



Loan Repayment Update



Loan Repayment and Forgiveness

Overview

- History Update
- Return to Repayment
- SAVE Act
- Direct to Discharge
- Borrower Defense to Repayment
- Federal Portfolio



How did we get here?



Loan Repayment and Forgiveness

Look Back

CARES Act

- 3/13/20 – 9/30/20
- Zero Interest
- No payments
- Administrative Forbearance

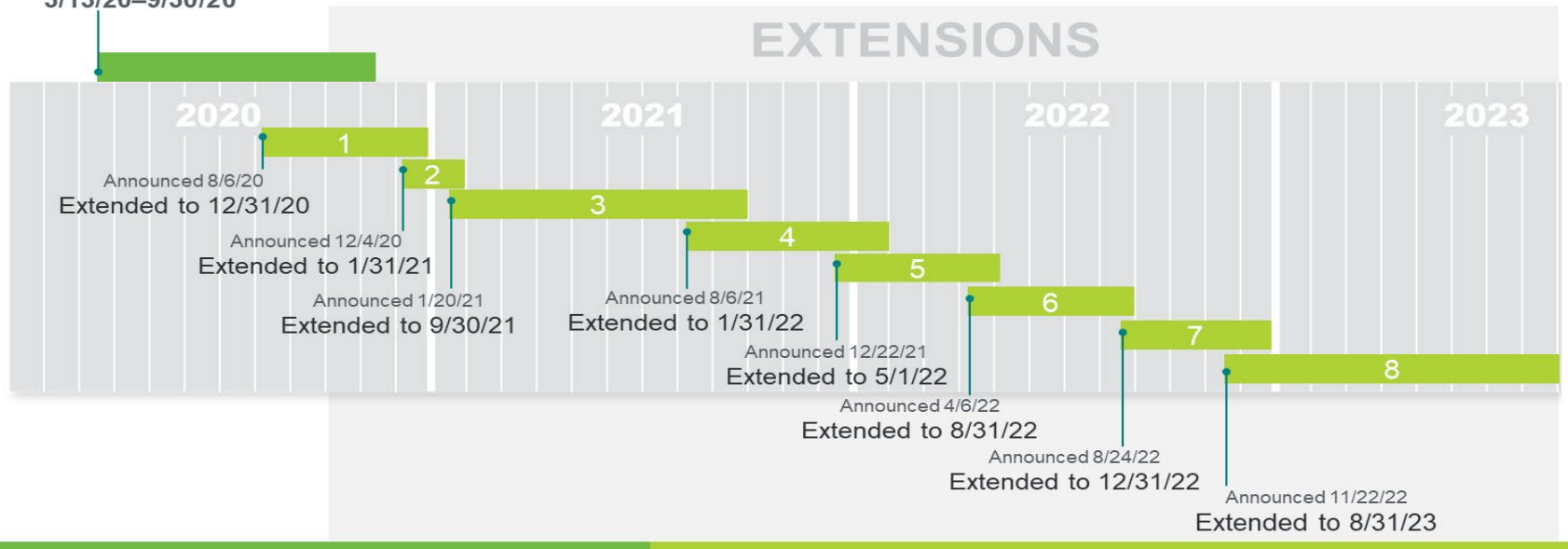


Loan Repayment and Forgiveness Look Back

CARES Act Extensions



Original CARES Act
3/13/20–9/30/20



Loan Repayment and Forgiveness

Look Back

As of August 2023, the Department of ED has approved more than **\$116B** in loan discharge for more than **3.4M** borrowers – Avg \$34,117



Loan Repayment and Forgiveness

Operation Fresh Start

Allows eligible borrowers in default to:

- Have their default status removed
- Regain access to ALL Title IV Fed Student Aid
- Benefit from collection relief
 - Wage garnishment
 - Withholding tax refunds
 - Government credit reporting
- Enroll in income driven repayment plans that potentially restore access to loan forgiveness - PSLF



Loan Repayment and Forgiveness

Operation Fresh Start

Two Paths Out of Default

Return to School

- Return to school by Dec 31, 2023 and apply for Title IV aid
- Dear Colleague Letters GEN-22-13 and GEN-21-03

Contact DMCS to be sent back to servicer

- Make a “payment arrangement” by requesting “fresh start”
- Contact loan servicer by phone or in writing

NSLDS was NOT updated



Loan Repayment and Forgiveness

Loan Cancellation



Loan Repayment and Forgiveness

Loan Cancellation

Eligibility:

