Action Federal Student Loan Borrowers Should Take NOW

Presented by:
Cara McGraw
Legal Aid Foundation of Los Angeles
✓ (1) Know where to get trusted information about your federal student loans;
✓ (2) Request an Income-Driven Repayment (IDR) plan to lower your monthly payment; and
✓ (3) Get your loans out of default using “Fresh Start”
The Biden-Harris Administration’s Student Debt Relief Plan Explained

El plan de alivio de la deuda estudiantil de la Administración Biden-Harris en detalle

If you’ve already applied, we’ll hold your application. Subscribe and check back here for updates. We will post information as soon as further updates are available.

Si ya ha presentado su solicitud, la retendremos. Suscribase y vuelva a consultar esta página para informarse sobre las actualizaciones. Publicaremos más información en cuanto tengamos actualizaciones.
End of the COVID-19 Payment Pause
Payments Due on Your Federal Student Loans
Starting:

October 2023
You should receive a notification at least a few weeks before your first payment is due in October 2023.
Check for updates at:

Studentaid.gov

Congress recently passed a law preventing further extensions of the payment pause. Student loan interest will resume starting on Sept. 1, 2023, and payments will be due starting in October. We will notify borrowers well before payments restart.
Why Act NOW?
✓ (1) **Create or log in** to your account at [studentaid.gov](http://studentaid.gov)

✓ *If you have trouble accessing your account, call the Federal Student Aid Information Center (FSAIC) at [1-800-433-3243](tel:+18004333243)*
Once logged in to your studentaid.gov account:

(2) **Update** your contact information; and

(3) **Verify** who your loan servicer(s) are

- Go to account **Dashboard**, then scroll down to “My Loan Servicers” section; or call FSAIC at 1-800-433-3243 to ask

*Official links to all official servicer websites available at: [https://studentaid.gov/manage-loans/repayment/servicers](https://studentaid.gov/manage-loans/repayment/servicers)*
✓ (4) Create or log in to your servicer account(s) and update your contact information
Affording Your Monthly Payments: Income-Driven Repayment (IDR) Plans
Many Different Repayment Plan Options

- **Balance-Based Repayment Plans**
  - Standard Repayment Plan
  - Graduated Repayment Plan
  - Extended Repayment Plan

- **Income-Driven Repayment (IDR) Plans**
  - Income-Based Repayment (IBR)
  - Pay As You Earn (PAYE)
  - Revised Pay As You Earn (REPAYE)*
  - Income-Contingent Repayment (ICR)
Types of IDR Plans: IBR, PAYE, REPAYE, and ICR

These plans **cap monthly payments** at an affordable level based on:

1. your **income** and
2. your **household size**

These plans **cancel any balance that remains after 20 or 25 years of IDR payments**

Monthly payments **as low as $0 (zero dollars)/month**

Recertify your income once a year
Understanding IDR Plans

Example: REPAYE Plan for
- household of 1
- with an Adjusted Gross Income (AGI) of $45,000
- $ amount of loan balance is irrelevant

Formula: 10% of “Discretionary Income” = adjusted gross income above 150% of the federal poverty guidelines for the borrower’s household size

<table>
<thead>
<tr>
<th>Persons in family/household</th>
<th>Poverty guideline</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>$14,580</td>
</tr>
<tr>
<td>2</td>
<td>$19,720</td>
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<td>3</td>
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For families/households with more than 8 persons, add $5,140 for each additional person.

Borrower’s AGI

$45,000

Subtract 150% of federal poverty level (here, $14,580 x 1.5)

-$21,870

Difference =

$20,385

Multiply by repayment formula

x 10%

Annual Repayment =

$2,038.50

Divide by 12 months

12

Monthly Payment =

$169.88
Example: REPAYE Plan for
- household of 1
- with an Adjusted Gross Income (AGI) of $21,870
-$ amount of loan balance is irrelevant

Formula: 10% of “Discretionary Income” = adjusted gross income above 150% of the federal poverty guidelines for the borrower’s household size

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<td>Subtract 150% of federal poverty level (here, $14,580 x 1.5)</td>
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For families/households with more than 8 persons, add $5,140 for each additional person.

