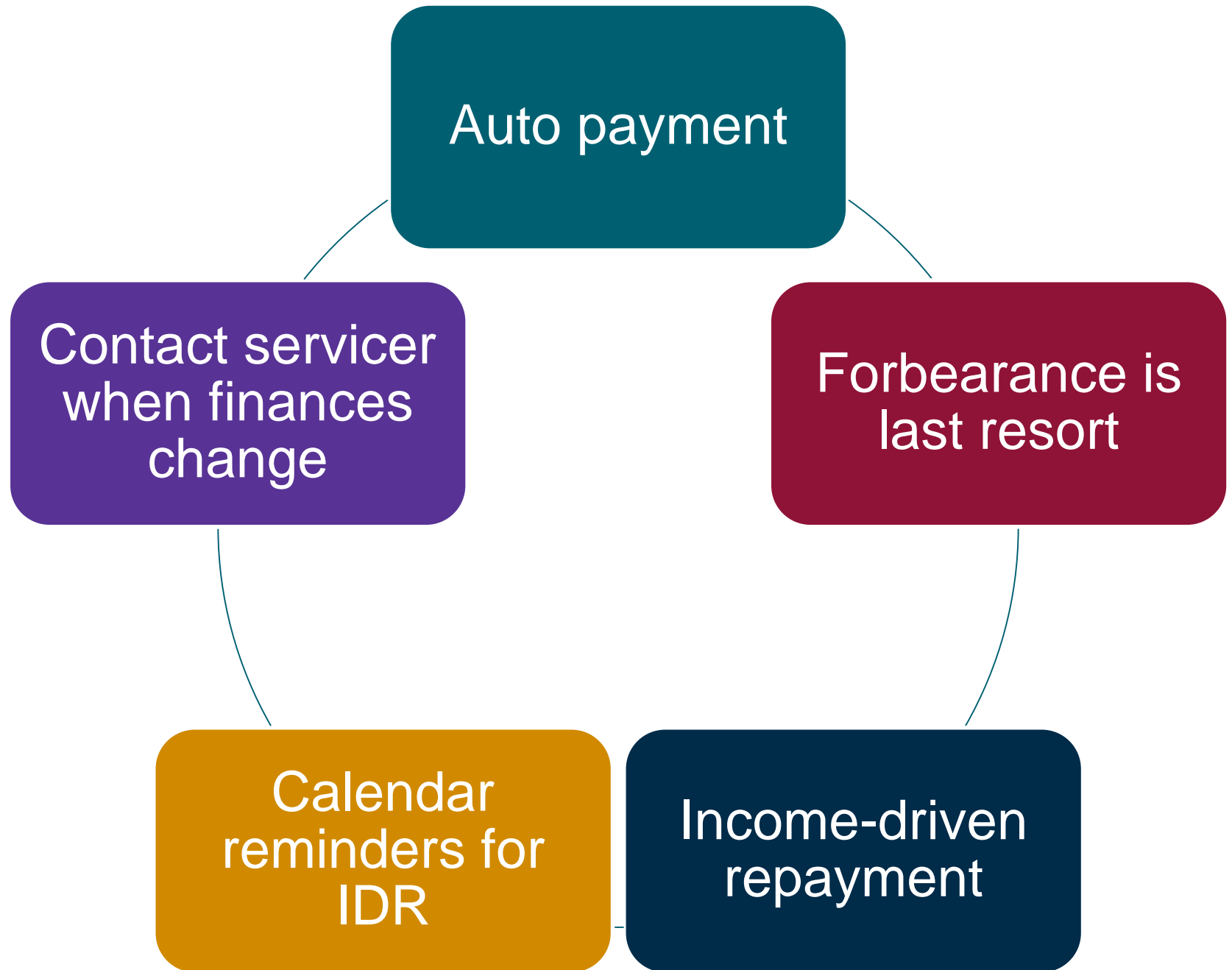
- Can be combined with
consolidation or postponement

- Sets up for future success

Recovering from Default (It Can Be Done!)

- Pay in full
- Consolidation
 - Rehabilitation is not required!
- Rehabilitation
 - IDR calculation
 - Financial Hardship calculation
 - Default line removed
- Removed from credit report after 7 years

Tips to Stay In Good Standing



Counseling the Ostrich



- Acknowledge their worry
- Praise their accomplishments
- Highlight good habits
- Focus on next steps
 - Break it down – small steps
- **Don't admonish the avoidance!**
- No benefit to pointing out the mistakes.

