National Emergency

CARES Act - Student Loan Relief

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Department of Education

- **CARES Act signed into law on March 27, 2020**
  - Provides broad relief for student loan borrowers whose loans are owned by the U.S. Department of Education.
  - 0% interest rate
    - Effective from March 13, 2020 *(originally)* through September 30, 2020
    - On Aug. 8, 2020, President Trump directed the Secretary to continue the relief thru **December 31, 2020**
  - Administrative Forbearance due to National Emergency
    - Retroactively applied to begin on March 13, 2020 – the day a National Emergency was declared.
    - **Granted automatically** by the loan servicer for six months.
      - ***Students do NOT need to contact their servicer***
    - The forbearance is currently scheduled to end ~~date is~~ on December 31, 2020.

Federal Loans Eligible for 0% interest rate

There are three types of Federal student loans that the 0% interest rate will be applied to from March 13th through December 31st, 2020:

1. **Direct Loans** – both defaulted and non-defaulted loans (*including Parent PLUS loans*).
2. **DOE Owned - Federal Family Education Loan** (FFEL) – program loans that are owned by the Department of Education and this includes both the defaulted and non-defaulted as well. Some FFEL program loans are owned by commercial lenders and are not eligible for the 0% interest rate.
3. **Federal Perkins Loans** – owned by the Department of Education. Federal Perkins Loans that are owned by institutions or schools are not eligible for the 0% interest rate.

Edfinancial services Direct Loans and commercially-held FFEL loans.

Borrower Relief by Federal Loan Status

- In-School
  - 0% Interest on Federal Subsidized, Unsubsidized & PLUS
- In-Grace
  - 0% Interest on Federal Subsidized, Unsubsidized & PLUS
- Repayment
  - 0% Interest on Federal Subsidized, Unsubsidized & PLUS
  - Administrative Forbearance applied to all loans retroactively to March 13th
  - All required payments suspended until December 31, 2020

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Borrower Relief by Federal Loan Status

- **Delinquency**
  - 0% Interest on Federal Subsidized, Unsubsidized & PLUS
  - Administrative Forbearance applied to all loans retroactive to March 13th.
  - Brings all delinquent borrowers to a **"Current Status"**.
  - All required payments suspended until December 31, 2020.

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Borrower Relief by Federal Loan Status

- **Default** – On March 25, 2020, ED announced:
  - 0% Interest on Federal Subsidized, Unsubsidized & PLUS.
  - Federal tax refunds will not be withheld on or after March 13, 2020 and before December 31, 2020.
  - Social Security payment that was taken will be returned to the defaulted borrower if the payment was in the process of being withheld—on or after March 13, 2020, and before December 31, 2020.
  - Administrative Wage Garnishment (AWG) suspended.
    - HR departments will receive a letter from ED instructing them to stop borrowers wage garnishment.
    - If ED receives funds from a garnishment between March 13, 2020, and December 31, 2020, they will refund garnished wages.

Borrower Relief by Federal Loan Status

- **Default –** On March 25, 2020, ED announced (*continued*):
  - Department-contracted private collection agencies stopped making collection calls and sending letters or billing statements.
  - Defaulted loans owned by ED will not accrue interest from March 13, 2020, through December 31, 2020. This includes:
    - **Direct Loans**
    - **FFEL Program loans owned by ED**

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Borrower Relief by Federal Loan Status

- **Rehabilitation Loans**
  - 0% Interest on Federal Subsidized, Unsubsidized & PLUS.
  - Suspended payments during the administrative forbearance count toward rehabilitation.

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Impact of National Emergency Forbearance

Great news for you and your students!

- Brings all delinquent students to a **“Current Status”**.
- FY2017 Cohort **Appeals** were extended until June 30, 2020.
- Prevented additional defaults for the FY2018 cohort.
  - *FY2018 cohort closed Sept. 30th except for challenges and appeals.*
- Prevents additional defaults for the FY2019 cohort.

