

How to Prepare for the Start of Federal Student Loan Payments

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** (including the new SAVE IDR plan) to lower your monthly payment (as appropriate);
- ✓(3) Get your loans **out of default** using “Fresh Start”; and
- ✓(4) Benefit from the **temporary “on-ramp”** if you cannot afford to start making your monthly payment in October.



Biden-Harris Debt Relief Plan Struck Down

The Biden-Harris Administration's Student Debt Relief Plan Explained

English | Español

The Supreme Court issued a decision blocking us from moving forward with our one-time student debt relief plan.

Visit [StudentAid.gov/debtrelief](https://studentaid.gov/debtrelief) to learn more about the actions President Biden announced following the decision and find out how this decision impacts you.

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

Inglés | Español

El Tribunal Supremo emitió una decisión que nos impide continuar con nuestro programa de alivio único de la deuda estudiantil.

Visite [StudentAid.gov/es/debtrelief](https://studentaid.gov/es/debtrelief) para obtener más información sobre las medidas anunciadas por el presidente Biden tras la decisión y para saber cómo le afecta a usted esta decisión.



▶ \$20,000 FOR PELL GRANT RECIPIENTS
▶ \$10,000 FOR NON-PELL GRANT LOANS
▶ APPLIES TO INDIVIDUALS MAKING \$125,000/YR. OR LESS

- <https://studentaid.gov/manage-loans/forgiveness-cancellation/debt-relief-info>

The COVID-19 Payment Pause Has Ended



Payments Due on 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**





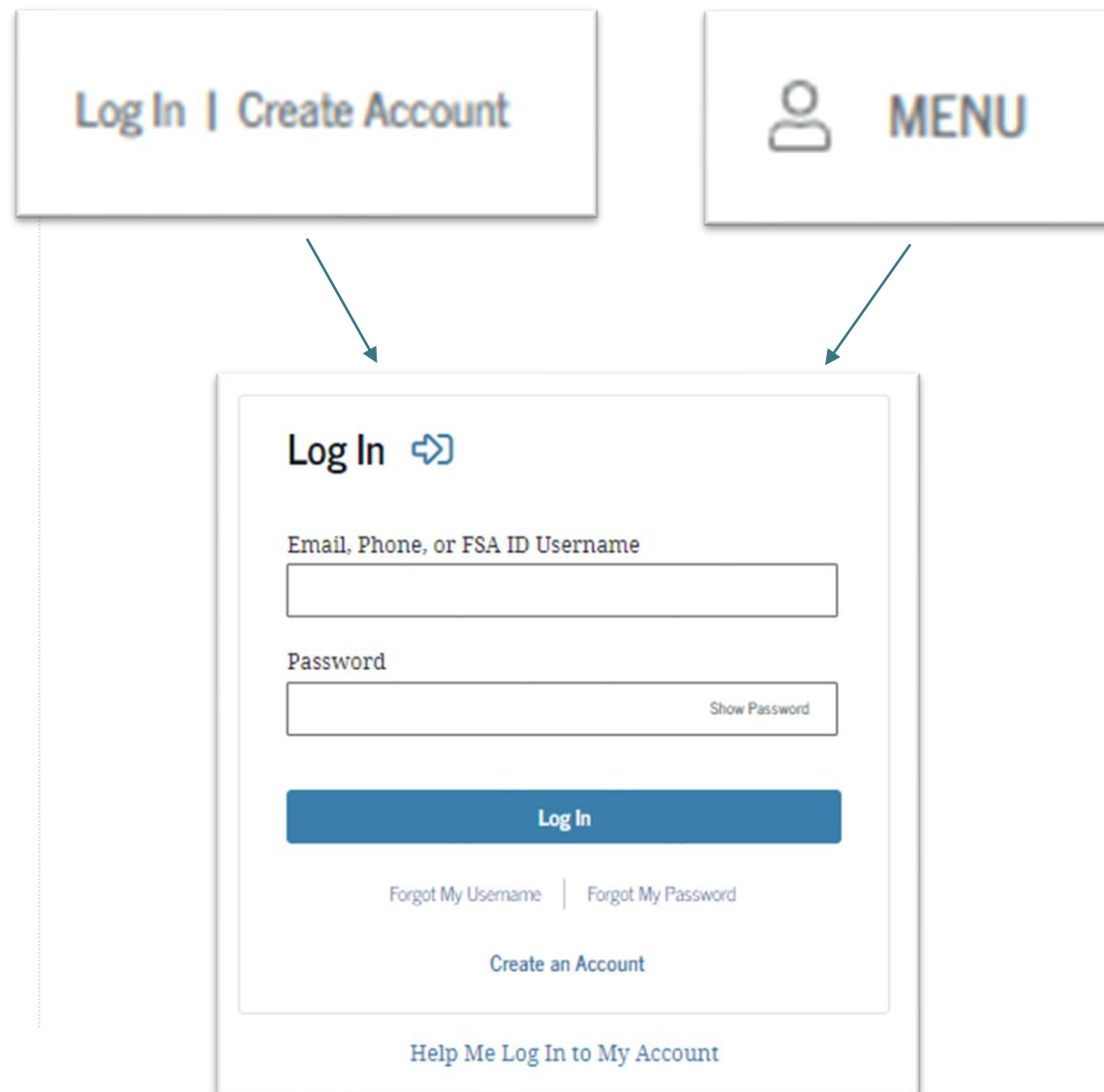
**LEGAL AID
FOUNDATION**
OF LOS ANGELES
Justice • Equity • Hope