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<th>Persons in household</th>
<th>Approx. Income Threshold for Eligibility for $0 monthly Payment on IDR Plan REPAYE</th>
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<tbody>
<tr>
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<td>$21,870/year</td>
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<tr>
<td>2</td>
<td>$29,580/year</td>
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<td>3</td>
<td>$37,290/year</td>
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<tr>
<td>4</td>
<td>$45,000/year</td>
</tr>
<tr>
<td>5</td>
<td>$52,710/year</td>
</tr>
<tr>
<td>6</td>
<td>$60,420/year</td>
</tr>
<tr>
<td>7</td>
<td>$68,130/year</td>
</tr>
<tr>
<td>8</td>
<td>$75,840/year</td>
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How to Request an IDR Plan

• To request an IDR plan, call your servicer or go to https://studentaid.gov/idr/
How to Request an IDR Plan

• You can also submit a paper form. It is available in Spanish here: https://studentaid.gov/forms-library/
*Compare all the federal student loan repayment plans with the fantastic tool here: https://studentaid.gov/loan-simulator/
Getting Out of Default: “Fresh Start”
Federal Student Loan Default

- Federal student loans go into **default** after **270 days (about 9 months)** of **nonpayment**

- **Serious Consequences** of default include:
  - Loan “**acceleration**” – entire unpaid balance and any interest becomes due immediately
  - **Wage garnishment** – employer withholds a portion of your pay to repay the defaulted loans
  - **Seizure** of **tax refunds** (including Earned Income Tax Credit)
  - **Withholding** of **federal benefit payments**, like Social Security benefits (except Supplemental Security Income (SSI))
  - Reporting to **credit reporting agencies**
  - **Ineligibility** for Income-Driven Repayment (IDR) plans*
  - **Ineligibility** for taking out new federal student loans or grants
There are usually 2 main ways to get out of default:

1. **Consolidation** (creates new loan); or
2. **Rehabilitation** (make 9 out of 10 consecutive monthly payments)
   - Must be reasonable and affordable payments, minimum $5/month payment

Each option can typically only be used **once**.
Fresh Start!

- **Fresh Start** is one-time temporary opportunity to get out of default easily
- Call **1-800-621-3115**
  - Simply ask for: “**Fresh Start** to get out of default”
  - Sign up for an Income-Driven Repayment (IDR) plan by **answering income questions**
- Go to [https://studentaid.gov/announcements-events/default-fresh-start](https://studentaid.gov/announcements-events/default-fresh-start) to see more ways to request “Fresh Start”
✓ Prepare for payments to be due starting **October 2023**
  ✓ (1) Create/log in to your account at [studentaid.gov](https://studentaid.gov)
  ✓ Problems? Call FSAIC at: **1-800-433-3243**
  ✓ (2) Once logged in:
    ✓ (a) Update your contact information; and
    ✓ (b) Verify who your loan servicer(s) are under “My Loan Servicers”
  ✓ (3) Create/log in to your loan servicer account(s)
  ✓ (4) Once logged in:
    ✓ (a) Update your contact information; and
    ✓ (b) This is where you can set up your payment method, as appropriate

✓ Lower your monthly payment by requesting an Income-Driven Repayment (IDR) Plan, as appropriate
  ✓ Call your servicer or go to [https://studentaid.gov/idr/](https://studentaid.gov/idr/)
  ✓ Want to submit a paper form in Spanish? Go to [https://studentaid.gov/forms-library/](https://studentaid.gov/forms-library/) > Loan Repayment > Spanish

✓ Get out of default
  ✓ Call **1-800-621-3115** and say “I want to request Fresh Start to get out of default”

*Legal Aid Foundation of Los Angeles (LAFLA) is here to help! Call our intake line at **1-800-399-4529** or apply online at [https://lafla.org/get-help/](https://lafla.org/get-help/) to see if you’re eligible for our free legal services*
Thank you for joining us

Have a nice day!