WSAC’S MISSION

We advance educational opportunities and attainment in Washington State.

- Policy and research
- Savings and financial aid programs
- Access and support programs
- Consumer protection
WORKSHOP OUTCOMES

- Find loan info
- Identify differences between repayment plans
- Know how to apply for forgiveness
- Know how student debt affects other financial decisions
- Identify a scam
- Know how to make a complaint
STUDENT DEBT IN WASHINGTON

750,000+ student loan borrowers

$26.4 billion outstanding student debt

$34,922 average student debt

96,589 borrowers in delinquency

$2.57 billion in delinquency

36% increase in senior citizens w/debt
## KEY TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalization</td>
<td>Adding unpaid interest to the principal of the loan.</td>
</tr>
<tr>
<td>Discretionary</td>
<td>Difference between one’s annual income and 150% of the poverty guideline for your family size and state of residence.</td>
</tr>
<tr>
<td>Discretionary</td>
<td>Income</td>
</tr>
<tr>
<td>Servicer</td>
<td>A company that handles the billing and other services on one’s federal student loans. A servicer does not own one’s student loans.</td>
</tr>
<tr>
<td>Collection Agency</td>
<td>An entity that recovers unpaid debt from borrowers who have defaulted on their loans.</td>
</tr>
</tbody>
</table>

Washington Student Achievement Council
WASHINGTON STUDENT LOAN BILL OF RIGHTS

• Student loan servicers must be licensed with DFI
• Schools must notify borrowers about Student Loan Advocate
• Develop student borrower education course
• Borrowers may request information or resources or make a complaint to Advocate
• Advocate makes recommendations to legislature regarding student debt in Washington
Interest. Reduce rate by 0.25% if set up automatic payments

Repayment plan. Change to an IDR plan at any time

Deferment. Economic hardship for up to 3 years

Forgiveness. Can apply if meet qualifications

Defense. Assert defense against repayment if school at fault

Alternative repay. If have “exceptional circumstances”

Rehabilitation. Must be “reasonable and affordable”
STEP 1: FEDERAL STUDENT AID ID

DO YOU NEED TO LOG IN TO ONE OF THESE WEBSITES?

If you haven't logged in since May 10, 2015, then you need to create an FSA ID. The FSA ID is a username and password that has replaced the Federal Student Aid PIN.

- fafsa.gov
- StudentLoans.gov
- StudentAid.gov
- nslds.ed.gov
- teach-ats.ed.gov

More Info: StudentAid.gov/fsaid
STEP 2: NSLDS

https://nslds.ed.gov/npas/index.htm

<table>
<thead>
<tr>
<th>Type of Loan</th>
<th>Loan Amount</th>
<th>Loan Date</th>
<th>Disbursed Amount</th>
<th>Canceled Amount</th>
<th>Outstanding Principal</th>
<th>Outstanding Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIRECT CONSOLIDATED UNSUBSIDIZED</td>
<td>$35,569</td>
<td>05/16/2014</td>
<td>$35,569</td>
<td>$0</td>
<td>$40,161</td>
<td>$76</td>
</tr>
<tr>
<td>DIRECT CONSOLIDATED SUBSIDIZED</td>
<td>$12,574</td>
<td>05/10/2014</td>
<td>$12,574</td>
<td>$0</td>
<td>$14,404</td>
<td>$27</td>
</tr>
<tr>
<td>DIRECT STAFFORD UNSUBSIDIZED</td>
<td>$15,633</td>
<td>09/29/2012</td>
<td>$5,308</td>
<td>$10,250</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>DIRECT CONSROLIDATED SUBSIDIZED</td>
<td>$22,997</td>
<td>08/22/2012</td>
<td>$23,089</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>DIRECT CONSOLIDATED SUBSIDIZED</td>
<td>$11,811</td>
<td>08/22/2012</td>
<td>$11,811</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>DIRECT STAFFORD SUBSIDED</td>
<td>$1,833</td>
<td>09/07/2010</td>
<td>$1,833</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>DIRECT STAFFORD UNSUBSIDED</td>
<td>$2,333</td>
<td>09/07/2010</td>
<td>$2,333</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>FFEL STAFFORD SUBSIDED</td>
<td>$5,500</td>
<td>06/25/2009</td>
<td>$5,500</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>FFEL STAFFORD UNSUBSIDED</td>
<td>$6,500</td>
<td>10/13/2008</td>
<td>$6,500</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>FFEL STAFFORD SUBSIDED</td>
<td>$8,500</td>
<td>10/13/2008</td>
<td>$8,500</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>DIRECT STAFFORD SUBSIDED</td>
<td>$5,500</td>
<td>04/26/2007</td>
<td>$5,500</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Total DIRECT CONSOLIDATED UNSUBSIDIZED $40,161 $76
Total DIRECT CONSOLIDATED SUBSIDIZED $14,404 $27
Total DIRECT STAFFORD SUBSIDED $0 $0
Total DIRECT STAFFORD UNSUBSIDED $0 $0
Total FFEL STAFFORD SUBSIDED $0 $0
Total FFEL STAFFORD UNSUBSIDED $0 $0
Total All Loans $54,565 $103
TYPES OF FEDERAL STUDENT LOANS