Studentaid.gov

Checklist to Complete ASAP

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



The screenshot shows the top navigation bar of the studentaid.gov website. On the left, there is a button labeled "Log In | Create Account". On the right, there is a user icon followed by the word "MENU". Below these, a large white box contains the login form. Two blue arrows point from the "Log In" text in the top navigation bar and the "MENU" icon to the login form. The login form itself has a title "Log In" with a double arrow icon. It contains two input fields: "Email, Phone, or FSA ID Username" and "Password". The password field has a "Show Password" link to its right. Below the input fields is a blue "Log In" button. Underneath the button are two links: "Forgot My Username" and "Forgot My Password". At the bottom of the form is a link "Create an Account". Below the entire form is a link "Help Me Log In to My Account".

Your Studentaid.gov Account

- ✓ Once logged in to your studentaid.gov account:
 - ✓ **Update** your **contact information** (phone, email, and mailing address)
 - ✓ **Check** who your **official loan servicer(s)** are

Upcoming Payments

Servicer
Mohela

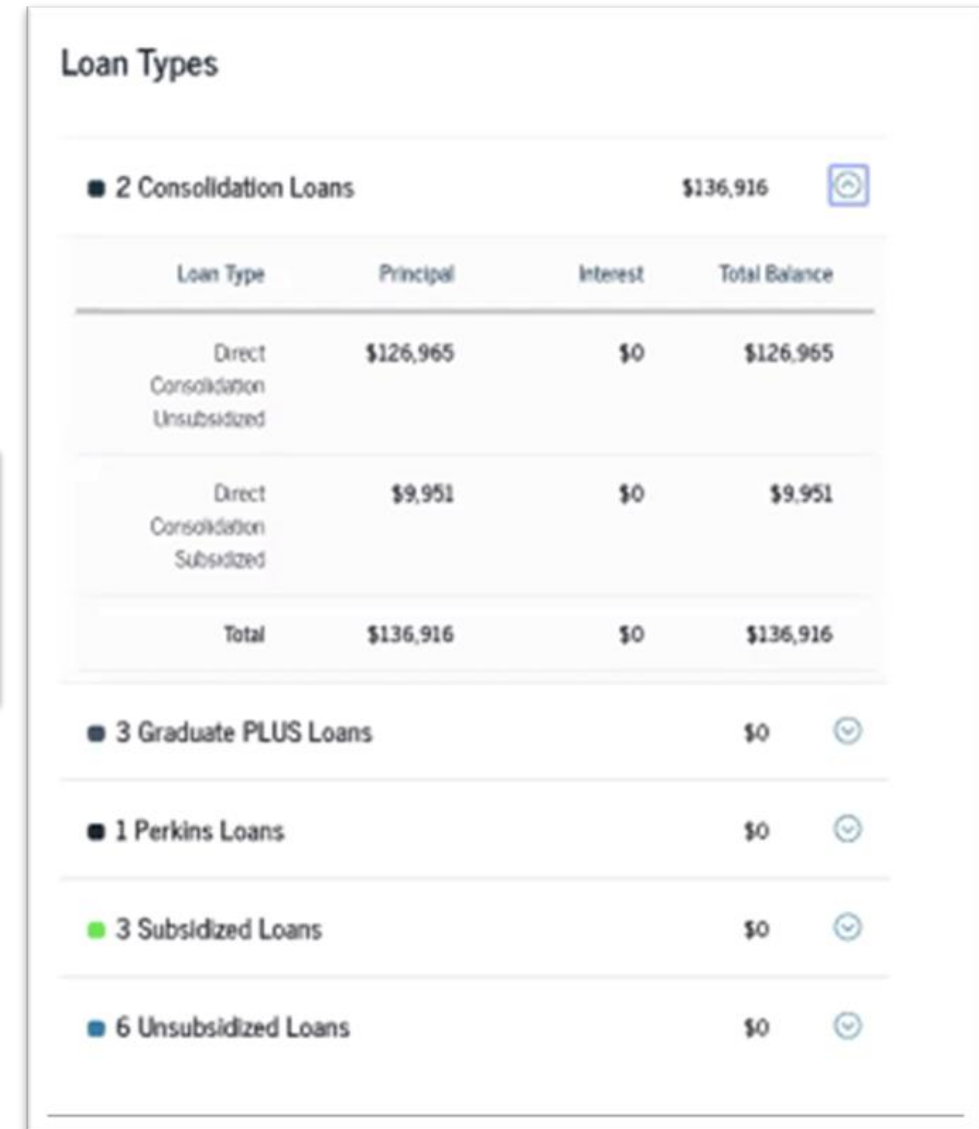
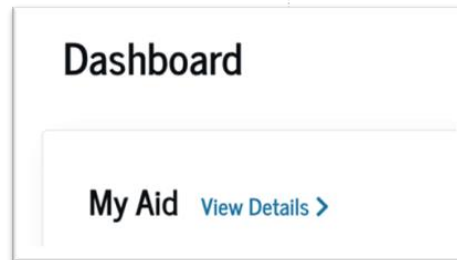
Due Date
9/30/23

