

**Direct Loan Forgiveness/Repayment Plans/Consolidation**

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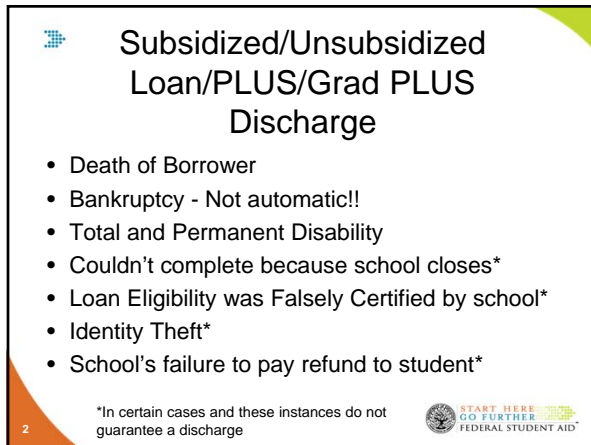
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**Subsidized/Unsubsidized Loan/PLUS/Grad PLUS Discharge**

- Death of Borrower
- Bankruptcy - Not automatic!!
- Total and Permanent Disability
- Couldn't complete because school closes\*
- Loan Eligibility was Falsely Certified by school\*
- Identity Theft\*
- School's failure to pay refund to student\*

\*In certain cases and these instances do not guarantee a discharge

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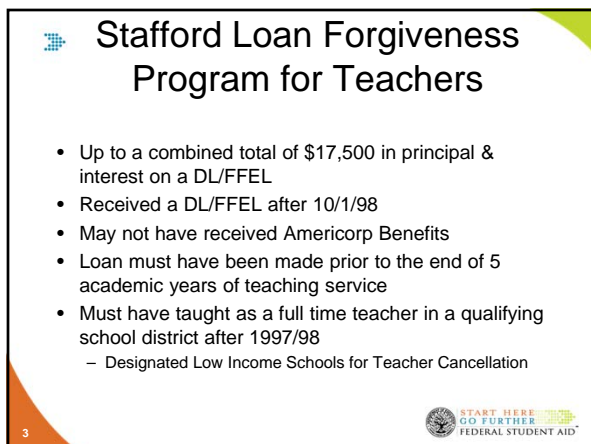
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**Stafford Loan Forgiveness Program for Teachers**

- Up to a combined total of \$17,500 in principal & interest on a DL/FFEL
- Received a DL/FFEL after 10/1/98
- May not have received Americorp Benefits
- Loan must have been made prior to the end of 5 academic years of teaching service
- Must have taught as a full time teacher in a qualifying school district after 1997/98
  - Designated Low Income Schools for Teacher Cancellation

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### Public Service Loan Forgiveness (PSLF)

- Beginning after October 1, 2007
  - Encourage Public Service
    - Borrower must make 120 monthly loan payments on a Direct Loan
    - May apply after making the last of the 120 monthly payments
    - Employed Full Time by a qualifying Public Service organization
      - see list at [www.federalstudentaid.ed.gov](http://www.federalstudentaid.ed.gov)



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### Loans Eligible for PSLF

- Federal Direct Stafford
  - Subsidized
  - Unsubsidized
- Federal Direct PLUS
  - Parents
  - Graduate Students
- Federal Direct Consolidation Loans



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### PSLF Borrower Eligibility

- Borrower must not be in Default on loans they are asking for forgiveness
- Borrower must be employed full time by a public service organization
  - Making 120 monthly loan payments;
  - At the time they apply; and
  - At that time the remaining balance on the eligible loans are forgiven



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**TEACH Grant – Service Obligation Discharge**

- Death
- Total and Permanent Disability
- Called to active duty military service for a period of more than 3 years

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**Perkins Loan Cancellation Conditions (1 of 2)**

- Bankruptcy – if would cause undue hardship – 100%
- Closed school – loans on or after 1/1/86 then 100%
- Death – 100%
- Total and Permanent Disability – 100%
- Full time teacher in;
  - Qualifying low-income school district\*
  - Special education\*
  - Early intervention services for the disabled\*
  - Math, Science, Foreign Languages, Bilingual education or other areas designated as high-need\*

