

PREVENTING DEFAULT POST REPAYMENT PAUSE

Say that five
times fast!

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Session Objectives:

- ❖ Timeline up to today
- ❖ Repayment options
- ❖ Preventing default



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Timeline so far...

June 2023 –

Congress passed a law preventing further extensions of the federal student loan payment pause that began on March 13, 2020.

The Department instituted a 12-month “on ramp” to repayment, running from October 1, 2023 to September 30, 2024.

The Biden-Harris Administration finalized and announced the Saving on Valuable Education (SAVE) repayment plan.

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Timeline so far...

August 2023 –

Repayment pause ends...

September 2023 –

Many servicers are scrambling to get communications out to borrowers; monthly billing statements, updating forbearance data and making changes to internal systems to prepare for payments to resume.

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Timeline so far...

October 2023 –

Repayment resumes/begins

Servicer, MOHELA is being held accountable for 2.5 million borrowers not receiving their billing statements.



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Current delinquencies

KHEAA's CDMS portfolio of schools average 30% delinquency* rates as of March 2024, for all three cohort years – 2022, 2023 & 2024



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Fixed Payment Repayment Plans

Standard

Graduated

Extended

Income-Driven Repayment (IDR) Plans

Saving on Valuable Education (SAVE)

Pay as You Earn (PAYE)

Income-Based Repayment (IBR)

Income-Contingent Repayment (ICR)

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How to prevent defaults

Educate students and families by providing financial literacy information in the beginning, throughout their college careers and most importantly when students leave school, graduate or fall below half time.

Provide student borrowers with up-to-date repayment options.



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How to prevent defaults

Provide student borrowers information about the financial hardship options that may be available.

Explain the loan forgiveness programs for which a borrower may be eligible.

Educate them about the potential consequences of default.



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Deferments

Cancer Treatment

Economic Hardship

Graduate Fellowship

In-School

Military Service

Parent PLUS Borrower

Rehabilitation Training

Unemployment

Forbearances

General (up to 12 months)

- financial difficulties

- medical expenses

- change in employment

Mandatory Forbearances

- see studentaid.gov for more detail

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Questions?

Suggestions?

Solutions?

Comments?

Thank you!

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Reference links:

<https://blog.ed.gov/2023/12/a-first-look-at-student-loan-repayment-after-the-payment-pause/>

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

<https://www.whitehouse.gov/briefing-room/statements-releases/2023/06/30/fact-sheet-president-biden-announces-new-actions-to-provide-debt-relief-and-support-for-student-loan-borrowers/>

https://www.ed.gov/news/press-releases/us-department-education-announces-withholding-payment-student-loan-servicer-part-accountability-measures-harmed-borrowers?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=