Direct Loans
- Subsidized
- Unsubsidized

PLUS Loans
- GRAD
- Parent

Perkins Loans
- Loan is repaid to school
- Discontinued in 2017

Federal Family Education Loans (FFEL)
- Subsidized
- Unsubsidized
- Discontinued in 2010

Consolidation Loans
- FFEL
- Direct
FEDERAL LOAN SERVICERS

Cornerstone
FedLoan Servicing (PHEAA)
Granite State - GSMR
Great Lakes Educational Loan Services
Hesc/EdFinancial
MOHELA
Navient
Nelnet
OSLA Servicing
STEP 3: CHOOSE A REPAYMENT PLAN

https://studentloans.gov/myDirectLoan/repaymentEstimator.action#view-repayment-plans

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Repayment Period</th>
<th>Monthly Payment Initial to Final Amounts</th>
<th>Projected Loan Forgiveness</th>
<th>Total Interest Paid</th>
<th>Total Amount Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard-</td>
<td>120 months</td>
<td>$2.220 to $2.220</td>
<td>$0</td>
<td>$66,449</td>
<td>$266,449</td>
</tr>
<tr>
<td>Graduated-</td>
<td>120 months</td>
<td>$1.270 to $3.809</td>
<td>$0</td>
<td>$84,240</td>
<td>$284,240</td>
</tr>
<tr>
<td>Extended Fixed</td>
<td>300 months</td>
<td>$1.289 to $1.289</td>
<td>$0</td>
<td>$186,581</td>
<td>$386,581</td>
</tr>
<tr>
<td>Extended Graduated</td>
<td>300 months</td>
<td>$1.000 to $1.940</td>
<td>$0</td>
<td>$220,577</td>
<td>$420,577</td>
</tr>
<tr>
<td>Pay As You Earn-</td>
<td>240 months</td>
<td>$470 to $1.320</td>
<td>$240,844</td>
<td>$199,156</td>
<td>$199,156</td>
</tr>
<tr>
<td>Income-Based Repayment (IBR)-</td>
<td>300 months</td>
<td>$705 to $2.220</td>
<td>$21,221</td>
<td>$251,387</td>
<td>$430,167</td>
</tr>
<tr>
<td>Income-Contingent Repayment (ICR)-</td>
<td>205 months</td>
<td>$1.071 to $2.470</td>
<td>$0</td>
<td>$144,769</td>
<td>$344,769</td>
</tr>
</tbody>
</table>
# REPAYMENT PLANS

<table>
<thead>
<tr>
<th>Plan</th>
<th>Terms</th>
<th>Repayment Period</th>
<th>Forgiveness?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>60-120 equal payments</td>
<td>Up to 10 years</td>
<td>None</td>
</tr>
<tr>
<td>Graduated</td>
<td>Payment grows every 2 years</td>
<td>Up to 10 years</td>
<td>None</td>
</tr>
<tr>
<td>Extended Fixed</td>
<td>300 equal payments</td>
<td>Up to 25 years</td>
<td>None</td>
</tr>
<tr>
<td>Extended Graduated</td>
<td>Payment grows every 2 years</td>
<td>Up to 25 years</td>
<td>None</td>
</tr>
</tbody>
</table>
# Income-Driven Repayment Plans

<table>
<thead>
<tr>
<th>Plan</th>
<th>Payment no more than…</th>
<th>Forgiveness after…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Based Repayment (IBR)</td>
<td>15% of discretionary income</td>
<td>About 25 years</td>
</tr>
<tr>
<td>IBR for New Borrowers</td>
<td>10% of discretionary income</td>
<td>About 20 years</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>10% of discretionary income</td>
<td>About 20 years</td>
</tr>
<tr>
<td>Revised Pay As You Earn (REPAYE)</td>
<td>10% of discretionary income</td>
<td>20-25 years</td>
</tr>
<tr>
<td>Income Contingent Repayment (ICR)</td>
<td>20% of discretionary income</td>
<td>25 years</td>
</tr>
</tbody>
</table>