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Impact of National Emergency Forbearance

- **Borrower communication during this time of uncertainty is critical.**
- Focus on two primary groups of borrowers:
  - Students entering grace period
  - Students in the FY2020 and FY2021 cohort
    - Repayment cycle suspended or delayed
    - May be unprepared for repayment once National Emergency is over
- Future student impact
  - Economic conditions may increase enrollment and borrowing rates.
  - Must be prepared to repay the student loan debt that is incurred.

Historical Perspective

- Many colleges saw spikes in enrollment following the last recession in 2008.
- Colleges also experienced increased ***delinquency*** and ***default rates*** for students who were unprepared for repayment.
  - FY2009, FY2010, FY2011 cohort default rates

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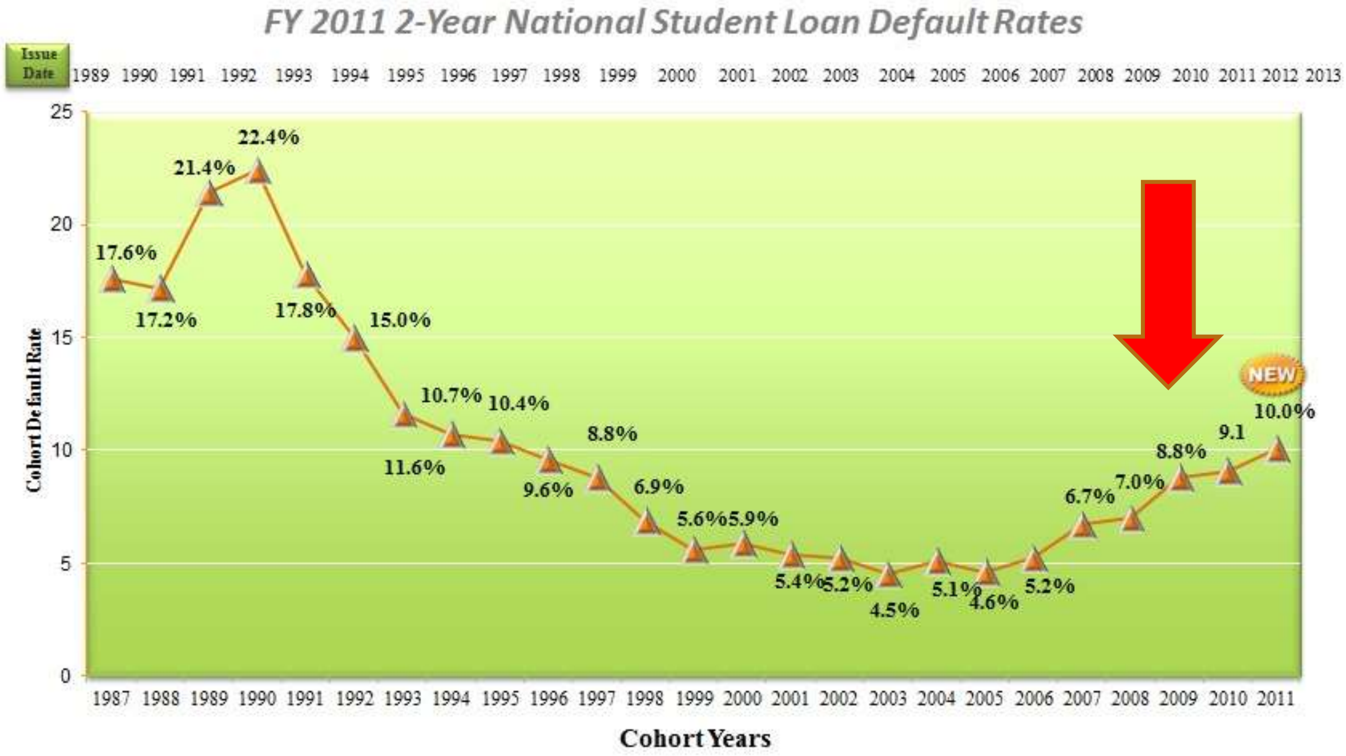
Historical Perspective - 2 Year Default Rates

History teaches us Default Rates spike considerably after a recession!