Values

Goals

Strategy

AccessLex[®]

CENTER FOR EDUCATION
AND FINANCIAL CAPABILITY[®]

Counseling the Bull



- Listen to their complaints
- Acknowledge their difficulties
- Empathize with their frustration
- Highlight good habits
- Praise their accomplishments
- Focus on next steps
 - Break it down – small steps
- **Don't admonish bad behavior, redirect**

Values

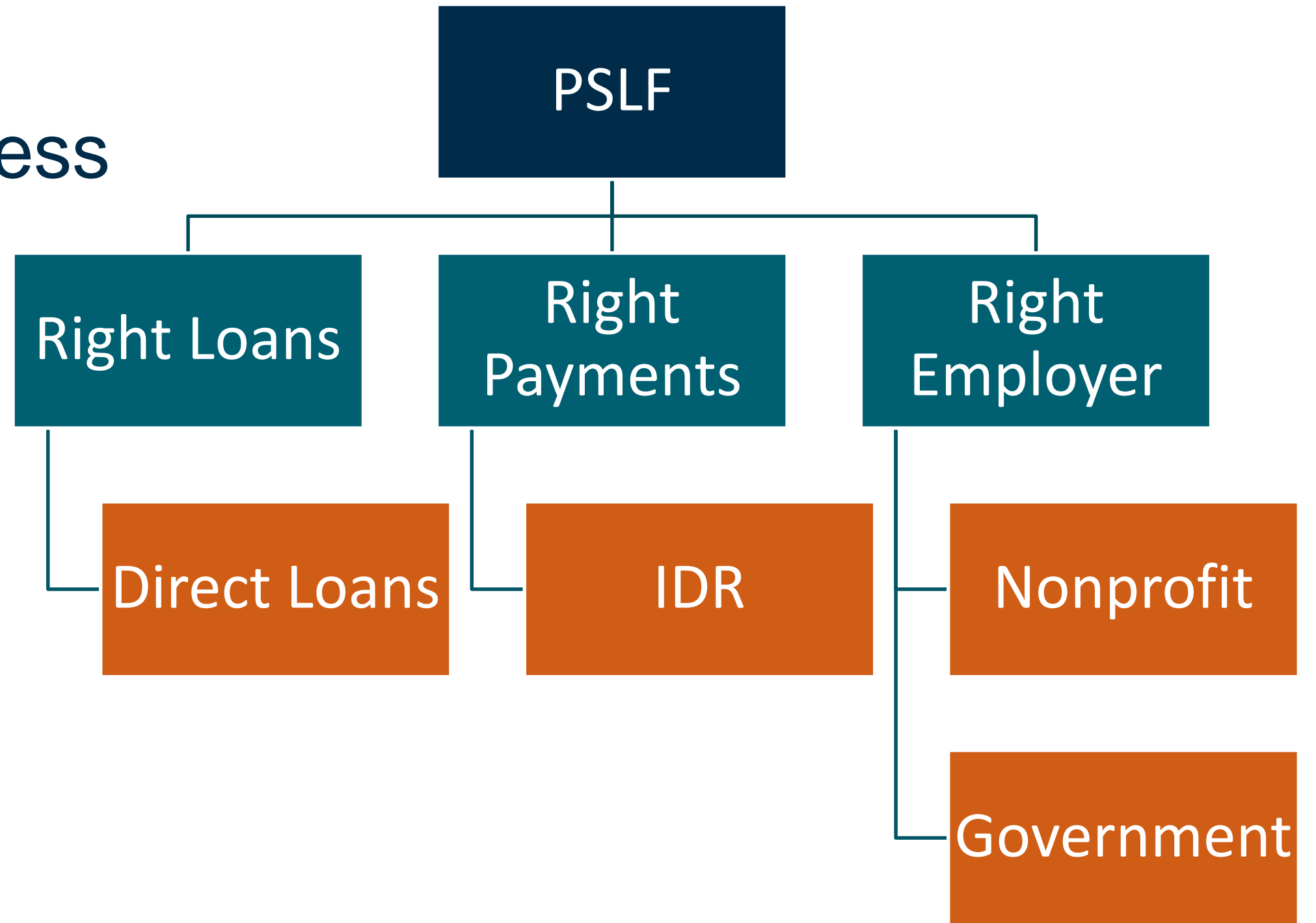
Goals

Strategy

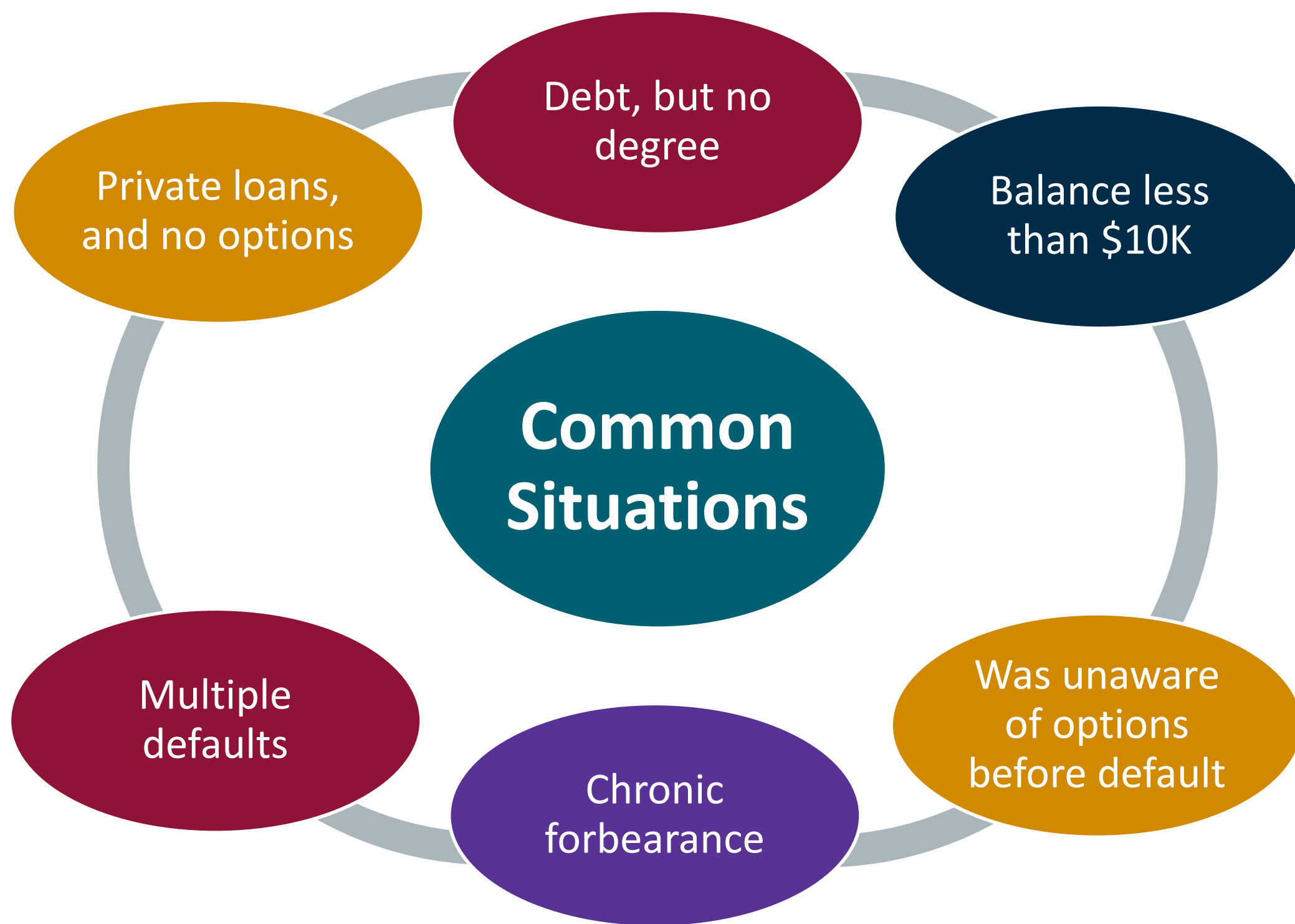
AccessLex[®]

CENTER FOR EDUCATION
AND FINANCIAL CAPABILITY[®]

Public Service Loan Forgiveness (PSLF)



Tales From the Counselor's Desk



Private Loans in Default

- Make regular payments – even if they are less than minimum
- Helps to avoid negative judgement in law suit
- Stay in communication with loan holder
- After a year or so of making payments request a workable repayment plan and default removal.



The Disastrous Spousal Consolidation Loan



- Can't be separated
- Only one borrower will show in default and responsible for the loan to the loan holder and lender
- Can't consolidate
- Can't use IDR after default

Death and the Co-signer

- Depending on the lender and the disbursement date, co-signer may have a way out
- Affects co-signer credit



The Parent PLUS Loan Cautionary Tale



- Always in the parent's name
- Can't be switched to the student