HH of 1 in WA = $18,735
STEP 4: FORGIVENESS, CANCELLATION, DISCHARGE

Forgiveness
- Public Service Loan Forgiveness (PSLF)
- Total and Permanent Disability Discharge (TPD)
- Teacher Loan Forgiveness

Discharge
- Closed School Discharge
- False Certification of Student Eligibility
- Borrower Defense to Repayment
- Bankruptcy
- Death Discharge

Cancellation
- Perkins Loan Cancellation
PUBLIC SERVICE LOAN FORGIVENESS

Loan Type
- Federal Direct loans are required.
- Other loan types can be consolidated to make them eligible.

Eligible Repayment Plan
- IBR, PAYE, REPAYE or ICR

Work
- Full-time at a qualifying public service entity (30 hours/week minimum)

Make Payments
- 120 on-time, full, scheduled, monthly payments made after 10/01/07

Employer Certification
- Public employer must fill out the Employment Certification form.
- Recommended to submit annually
**PERKINS LOAN CANCELLATION**

**Full-time work** in the following earns 100% discharge of your loan except for Peace Corps or AmeriCorps.

<table>
<thead>
<tr>
<th>Firefighter</th>
<th>Police or corrections officer</th>
<th>Nurse or medical technician</th>
<th>AmeriCorps VISTA or Peace Corps volunteer</th>
<th>Public, child or family services agency employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Start education staff</td>
<td>Pre-K or child care program staff licensed by state</td>
<td>Professional or early intervention for the disabled</td>
<td>Teacher of low-income students at educational service agency</td>
<td>Speech pathologist working in a high need school</td>
</tr>
</tbody>
</table>

Special education teacher of children with disabilities in a public school

Math, science, foreign language, or bilingual education teacher

Tribal college or university faculty

100% Loan discharge also available if *school closes before completing program.*
## STATE LOAN REPAYMENT PROGRAMS

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Federal-State Loan Repayment Program (FSLRP)</th>
<th>Health Professional Loan Repayment Program (HPLRP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding</td>
<td>State and federal</td>
<td>State only</td>
</tr>
<tr>
<td>Work</td>
<td>Full time for at least two years</td>
<td>Full-time for three years or part-time for five years</td>
</tr>
<tr>
<td>Award max</td>
<td>$70,000</td>
<td>$75,000</td>
</tr>
</tbody>
</table>

[https://www.wsac.wa.gov/health-professionals](https://www.wsac.wa.gov/health-professionals)
DEFERMENT VS. FORBEARANCE

Deferment
• Temporary suspension of payments
• Interest on unsub loans accrues

Forbearance
• Temporary reduction or postponement of payments
• Interest on all loans accrues

Interest capitalizes after
DEFERMENT

- Enrolled half-time or more
- Graduate fellowship
- Rehab training program for the disabled
- Unemployed or underemployed
- Economic hardship
- Peace Corps or AmeriCorps service
- On active duty military service
- Up to 13 month after active duty military service
# FORBEARANCE

<table>
<thead>
<tr>
<th>Discretionary</th>
<th>Mandatory</th>
<th>Administrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Financial difficulties</td>
<td>• Medical or dental internship</td>
<td>• Pending IDR approval</td>
</tr>
<tr>
<td>• Medical expenses</td>
<td>• Payment &gt;20% of income</td>
<td>• Pending loan cancellation approval</td>
</tr>
<tr>
<td>• Change in employment</td>
<td>• AmeriCorps</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Working toward Teacher Loan Forgiveness</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Member of the National Guard</td>
<td></td>
</tr>
</tbody>
</table>
DELINQUENCY AND DEFAULT

Good standing

- Making on-time monthly payments

90 days late

Delinquent

- Reported as delinquent to credit bureaus

270 days late

Default

- Entire loan amount due
- Wages may be garnished
- Tax refund withheld
# GETTING OUT OF DEFAULT

## Rehabilitation

- Make 9 monthly payments over 10 months
- Only once per loan
- Can negotiate a “reasonable & affordable” monthly rehab payment
- Default is erased from your credit report (delinquencies remain)

## Consolidation

- Combine many loans into one NEW loan
- Select loans to consolidate
- New interest rate = weighted average of all loans
- Choose your new servicer
- Repayment period resets
- All negative activity remains on your credit report
SHOULD I CONSOLIDATE?

