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

For Local Initiatives Support Corporation Counselors

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Housekeeping

• This webinar is being recorded

• Copy of the slide deck will be available on our FOC website ([http://www.FOC-Network.org/](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

Private Loans
AnnualCreditReport.com
Delinquency Timeline

Due Date

- **15-30 Days Late**: May charge late fees Up to 6%
- **31-90 Days Late**: Additional late fees, Negative credit reporting begins
- **91-240 Days Late**: Additional late fees, Neg. credit reporting every 30 days
- **241-269 Days Late**: Fees, Neg. credit reporting, Final demand letter
- **270 Days Late**: DEFAULT

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Bankruptcy & Federal Student Loans

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

Brunner Test (Undue Hardship)

- Can’t maintain minimum standard of living
- Current situation is likely to continue indefinitely
- You’ve made good faith efforts to repay
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

- Auto payment
- Forbearance is last resort
- Calendar reminders for IDR
- Income-driven repayment
- Contact servicer when finances change
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
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
Public Service Loan Forgiveness (PSLF)

- Right Loans
  - Direct Loans
- Right Payments
- Right Employer
  - Nonprofit
  - Government
Tales From the Counselor’s Desk
Common Situations

- Debt, but no degree
- Balance less than $10K
- Was unaware of options before default
- Chronic forbearance
- Multiple defaults
- Private loans, and no options
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
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10/9  Basics of the Credit Score
10/24 How Lenders Make Decisions
11/7  Financial Technology (FinTech)