- Borrowers make less than \$125K and households earning less than \$250K will be eligible for \$10,000 in cancellation
- Borrowers who meet both criteria and received a Pell Grant will be eligible for \$20,000 in cancellation



Loan Repayment and Forgiveness

Loan Cancellation

Biden v. Nebraska

6-3 Striking down administrations student loan forgiveness program

Arkansas	Iowa	Kansas
Missouri	Nebraska	South Carolina

- Threatens future tax revenues
- Circumvents congressional authority

*\$400B for 43M borrowers



Return to Repayment



Loan Repayment and Forgiveness

Unprecedented Challenges

“There’s no question that this will be a big challenge.... Motivating 35 million people and reaching them is a big challenge. It’s a big job. Maybe one of the biggest that the Department of Education has undertaken in its history”

James Kvaal, Education Writers Association Meeting



Loan Repayment and Forgiveness

Return to Repayment

8/31/2023

- Given one month forbearance to enter repayment
- Payments begin in October
- 30 M Borrowers
- Borrowers could opt out and begin repayment in Sept.



Loan Repayment and Forgiveness

Return to Repayment

Unprecedented Opportunity

- 30M borrowers into repayment all at once
- Servicer Staffing Levels
- Phone wait times
- Social Media pressure and tactics



Loan Repayment and Forgiveness

Borrower Protections

On Ramp

- Safety Net for borrowers
- No Negative credit reporting can occur
- Negative reporting would start at 90 days
 - ❖ On 90th day, automatic on ramp forbearance
 - ❖ Reset delinquency to zero days
- Continue for first 12 months of return to repayment



Loan Repayment and Forgiveness

Pending Legislation

Budget Cuts for FSA

- 28% cut
- \$265 Million below current levels
- \$884 Million below Bident Administration request
- Devastating blow to borrowers
 - Communication
 - Call center support



SAVE Plan

Saving on a Valuable
Education



SAVE Plan

Saving on a Valuable Education

- Newest IDR
- REPAYe enrollees automatically moved over
- Provides lowest possible payment of all IDR's
- Increases income exemption from 150% to 225% poverty
- Eliminates extra interest



SAVE Plan

Saving on a Valuable Education

Estimated Monthly Payment Under the SAVE Plan

	\$60k	\$227	\$130	\$34	\$0	\$0
	\$50k	\$143	\$47	\$0	\$0	\$0
	\$40k	\$60	\$0	\$0	\$0	\$0
Income	\$30k	\$0	\$0	\$0	\$0	\$0
	\$20k	\$0	\$0	\$0	\$0	\$0
	\$10k	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0
		1	2	3	4	5
		Family Size				



SAVE Plan

Saving on a Valuable Education

Eligible Loans

- Direct Subsidized
- Direct Unsubsidized
- Direct PLUS
- Direct Consolidated



SAVE Plan

Saving on a Valuable Education

Pro's

- Affordable monthly payments
- Cap on Interest
- Forgiveness in as little as 10 years
- 20 year standard



SAVE Plan

Saving on a Valuable Education

Con's

- Mid Level earner not as much in savings
 - ❖ \$26K avg debt
 - ❖ Earn less than \$65K to see benefit
- Payments readjusted every year
- Not for Parent PLUS
- Taxable Income



What Should Borrowers Do?



What Borrowers Need to Know

Return to Repayment

- Log into Student Loan Portal
- Repayment Plan Options
- Is Consolidation a Good Option?
- Avoid Default
- Don't Wait!



Other Discharges

Other Discharges

Direct to Discharge

Direct to Discharge

- 804,000 Borrowers
- \$39B in Discharge
- Re-evaluation of qualifying payments
- Next set borrowers received their 30 day notice of discharge
 - ❖ Sept 21 notifications
 - ❖ Need to manually opt out of discharge



Other Discharges

Borrower Defense

Borrower Defense to Repayment

- Sweet v. Cordona
- \$3.9B in Discharge
- School engaged in misconduct related to
 - Federal Loans
 - Educational Services
- Proprietary Schools
- Notified by Servicer if eligible



Other Discharges

Borrower Defense

Types of Misconduct

- Substantial misrepresentation
- Substantial omission of facts
- Breach of contract
- Aggressive/deceptive recruitment
- Judgement against school
- Prior Secretarial action



Federal Portfolio

How big is it?