Good Idea

• Defaulted loan but can’t rehabilitate it
• Want to pursue PSLF but have FFEL loans or a Parent PLUS loan
• Need a lower payment but don’t qualify for an IDR plan
• Have Parent PLUS loans and want to qualify for an IDR plan

Not Possible

• Only have one loan
• Only loan is a spousal consolidation loan
• Have a defaulted loan and are being garnished
• Only have Perkins Loan(s)
Loans are displayed with Loan Type and Loan Servicer in the “Select the Loans to Consolidate” box; when the user scrolls over the Loan Type or Loan Servicer, more information is displayed.
DIRECT CONSOLIDATION IN 6 STEPS

Choose loans & servicer
• Fed Loan Servicing (PHEAA)
• Great Lakes
• Navient
• Nelnet

Choose repayment plan
• Standard plan for fastest repayment
• IDR plan for more affordable monthly payment

IRS Data Retrieval Tool
• Used for IDR plans

Borrower & Reference Information
• Must list three references that do not live together

Review & Sign MPN
• New Consolidation loan requires a new Master Promissory Note

Terms & Conditions
MARRIAGE, TAXES, AND LOANS

**File jointly**
- Monthly payment uses HH income
- Interest deduction of up to $2500

**File separately**
- Monthly payment uses borrower income only
- Cannot claim interest deduction

**REPAYE**
- HH income regardless of tax filing

**Conclusion**
- Compare savings
SERVICE MEMBERS AND VETERANS

- Employment with US military counts toward PSLF
- Interest rate on loans while on active duty, capped at 6%
- While on active duty, deferment is granted
- Veterans who were disabled on active duty may qualify for Total and Permanent Disability Discharge
BUYING A HOME

Student debt counted in DTI ratio

• Fully amortized monthly payment or 1% of total loan is typically included in DTI
• Can use IDR monthly payment for conventional mortgage loans
  • FHA loans – possibly
  • Caution: if income/HH size changes, mortgage payment does not change

If monthly loan payment is made by someone else, excluded from DTI
# PRIVATE STUDENT LOANS

| Loans from private banks, credit unions or other financial institution |
| Federal repayment plans do not apply |
| Must define repayment plan directly with lender |
| Difficult to be discharged in bankruptcy |
| Interest rate is often higher and can be variable |
| Can view these on your credit report or with lender’s site |
PRIVATE LOAN CONSOLIDATION, REFINANCING

Can decrease your interest rate

Can decrease amount paid overall

If good credit and private debt only, good option

Interest rate based on credit history

Forfeit all income drive repayment plans

Can’t apply for PSLF
SIGNS OF A SCAM

Fees!

“Federal”, “National” or other official sounding words in company name

Promises: immediate relief, forgiveness, get out of default now!

Advertised via text message, social media, TV/radio, or ads on search results
FAIR DEBT COLLECTION PRACTICES ACT

Applies to loans that are in default and prohibits certain activity:

- Using abusive, unfair or deceptive practices to collect debts
- Calling at unusual times or places
- Calling at time/place that they know to be inconvenient
- Harassing or threatening the borrower
- Talking directly to the borrower if they’ve hired a lawyer
- Talking to the borrower if they’ve been asked not to, except to:
  - Say they will seek no further action on the debt
  - Notify the borrower that they will be pursuing legal action
COMPLAINTS

Make a complaint if servicer has done something unlawful

- WSAC: loanadvocate@wsac.wa.gov
- Attorney General’s office
- Department of Financial Institutions
- Consumer Financial Protection Bureau: consumerfinance.gov
- FSA Ombudsman: feedback.studentaid.ed.gov
- FTC: ftc complaintassistant.gov/#crnt&panel1-1
- Servicer Ombudsman: Contact appropriate servicer
SUMMARY

Step 1: FSA ID - remember it!
Step 2: National Student Loan Data System
Step 3: Choose a repayment plan
Step 4: Look into loan forgiveness, discharge, or cancellation
Think carefully before consolidating loans
Only use deferment/forbearances for short periods
You have rights as a student loan borrower – make a complaint if you have an issue
Stephanie Sampedro
stephanies@wsac.wa.gov