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\* Up to 100%




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**Perkins Loan Cancellation Conditions (2 of 2)**

- Full time employee of a public/nonprofit child- or family-services agency providing services to high-risk children & their families in low-income communities\*
- Full time nurse or medical technician\*
- Full time law enforcement or corrections officer\*
- Full time staff member in the education part of a Head Start Program\*
- Vista or Peace Corps volunteer – Up to 70%
- Service in the U.S. Armed Forces – Up to 50% in areas of hostilities or imminent danger

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\* Up to 100%




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 **Total & Permanent Disability**

- Total and Permanent Disability (TPD) is when an individual:
  1. is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, has lasted for a continuous period of not less than 60 months, or can be expected to last for a continuous period of not less than 60 months; or

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 **Total & Permanent Disability**

1. See previous slide
2. Has been determined by the Secretary of Veterans Affairs to be unemployable due to a service connected disability. An individual that meets this definition is considered totally and permanently disabled

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 **Total & Permanent Disability**

- The Discharge is granted upon the Department's determination that the discharge application supports the conclusion that the borrower is totally and permanently disabled
- A three-year post-discharge monitoring period begins on the date the discharge is granted by the Department (Date of Discharge)

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 **Total & Permanent Disability**

- As a result of the three year monitoring:
  - Borrower remains eligible; or
  - Secretary reinstates a borrower's obligation to repay a discharged loan if, within three years after the date of discharge, the borrower —

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 **Resources**

- Studentloans.gov
- Borrower Rights and Responsibilities
- Studentaid.ed.gov
- Your Federal Student Loans Brochure
- Funding Education beyond high school

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
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 **Death Discharge**

- Department of Education regulations require that servicers and lenders **MUST** follow due diligence requirements of all loans that fall delinquent or enter phone or address skip status
- If a caller states that a borrower is deceased, the loan holder must act on this information, regardless of who provides it



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### Death Discharge

- Notification of Death Form completed (internal)
- All letters and calls are suspended and an attempt is made to collect the Death Certificate
- Temporary administrative forbearance placed on the loan (60 days but no more than 120)
- Regular collection activity begins after 60/120 days if the death certificate is not received
- **Vital Stats**- some offices do not release the death certificate to a third party due to privacy
- For FFELP, info is sent to the guarantor. If approved, loan is discharged
- Death certificate must be unaltered, no electronic versions (fax or PDF). Must be received via mail



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### Bankruptcy

- Very few loans are discharged due to bankruptcy
- No forms to fill out
- Servicer receives bankruptcy notice from the court



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### Public Service Loan Forgiveness

- First loans will be forgiven in 2017
- 120 payments must be made
  - Separate
  - On-time (no later than 15 days past due)
  - Full monthly payments
- Reduced or zero monthly payments under IBR or ICR qualify
- IBR, ICR, Standard, Consolidation
- FedLoan Servicing is the PSLF servicer
- Borrowers encouraged to send in ECF on an annual basis
- Final application will also be needed (not yet developed)



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### Total and Permanent Disability

- Borrower requests TPD application from lender/holder and returns completed application to them
- Completed application must be received within 90 days of the date the physician signs the application
  - Physician must respond to any follow-up within 45 days
  - If no response, denial letter sent to the borrower
- Administrative (non-capping) forbearance applied to the loan for up to 120 days

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### Total and Permanent Disability

- Loan holder makes initial determination of eligibility
  - For FFELP loans, if lender determines borrower meets criteria, application submitted to guarantor
  - For federally held loans, federal servicer reviews initial application
- After initial review is completed, information is sent to Disability Discharge Servicer Nelnet for final determination on behalf of ED

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### Total and Permanent Disability

- “Approved” borrower subject to a three year post discharge monitoring period
  - Annual employment earnings must not exceed the poverty guidelines for a family of 2 in the borrower’s state
  - May not receive a new Perkins, Direct Loan or TEACH Grant
  - Must ensure the return of a loan disbursement or a TEACH Grant within 120 days of the disbursement date