[Pay on Servicer Website](#)

Loan Servicer	Contact
Great Lakes Educational Loan Services, Inc. ↗	1-800-236-4300
Edfinancial ↗	1-855-337-6884
MOHELA ↗	1-888-866-4352
Aidvantage ↗	1-800-722-1300
Nelnet ↗	1-888-486-4722
OSLA Servicing ↗	1-866-264-9762
ECSI ↗	1-866-313-3797
Default Resolution Group ↗	1-800-621-3115 (TTY: 1-877-825-9923 for the deaf or hard of hearing)

Your Studentaid.gov Account

- ✓ **Check** whether any of your loans are in **default**
- ✓ Note: you can also **check** what **types of loans** you have (e.g. FFEL, Direct, Parent PLUS, etc.)
 - ✓ Navigate to where it says “**My Aid**,” and click “**View Details**.”
 - ✓ Scroll to where it says “**Loan Types**”
 - ✓ Expand the details by clicking the down arrow(s)



Loan Types

■ 2 Consolidation Loans \$136,916

Loan Type	Principal	Interest	Total Balance
Direct Consolidation Unsubsidized	\$126,965	\$0	\$126,965
Direct Consolidation Subsidized	\$9,951	\$0	\$9,951
Total	\$136,916	\$0	\$136,916

■ 3 Graduate PLUS Loans \$0

■ 1 Perkins Loans \$0

■ 3 Subsidized Loans \$0

■ 6 Unsubsidized Loans \$0

Making Sure You Have an Affordable Monthly Payment Plan: Income- Driven Repayment

Many Different Repayment Plan Options

- Loans are typically on the **Standard repayment plan**.
 - For non-consolidation loans, this plan provides a fixed payment amount paid each month over 10 years.
- **Income-Driven Repayment (IDR) Plans:**
 - These are payment plans based on your income and, depending on your income, are likely to be much lower than the standard repayment plan.
 - Income-Based Repayment (IBR)
 - Pay As You Earn (PAYE)
 - Revised Pay As You Earn (REPAYE) / Saving on a Valuable Education (SAVE)
 - Income-Contingent Repayment (ICR)



Understanding IDR Plans

- IDR plans **cap monthly payments** at what's supposed to be an affordable level based on:
 - (1) your **income** and (2) your **household size**
- Under an IDR plan, any balance that remains after a certain number of years* of IDR payments will be cancelled
 - *from 10 years to 25, based on type of loans (undergrad, grad) you have and how much you borrowed
- Monthly payments **as low as \$0 (zero dollars) a month**
- **Automatic recertification** once a year (recalculation of your monthly payment amount for the next 12 months) if you agree to the disclosure of your tax information to the Department when you request an IDR plan