- If the student neglects to pay, the borrower is responsible
- Affects borrower's credit, not the student's

Stealing Family Identities

- Sadly, family members have:
 - Stolen loan funds
 - Borrowed loans in another's name w/o consent
 - Borrowed loans in a child's name and expected the child to pay
- Person must be convicted of ID theft of the loan for discharge



Questions and Discussion



Submitted Questions

If loans are not eligible for forgiveness, do you pay on them for the rest of your life?

- Shouldn't happen with federal loans
- Max 25 years for IDR and 30 years for extended repayment
- If struggling, IDR plan.
- If in default, must consolidate or rehabilitate to get out and enter IDR plan.

Submitted Questions

Is there a program to wipe away the loan if the person can't pay due to hardship?

- Not really
- IDR can be as low as \$0/month
- Economic Hardship deferment:
 - Peace Corps
 - Less than 150% of poverty guideline
 - Receiving certain public assistance benefits
 - Up to 3 years

Upcoming Webinars

Register today ! www.foc-network.org

LLSC

10/9 Basics of the Credit Score

10/24 How Lenders Make Decisions

11/7 Financial Technology (FinTech)



A public service
provided by

**WELLS
FARGO**

LISC LOCAL INITIATIVES
SUPPORT CORPORATION



A public service
provided by

Hands on Banking[®]
Money skills you need for life



THANK YOU



AccessLex
INSTITUTE[®]