Preparing for Federal Loan Repayments to Resume: What You and Your Students Need to Know

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Agenda

• Preparing for Repayment
• Fresh Start Initiative
• Resources
Preparing for Repayment
• According to the Federal Reserve:
  • 60% of federal student loan borrowers have made no payments from August 2020 to December 2021
  • 40% of federal loan borrowers made at least one payment since August 2020
When is the payment pause ending?

- The COVID-19 payment pause will end on June 30, 2023.
- Payments will resume 60 days after the pause has ended.
  - If a decision is reached by the Supreme Court, payments may resume sooner.
- There are many borrowers who will enter repayment for the first time.
What can you do to prepare for repayment?

*Identify* loan servicer(s)

*Update all* contact information on studentaid.gov and loan servicer’s website

*Identify* interest rate and payment due date
What will my payment be?

- This depends on which repayment plan you are enrolled in.
- For standard, graduated, or extended plans, your loan servicer may recalculate your payment.
- For income-driven repayment (IDR) plans, your payment amount will stay the same.
  - If you recently switched IDR plans or recertified, your payment may be different.
What will my interest rate be?

- For many borrowers, the interest rate(s) will be the same
- For some borrowers, the interest rate may be different due to consolidating your loans during the pause
- Contact your loan servicer to find out the exact interest rate on your loans
Should I review my auto-debit?

- Yes, auto-debit payments will not restart automatically for some borrowers.
- If you were on auto-debit before March 13, 2020, your loan servicer will ask if you wish to continue.
- If you signed up for auto-debit after March 13, 2020, your auto-debit is active, and payments will resume on your due date.
Can I enroll in auto-debit now?

• Yes!
• Borrowers who are entering repayment for the first time or who have already been in repayment, can sign up for auto-debit via their loan servicer
Will I be on the same repayment plan as before?

• Yes!
• Whether you were enrolled in one of the traditional repayment plans or an IDR before the pause, you will resume making payments under that plan.
When is my recertification date?

- For borrowers on an IDR plan, recertification happens every year – this was paused during the payment pause.
- Borrowers will not be required to recertify their information before their payments resume.
  - The earliest you will be required to recertify is six months after the pause ends.
  - If your recertification date falls between now and six months after the pause ends, it will be pushed out by one year.
What if I can’t afford my payments?

Apply for an IDR plan
• Apply at studentaid.gov

Change your IDR plan
• If you have experienced a change in your situation, you can recertify now
What if I can’t afford my payments? (continued)

Contact your loan servicer to discuss:

• Changing your payment due date
• Entering a deferment or forbearance period

Consider consolidation to receive:

• Lower interest rate
• Lower payment amount
• One loan with one lender
What if I have a change in circumstance?

- If you are enrolled in an IDR plan, you can recertify now
  - By recertifying now, your payment will be based on your current income
- If all your loans are Direct Loans, you have the option of self-reporting your income
  - This option will end six months after the payment pause ends
What if I am pursuing Public Service Loan Forgiveness (PSLF)?

Paused payments **will count** toward PSLF, if you meet all other qualifications.

Submit a PSLF form to **receive an updated payment count**.

You **can receive** forgiveness during the pause, if you meet all other qualifications.
My loans were in default before the pause, what happens now?

• You will be required to make payments once the payments pause ends
• Consider rehabilitating your loan(s) – if you done during the pause, you will not be required to make payments
  • Additionally, this will not count as your once change to rehabilitate your loans
• Family Federal Education Loan (FFEL) loans will be assigned to ED and returned to “good standing”
• Consider the “Fresh Start” initiative if your loans are eligible
Fresh Start Initiative
What is the Fresh Start Initiative?

• ED announced the initiative on April 6, 2022, to help defaulted borrowers
• Borrowers who have eligible federal loans will temporarily regain FSA benefits
  • You will have the opportunity to get out of default and keep those benefits long term
  • You must act before the Fresh Start period ends or you will lose access to benefits
• Fresh Start will continue through one year after the payment pause ends
### What benefits will I have access to?

**Now**
- Access to FSA to return to school
- Stopped collections
- Eligibility for other government loans
- Restored ability to rehabilitate loans

**Later**
- Access to IDR plans
- Access to loan forgiveness programs
- Access to forbearance and deferment periods
<table>
<thead>
<tr>
<th>Eligible</th>
<th>Not eligible</th>
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<tbody>
<tr>
<td>• Defaulted Direct loans</td>
<td>• Defaulted Perkins Loans held by schools</td>
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<tr>
<td>• Defaulted FFEL loans*</td>
<td>• Defaulted Health Education Assistance Loan Program loans</td>
</tr>
<tr>
<td>• Defaulted Perkins loans held by ED</td>
<td>• Loans with the U.S. DOJ for ongoing litigation</td>
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*Note: FFEL loans that defaulted during the payment pause are not eligible for Fresh Start

• Direct loans that default after the payment pause ends
• FFEL loans that default after the payment pause ends
• New loans taken out during or after the Fresh Start Initiative
I’m eligible for the Fresh Start Initiative, what happens now?

• ED will transfer your defaulted loans from the Default Resolution Group to a loan servicer—this will happen automatically.

• The defaulted loans will be returned to “in repayment” status.

• The record of default will be removed from your credit report.
What do I need to do?

• If you are not sure if your loans qualify, contact the Default Resolution Group.
• ED will reach out with information on what you need to do.
• Make sure your information is up to date with your loan servicer.
  • If you are not sure who your loan servicer is, contact ED.
  • If you are not sure who your default loan servicer is, contact the Default Resolution Group.
What happens if I go into default again after Fresh Start?