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### Total and Permanent Disability

- Borrower is eligible for a new loan if he/she returns to school after the three year post-discharge monitoring period
  - Doctor must certify that borrower may engage in substantial gainful activity
  - Borrower must sign a statement acknowledging that any new loan will not be discharged due to the same disability
- If loan reinstated, borrower not responsible for past interest
- Borrower notified of the reason(s) for reinstatement




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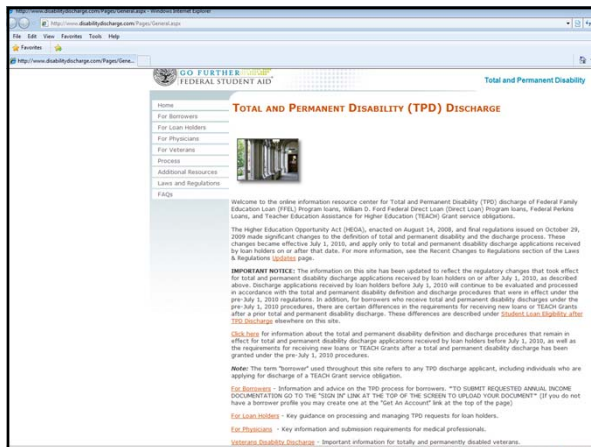
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### Closed School Loan Cancellation

- Borrower requests Loan Discharge Application- School closure from loan holder/servicer
- Once completed application is received, a 60 day forbearance is placed on the loan
- Research information
  - DOE's closure list
  - Find other borrowers that may be impacted and send letter
- Borrower is denied
  - Send not eligible letter-advise reason for denial
- Borrower is approved by servicer




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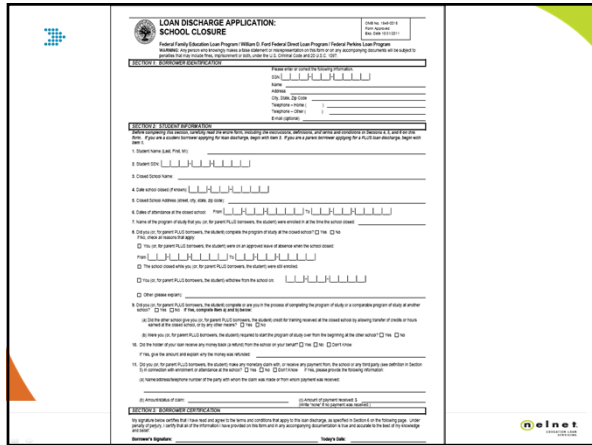
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### Cancellation- Application Falsely Certified by the School

- School contacted to review application
- DOE is contacted if application appears to be merited
- Borrower is either approved or sent a denial letter




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### Cancellation- Application Falsely Certified by the School

- Request one of several applications from the borrower

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### Identity Theft Cancellation

- Not to be used if school falsely certifies the loans
- Borrower certifies that they did not sign the promissory note or that any other means of ID used to obtain the loan were used
- Borrower also certifies that they did not knowingly receive or benefit from the proceeds of the loan
- A copy of a court determination of forgery **OR** four signature samples, and a copy of a police report
- Regulations effective July 1, 2008 clarify that a perpetrator must be named in the verdict
- Provide 120 day administrative forbearance- cease credit bureau reporting during this time
- Servicer Fraud Manager reviews and sends decision to ED for review

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### Unpaid Refund Discharge

- Borrower requests Loan Discharge Application- Unpaid Refund from loan holder/servicer
- Once completed application is received, a 60 day forbearance is placed on the loan
- Research account to see if refund has been applied
- Additional account research is performed
- Not Eligible
  - Borrower sent letter and application advising why the application was denied
- Borrower receives approval letter

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 **Standard Repayment Plan**

- Lowest total loan cost
- Regular payments of both principal and interest are due monthly, excluding periods of deferment and forbearance
- Minimum monthly payment is \$50
- 10-year repayment term



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 **Graduated Repayment Plan**