The New SAVE IDR Plan

- **The new SAVE plan is the most affordable IDR plan:**
 - Only available for certain Direct Loans
 - **Income exemption** increased to **225% of the poverty line**
 - If you make up to about \$15/hour for a household of 1, you'll qualify for a \$0 (zero dollar) monthly payment. If you make more than that, your monthly payment will be calculated as **10% of what you make above that amount.**
 - **Interest subsidy** so your balance won't increase
 - If you make your required monthly payment and it does not cover all the interest that accrues that month, the government will eliminate it so your balance doesn't grow
 - **Excludes spousal income** from the calculation of your monthly payment amount **ONLY If you are married and file your taxes separately**
 - **Automatic IDR recertification**
 - If you opt in to the secure disclosure of your IRS tax info

Calculation of Monthly SAVE Payment

- Monthly payment calculation: **10%*** of **taxable income over 225%** of the **federal poverty level** for your **household size**

2023 POVERTY GUIDELINES FOR THE 48 CONTIGUOUS STATES AND THE DISTRICT OF COLUMBIA	
Persons in family/household	Poverty guideline
1	\$14,580
2	\$19,720
3	\$24,860
4	\$30,000
5	\$35,140
6	\$40,280
7	\$45,420
8	\$50,560
For families/households with more than 8 persons, add \$5,140 for each additional person.	

E.g.
 $\$14,580 \times 2.25 =$
\$32,805.

So, a household of 1 with income up to \$32,805 will have a \$0 monthly payment.

Estimated Monthly Payment Under the SAVE Plan						
Income	\$60k	\$227	\$130	\$34	\$0	\$0
	\$50k	\$143	\$47	\$0	\$0	\$0
	\$40k	\$60	\$0	\$0	\$0	\$0
	\$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				

Calculation of Monthly IDR Payment: SAVE

- E.g. for a household of 1 with an adjusted gross income (AGI) of \$45,000/year
 - Monthly Payment: 10% (or as low as 5%) of what you make over 225% of the federal poverty level for your household size

2023 POVERTY GUIDELINES FOR THE 48 CONTIGUOUS STATES AND THE DISTRICT OF COLUMBIA	
Persons in family/household	Poverty guideline
1	\$14,580
2	\$19,720
3	\$24,860
4	\$30,000
5	\$35,140
6	\$40,280
7	\$45,420
8	\$50,560
For families/households with more than 8 persons, add \$5,140 for each additional person.	

Borrower's AGI	\$45,000	
Subtract 225% of federal poverty level (here, \$14,580 x 2.25)	-\$32,805	
Difference =	\$12,195	
Multiply by repayment formula	x 10%	x 5%
Annual Repayment =	\$1,219.50	\$609.75
Divide by 12 months	12	12
Monthly Payment =	\$101.63	\$50.81

The New SAVE IDR Plan


- **The new SAVE plan is the most affordable IDR plan:**
- **Other improvements** will go into effect **July 2024**, including:
 - Payments on undergrad loans will be cut from **10% to 5%** of income made above 225% of the poverty line
 - Borrowers who borrowed less than \$12,000 will have a 10-year IDR cancellation period
- More details here: <https://studentaid.gov/announcements-events/save-plan>

Parent PLUS, FFEL, Perkins Loan Options


- **Parent PLUS Loans:**
 - Unfortunately, Parent PLUS Loans are not eligible for any IDR Plans.
 - If, however, they are **consolidated** into a Direct Consolidation Loan, they are eligible for the IDR Plan called the **Income-Contingent Repayment (ICR)**
 - The monthly payment calculation on ICR is complicated, but for most people, it is calculated as 20% of what you make over 100% of the federal poverty level for your household size
- **FFEL or Perkins Loans:**
 - FFEL and Perkins Loans must first be **consolidated** into a Direct Consolidation Loan before they are eligible for SAVE
- **Request a Direct Consolidation Loan here:** <https://studentaid.gov/loan-consolidation/>
 - Or, apply using the Spanish Form available here: <https://studentaid.gov/forms-library/> under “Loan Repayment” > “Loan Consolidation”
 - For some, there may be benefits to consolidating before the end of 2023
 - See <https://studentaid.gov/announcements-events/idr-account-adjustment>

How to Request an IDR Plan

- To request an IDR plan, go to <https://studentaid.gov/idr/>

**New: Apply for SAVE Plan**
A beta version of the updated IDR application is now available and includes the option to enroll in the new SAVE Plan – the most affordable repayment plan yet.
[More Info About SAVE](#)