• ED will use your loan’s original date of delinquency when providing information to credit reporting agencies
  • Fresh Start will not reset how long credit reporting agencies report the loan as in default
• Exception: If your loan has been in default for more than seven years, it will not show up on a credit report
Resources
Loan Repayment Checklist

- **Review** your loan history
- **Create** an online account with your loan servicer
- **Create** a budget
- **Choose** a repayment plan
- Know when you **must start** making payments
- **Make** on-time payments
- Know your **options** if you cannot make a payment
Recertifying an IDR Plan

Recertifying an Income-Driven Repayment (IDR) Plan

1. Go to StudentAid.gov/idrapp, Scroll down to “Returning IDR Applicants” and click the “Log in to start” button.

2. Select “I am submitting documentation for the annual recertification of my income-driven payment” under reason for request.

3. Verify that your employment status, family size, marital status, and income information are updated. TIP: Use the IRS Data Retrieval Tool to transfer your IRS tax return information directly into your application.

4. Update your current address, contact information, and provide the best time to reach you.

5. Review your application information, sign, and submit for recertification.
What are my loan forgiveness options?

- PSLF
- Teacher Loan Forgiveness
- Total and Permanent Disability Discharge
- ISAC Loan Forgiveness Programs

**Loan Forgiveness and Repayment Programs**

The number of awards made through programs administered by ISAC, as well as the individual dollar amount awarded, are subject to sufficient annual appropriations by the Illinois General Assembly and the Governor.

The State of Illinois offers help with student loan repayment for Illinois residents who qualify based on certain eligibility requirements. Typically, qualifying borrowers are those who have made an obligation to work in Illinois for a specific amount of time in a field that has experienced a shortage of workers (for example, teaching or nursing).

**Illinois Loan Repayment/Forgiveness Programs**

- Community Behavioral Health Care Professional Loan Repayment Program
- Illinois Teachers Loan Repayment Program
- John R. Justice Student Loan Repayment Program
- Nurse Educator Loan Repayment Program
- School and Municipal Social Work Shortage Loan Repayment Program
- Veterans’ Home Medical Providers’ Loan Repayment Program
Current ED-Held Loan Servicers

- Great Lakes Educational Loan Services
- Edfinancial
- MOHELA
- Aidvantage
- Nelnet
- OSLA Servicing
- ECSI
- Default Resolution Group
StudentAid.gov Website

Apply for Aid Using the FAFSA Form

Apply Now

Consider School
I'm thinking about going to college or a career school.

In School
I'm in the process of earning a degree or certificate.

Parent
I want to help my child pay for college.

In Repayment
I have loans I need to repay.

POPULAR TOPICS
Learn About Public Service Loan Forgiveness >
Learn About Student Loan Debt Relief >
Prepare for Loan Payments to Restart >
Complete a Master Promissory Note (MPN) >
FSA’s Loan Simulator

I Want to Find the Best Student Loan Repayment Strategy

- See how you can lower your student loan payment.
- See how you can pay off your student loans faster.
- Decide whether to consolidate your student loans.

Log In and Start
Or Start From Scratch

I’m Struggling With My Student Loan Payments

- Consider a new repayment plan instead of suspending payments.
- Find out about the impacts of suspending payments.
- Learn how to avoid loan default.

Log In and Start
Or Start From Scratch

I Want to Simulate Borrowing More

- Explore impacts when you borrow more student loans.
- Find out about federal student loan limits.
- See how your choice of school affects how much you may need to borrow.

Log In and Start
Or Start From Scratch
Video Resources

Student Loan Repayment

Federal Student Aid
9 videos 380,730 views Last updated on Oct 1, 2021

Do you have a federal student loan? Check out this playlist to learn about the loan repayment process. To get more information about student aid loan repayment, visit StudentAid.gov.
FSA has many on-demand webinars on topics such as:

- PSLF
- FAFSA and updates to FAFSA
- Finding the right college fit and more!

Webinars

Webinars to learn about the process for applying for and receiving financial aid.

- The Limited PSLF Waiver Has Ended. What’s Next for PSLF? –November 2022
- 2023–24 FAFSA Line-by-line Live Demonstration–October 2022
- Public Service Loan Forgiveness Boot Camp–October 2022
- 2023–24 FAFSA® Updates–September 2022
- What to Know About Public Service Loan Forgiveness–June 2022
- How to Tackle Verification in the FAFSA® Process–March 2022
- PSLF Help Tool: Are you eligible for loan forgiveness? –February 2022
- 2022–23 FAFSA® Updates–September 2021
- 2022–23 FAFSA® Updates–September 2021 (transcript)
- Finding the Right Fit Using College Scorecard–April 2021
- Finding the Right Fit Using College Scorecard–April 2021 (transcript)
- Closure: Center for Excellence in Higher Education Webinar–August 2021
- Closure: Center for Excellence in Higher Education Webinar–August 2021 (transcript)
- 2022–23 FAFSA Line-by-line Live Demonstration–October 2021
Connect with FSA

- FSA Helpline: 1-800-4FED-AID
  - 1-800-433-3243
- Aidan, financial aid virtual assistant
- LinkedIn, Facebook, Instagram, & YouTube
  - @FederalStudentAid
- Twitter
  - @FAFSA
Thank You!

Questions? Contact us at
isac.borrowersupport@illinois.gov