- Monthly payments are smaller at the start of the repayment period and gradually increase every two years
- 10-year repayment term
- Total amount paid in interest will be greater than under the standard repayment plan



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 **Extended Repayment Plan**

- Lengthens repayment term up to 25 years
- Available to borrowers with more than \$30,000 in federal student loans (per program)
- Total interest costs may be higher over life of the loan, although monthly payment amount may be lower



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 **Income-Based Repayment Plan (IBR)**

- Borrowers may qualify for lower monthly payments as determined by adjusted gross income, federal student loan debt, and family size
- After 25 years (300 payments), remaining balance and accrued interest may be forgiven
- Must reapply annually



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 **Income-Based Repayment**

- Any Stafford, GradPLUS, or consolidation loan made under either FFELP or Direct Loans is eligible for repayment under IBR, EXCEPT loans that are currently in default, parent PLUS loans, or consolidation loans that repaid any parent PLUS loans



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 **Income-Sensitive Repayment Plan**

- Offered only to borrowers under the FFELP
- Monthly payment varies according to gross monthly income
- Monthly payment covers at least monthly accruing interest
- Must reapply annually
- Total interest costs will be higher over the life of your loan than with standard repayment
- Maximum repayment period is 10 years



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 **Income-Contingent Repayment Plan**

- Offered only to borrowers under the Direct Loan Program
- Monthly payment based on adjusted gross income, family size, and total Direct Loan debt
- If payment does not cover interest accrued, unpaid amount is capitalized annually.
- Maximum repayment period is 25 years, and any balance after 25 years (time spent in deferment or forbearance does not count) is forgiven.



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 **Loan Consolidation**

- Option to combine federal education loans (not private loans)
- Loans must be in grace or repayment status
- Original loans are paid in full
- **New loan** for the combined balances is issued with **new terms**, including a new **interest rate** that is **fixed** for the life of the loan
- [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)



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 **Consolidation: Factors To Consider**

- Negatives
  - Total interest paid may be greater
  - May extend repayment period
  - May lose benefits (e.g. grace period, loan forgiveness, cancellation, deferment, or a reduced interest rate)



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### Consolidation: Factors To Consider

- Positives
  - May significantly lower monthly payments
  - Simplifies repayment—one monthly payment
  - No minimum or maximum loan amounts or fees with Direct Loan consolidation




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### Consolidation Tips

- Compare and weigh all options
- For more information on consolidating your loans, and how to apply, go to: [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)




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### Repayment Chart

Loan Amount	Monthly Payment at 4%	Monthly Payment at 5%	Monthly Payment at 6%	Monthly Payment at 7%	Monthly Payment at 8%	Monthly Payment at 9%
\$1,000	\$10.12	\$10.61	\$11.10	\$11.61	\$12.13	\$12.67
\$5,000	\$50.62	\$53.03	\$55.51	\$58.05	\$60.66	\$63.34
\$10,000	\$101.25	\$106.07	\$111.02	\$116.11	\$121.33	\$126.68
\$15,000	\$151.87	\$159.10	\$166.53	\$174.16	\$181.99	\$190.01
\$20,000	\$202.49	\$212.13	\$222.04	\$232.22	\$242.66	\$253.35
\$25,000	\$253.11	\$265.16	\$277.55	\$290.27	\$303.32	\$316.69
\$30,000	\$303.74	\$318.20	\$333.06	\$348.33	\$363.98	\$380.03




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**Repayment Comparison**

- [www.studentloans.gov](http://www.studentloans.gov)
- Student should select the repayment plan *best* for them

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**QUESTIONS OR DISCUSSION?**

Contact information:  
Don Buehrer  
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**Contacts**

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  - Scot Davisson, 816-268-0510
- Email – [firstname.lastname@ed.gov](mailto:firstname.lastname@ed.gov)

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 **Contacts**

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  - Tom Beckerle (IIS): 816-268-0418
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 **THANK YOU!**

**Feedback on David Bartlett Training**  
**Jo Ann Borel**  
**Supervisor of Training Officers**  
**202-377-3930; Joann.Borel@ed.gov**

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