New IDR Applicants

**Apply for an Income-Driven Repayment Plan**
There are four different IDR plans to choose from. Our loan estimator can help you compare IDR plans to see which is best for your situation.
[Learn more about IDR plans](#)

[Log In to Start](#)
[View Demo](#)
OMB No. 1845-1012 •
Form Approved

How to Request an IDR Plan

- You can also submit a paper form. It is available in Spanish here:
<https://studentaid.gov/forms-library/>

Loan Repayment

Income-Driven Repayment (IDR) Plans

For borrowers who are seeking lower payments based on their income—this form allows you to apply for income-driven repayment plans. The online application is more efficient and allows you to estimate your loan payments before you apply.

[Apply Online](#)[English](#)[Spanish](#)

*Compare all the federal student loan repayment plans with the loan simulator tool here: <https://studentaid.gov/loan-simulator/>

+ Add to Comparison

Standard Repayment Plan

This plan allows you to pay the entirety of your loan via fixed payments (at a minimum of \$50) over your loan term (10 years for most loans, but it is usually longer for consolidation loans). NOT a good option for PSLF.

MONTHLY PAYMENT	TOTAL TO BE PAID
\$272	\$32,585
PAY OFF DATE	FORGIVENESS AMOUNT
August 2033	\$0

VIEW FULL PLAN

View and Compare All Plans (8)

+ Add to Comparison

Saving on a Valuable Education (SAVE) Plan—Formerly the REPAYE Plan

Based on your income and family size, your monthly payments are limited to 10% of your discretionary income. Good option for those seeking PSLF.

MONTHLY PAYMENT	TOTAL TO BE PAID
\$0 - 51	\$5,228
FIRST LAST	
PAY OFF DATE	FORGIVENESS AMOUNT
August 2043	\$26,946

VIEW FULL PLAN

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



Federal Student Loan Default

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** is a 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> to see more ways to request “Fresh Start”



Temporary “On-Ramp” Protections

- Payments are still due and interest will still accrue
- **BUT, if you cannot afford** to make your required monthly payment on any plan, the temporary “**on-ramp**” will provide protection from the harshest consequences of missed, late, or partial payments:
 - **Not** reported to **credit bureaus**,
 - **Not** considered in **default**,
 - **Not** referred to **collection agencies**
- “**On-ramp**” period available for **12 months** (October 1, 2023 – September 30, 2024)
- Loans that were covered by the COVID-19 payment pause are **automatically eligible**, no need to apply
 - E.g. FFEL Loans that are not owned by the Department of Education are NOT included
- Future monthly bills for borrowers not enrolled in an IDR plan will automatically be adjusted to reflect the interest that accrues during those months of missed, late, or partial payments



Summary: To Do List

- ✓ **Prepare for payments to be due starting in October 2023**
 - ✓ (1) **Create/log** in to your account at studentaid.gov
 - ✓ Problems? Call FSAIC at: **1-800-433-3243**
 - ✓ (2) Once logged in:
 - ✓ (a) **Update your contact information**; and
 - ✓ (b) **Review if your loans are in default**
- ✓ **If you're in default, request Fresh Start and an IDR plan**
 - ✓ Call **1-800-621-3115** and say "I want to request Fresh Start to get out of default"; you may also request an IDR plan as appropriate
- ✓ **If you're not in default and cannot afford your monthly payment amount, request an IDR Plan**
 - ✓ **Request** an IDR plan at <https://studentaid.gov/idr/> (*Want to submit a paper form in Spanish? Go to <https://studentaid.gov/forms-library/> > Loan Repayment > Spanish)
 - ✓ If you have **Direct Loans** (other than Parent PLUS Loans or Consolidation Loans that paid off a Parent PLUS Loan), you can request the SAVE Plan
 - ✓ If you have **FFEL or Perkins Loans** (other than Parent PLUS Loans), you can first consolidate into a Direct Consolidation Loan, then request the SAVE plan
 - ✓ If you have **Parent PLUS Loans**, you can first consolidate them into a Direct Consolidation Loan, then request the IDR plan called the Income Contingent Repayment (ICR) plan
 - ✓ **Explore** all your repayment options using the loan simulator at <https://studentaid.gov/loan-simulator/>



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/> to see if you're eligible for our free legal services



Thank you for joining us

Have a nice day!