Federal Portfolio

June 2023 Servicer Volume

Servicer	In-School		Grace		Repayment		Deferment		Forbearance		Other	
	Dollars Outstanding (in billions)	Recipients (in millions)	Dollars Outstanding (in billions)	Recipients (in millions)	Dollars Outstanding (in billions)	Recipients (in millions)	Dollars Outstanding (in billions)	Recipients (in millions)	Dollars Outstanding (in billions)	Recipients (in millions)	Dollars Outstanding (in billions)	Recipients (in millions)
Nelnet	\$26.1	1.46	\$10.2	0.42	\$2.4	0.07	\$40.0	1.09	\$468.5	12.53	\$1.4	0.03
AidVantage	\$19.5	1.17	\$6.0	0.27	\$3.0	0.12	\$24.5	0.68	\$279.4	7.40	\$1.8	0.04
MOHELA	\$19.8	1.13	\$6.4	0.26	\$3.9	0.08	\$23.6	0.62	\$304.8	6.10	\$1.3	0.02
EdFinancial	\$27.7	1.50	\$8.5	0.35	\$0.8	0.04	\$15.9	0.50	\$85.8	3.29	\$0.9	0.02
Total	\$93.1	5.26	\$31.1	1.30	\$10.1	0.31	\$104.0	2.89	\$1,138.5	29.32	\$5.4	0.11



Federal Portfolio

Direct Loan Type

		Stafford (Combined)		Grad PLUS		Parent PLUS		Perkins		Consolidation	
Federal Fiscal Year		Dollars Outstanding (in billions)	Unique Recipients (in millions)	Dollars Outstanding (in billions)	Recipients (in millions)	Dollars Outstanding (in billions)	Recipients (in millions)	Dollars Outstanding (in billions)	Recipients (in millions)	Dollars Outstanding (in billions)	Recipients (in millions)
2014	Q4	\$629.7	31.4	\$41.2	1.0	\$65.1	3.2	\$8.2	2.9	\$385.8	11.8
2019	Q4	\$796.7	33.2	\$75.2	1.4	\$96.1	3.6	\$6.1	2.0	\$536.1	11.7
2020	Q4	\$825.5	33.4	\$82.8	1.5	\$100.8	3.6	\$5.2	1.7	\$552.1	11.5
2021	Q4	\$855.0	34.2	\$90.7	1.6	\$105.4	3.7	\$4.4	1.5	\$555.1	11.3
2022	Q4	\$873.6	34.6	\$97.9	1.7	\$108.5	3.7	\$3.9	1.3	\$550.6	10.9
2023	Q3	\$880.8	34.8	\$101.9	1.7	\$111.3	3.7	\$3.7	1.2	\$536.2	10.5
Change		39.88%	10.83%	147.33%	70.00%	70.97%	15.63%	-54.88%	-58.62%	38.98%	-11.02%



Federal Portfolio

Federal Assets

Federal Fiscal Year ²	Direct Loans		Federal Family Education Loans (FFEL)		Perkins Loans		Total ¹	
	Dollars Outstanding (in billions)	Recipients ³ (in millions)	Dollars Outstanding (in billions)	Recipients (in millions)	Dollars Outstanding (in billions)	Recipients (in millions)	Dollars Outstanding (in billions)	Unduplicated Recipients (in millions)
2007	\$106.8	7.0	\$401.9	22.6	\$8.2	2.8	\$516.0	28.3
2009	\$154.9	9.2	\$493.3	25.0	\$8.7	3.0	\$657.0	32.1
2013	\$609.1	25.6	\$423.0	20.9	\$8.1	2.9	\$1,040.2	39.6
2019	\$1,242.6	35.1	\$261.6	12.1	\$6.1	2.0	\$1,510.3	42.9
2023	\$1,439.1	38.2	\$191.0	8.5	\$3.7	1.2	\$1,633.8	43.4
Change	1247.47%	445.71%	-52.48%	-62.39%	-54.88%	-57.14%	216.63%	53.36%
Avg Loan	2007	\$18,233	2019	\$35,205	2023	\$37,645		



Federal Portfolio

Outstanding volume by State

Direct Loan Portfolio by Borrower Location

Location	Balance (in billions)	Borrowers (in thousands)
Iowa	\$12.6	422.3
Minnesota	\$25.1	764.0
Nebraska	\$7.5	239.9
North Dakota	\$2.4	85.6
South Dakota	\$3.4	113.3
Wisconsin	\$21.9	704.4
Total	\$72.9	2,329.5
Avg	\$31,294	



Questions??

