Major Policy & Program Updates

- Payment Resumption
- Decision on President Biden’s One-Time Debt Relief Plan
- Long Term Improvements to Public Service Loan Forgiveness (PSLF)
- One-Time Account Adjustments
- Fresh Start Program for Borrowers in Default
- New IDR Plan
- Summary: Important Upcoming Dates
Major Policy & Program Updates: Payment Resumption

- Payments resume this fall - The recent debt ceiling bill codified the date for payments to resume. The pause will officially end on August 30, 2023
  - Interest will resume on September 1, 2023
  - Payments will be due starting in October 2023
  - Student loan servicers will notify borrowers of their payment due date
  - Confirm your servicer and contact information at StudentAid.gov

- Time during payment pause counts towards Public Service Loan Forgiveness - providing a HUGE opportunity for eligible borrowers
  - Beginning March 2020, for every month that payments have been paused, PSLF-eligible borrowers are able to accumulate a PSLF “qualifying payment credit” for that month.
  - Meaning eligible borrowers have the potential to receive 40+ “FREE” PSLF credits (toward the 120 total needed) to achieve full forgiveness on remainder of loan balance - that’s almost 1/3 of the way closer without having to pay a dime!
Major Policy & Program Updates: One-Time Debt Relief

● President Biden’s Student Loan Debt Relief Plan was blocked and will not continue
  ○ Program would’ve provided eligible borrowers with full or partial discharge of loans up to $20,000 to Federal Pell Grant recipients and up to $10,000 to non-Pell Grant recipients.

● The Supreme Court released its decision on June 30 that put a permanent end to the program
  ○ The Court ruled that the Department of Education did not have the power to cancel debt under a specific statute, the HEROES Act. This means no debt relief will be given out

● The Biden-Harris Administration is exploring alternative pathways to pursuing similar debt-relief, but no replacement programs are available yet.

● In the meantime, borrowers are encouraged to take advantage of existing programs like Public Service Loan Forgiveness or Income-Driven Repayment Plans
Lasting improvements to PSLF program take effect July 1, 2023 - Extending the benefits provided under the “PSLF Limited Waiver”, these will help reduce barriers that have made it harder for borrowers to make progress to forgiveness, in particular:

- **Help borrowers earn progress to PSLF**: credit for late, installment, lump sum payments; count forbearance and deferment towards PSLF; receive weighted average of existing payments on new consolidation loans

- **Simplify criteria to help certify employment**: apply a standard of full-time employment at 30 hours per week; allow adjunct faculty to multiply credit hours by 3.35, allow contract workers to certify employment
Major Policy & Program Updates: Account Adjustments

- In April 2022, the Department announced one-time improvements to address longstanding problems faced by borrowers receiving credit toward forgiveness under income-driven repayment (IDR) plans and PSLF.

- To receive the credit toward IDR and/or PSLF loans must be Direct Loans or FFEL loans managed by the Department.
  - Borrowers with other types of federal loans must consolidate by the end of 2023. Credit toward PSLF requires the borrower to have certified qualifying employment that overlaps the same periods.

- These one-time improvements will adjust a borrower’s account by awarding credit for:
  - Any month in repayment, regardless of whether payments were partial or late, the loan type, or the repayment plan;
  - Any month in which loans were in an eligible repayment, deferment, or forbearance status prior to consolidation;
  - Months while a borrower spent at least 12 months of consecutive forbearance;
  - Months while a borrower spent at least 36 cumulative months in forbearance; and
  - Any month spent in deferment (exception for in-school deferment) prior to 2013.

- These adjustments are expected to take place early in 2024.
Major Policy & Program Updates: Fresh Start

- A new program designed to quickly bring borrowers out of default and back into good standing
  - Restored access to IDR, forgiveness, new aid
  - No more wage garnishment, no collections calls
- Borrowers with defaulted Direct, FFEL, or Perkins loans held by ED are eligible
- Borrowers need to “opt-in” via phone with respective collection agency in order to enroll in Fresh Start
- Process takes about 1 month to complete
Major Policy & Program Updates: New IDR Plan

- The Dept. of Ed will release a new IDR plan (the SAVE plan) to lower monthly payments for borrowers.

- Summer 2023
  - Unpaid interest will be covered, so loan balances won’t increase
  - The new plan will raise the amount of income considered non-discretionary, so no borrower making under 225% of the poverty level will have a student loan payment (about $15/hr)

- Summer 2024
  - This new plan will be 5% of discretionary income for undergrad loans and 10% for graduate loans.
  - Borrowers with a mix of undergrad and grad will have a weighted amount based on loan types/balances between 5-10%
  - Borrowers with loan balances under $12,000 will receive forgiveness after 10 years instead of 20
**RECAP: Important Upcoming Dates**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Details</th>
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<tbody>
<tr>
<td>Feb 28, 2023</td>
<td>Supreme Court heard oral arguments on President Biden’s Debt Relief Plan</td>
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<td>July 2023</td>
<td>Debt Ceiling Agreement passed, codifying payment resumption in September</td>
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<td>June 30, 2023</td>
<td>The Supreme Court issued a decision that blocked the implementation of President Biden's Debt Relief Plan</td>
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<td>Sept - October 2023</td>
<td>Interest resumes on September 1 and payments resume beginning in October</td>
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<td>December 2023</td>
<td>Deadline to consolidate loans in order to receive full benefits of the One-Time account Adjustments</td>
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<tr>
<td>Early 2024</td>
<td>One-Time Account Adjustments expected to take place</td>
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Borrower Impact

How do these changes affect borrowers now and in the near future?
What does this mean for borrowers?

- 40+ million borrowers will re-enter repayment at the same time later this year.
- Most student loan borrowers have not made a payment since March 2020.
- 5.8 million borrowers have not selected a repayment plan, they will start with a standard payment.
- 16 million borrowers had their loans transferred to a new servicer, more will transfer in the coming year.
- In addition to shifting portfolios, student loan servicers are facing challenges, including fewer staff and newer staff, FSA contract changes; result is longer hold times and less customer support for borrowers.