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Edamerica Recommended Strategy for your Borrowers

Get Ahead of the Curve

- No loans are in a delinquency status as of December 31, 2020
- Educate borrowers entering or reentering repayment

Deploy Proactive Support Strategies

- Be prepared for what happens after National Emergency Forbearance
- Take steps to prevent future spikes in delinquency and default

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Edamerica Strategy for your Borrowers

Recommendation

- Refocus current default prevention strategy for your college to preventative action:
  - **Early Intervention** - Grace borrower counseling, educating borrowers on the obligation to repay and proper repayment plan best for the individual.

Edamerica Strategy *(continued)*

Goal

- Position borrowers for success
- Take counter measures to combat potential increases in delinquency before the student enters or re-enters repayment
- Prevent future spike in default rates

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Administrative Forbearance – Q&A

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Administrative Forbearance - Q & A

Question 1: If I made a payment after the President signed the CARES Act on March 27, 2020, can I receive a refund?

- **Yes**! The CARES Act is providing an administrative forbearance from March 13, 2020 through December 31, 2020. Any payment made during this forbearance period is eligible for a refund.
- Borrowers can contact their loan servicer to request a refund of any payment made between March 13, 2020 and December 31, 2020.

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Administrative Forbearance - Q & A

Question 2: What if I want to continue making a partial payment while my loan is in forbearance, can I do that?

- Borrowers can absolutely continue making payments on their loan! The administrative forbearance has been applied from March 13, 2020 through December 31, 2020, so no payments are required during this time. Borrowers can, however, choose to make payments in any amount at any time.
- Keep in mind that a 0% interest benefit has been applied from March 13, 2020 through December 31, 2020. Once the interest that had accrued prior to March 13, 2020 has been satisfied, any additional payments made will be applied directly toward the principal balance.

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Administrative Forbearance - Q & A

Question 3: I'm currently on an IDR plan. I'm now unemployed and don't know when my income will return to the same level. Should I apply for UED now?

- Borrowers are automatically placed in an administrative forbearance, so no payments are due from March 13, 2020, through December 31, 2020.
- Loans will also receive a 0% interest rate benefit for this same time frame so applying for an Unemployment Deferment will not result in less interest accruing on the account.
- There is a maximum time of allowance on the Unemployment Deferment, so we recommend saving that time in case it's needed in the future.
- One option borrowers may want to consider is having their **Income-Driven Repayment (IDR)** plan recalculated if their income has changed. This way, when the forbearance ends in September, the new IDR payment will be based on their current income situation.

Administrative Forbearance - Q & A

Question 4: How will I know when I have to start making payments again?

- The 0% interest and the current administrative forbearance are set to expire on December 31, 2020.
- This means borrowers will begin **"Repayment Status"** in January 2021.
- Borrowers will be contacted ahead of time, no later than November, to remind them of the forbearance end date as well as to notify them of available repayment options.
- Borrowers will also be sent a billing statement notifying them of their upcoming payment due.

Administrative Forbearance - Q & A

Question 5: What will happen to my regular auto-debit payment if I do nothing?

- Auto-debit payments are suspended during the administrative forbearance which is in effect from March 13, 2020, until December 31, 2020. Once the forbearance and 0% interest benefit ends on December 31, 2020, and the loan enters repayment status, the auto-debit will automatically resume.
- Borrowers have the option to remain in the administrative forbearance and make manual payments through their online account during the forbearance period.
- Borrowers can contact their servicer at any time to opt out of the forbearance prior to December 31, 2020, and their auto-debit payments will resume.

Administrative Forbearance - Q & A

Question 6: Can my suspended payments count toward *Public Service Loan Forgiveness* (PSLF)?

- **Yes**. Borrowers will not be penalized by remaining in the administrative forbearance. The time in forbearance, from March 13th through December 31, 2020, will count as borrowers were making full, on-time monthly payments.
- If borrowers have a Direct Loan and work full-time for a qualifying employer during the suspension, then they will receive credit toward PSLF during the period of suspension.*

***Please note the PSLF servicer will require employment certification for this time frame in order to receive credit towards PSLF.**

Administrative Forbearance - Q & A

Question 7: Interest is being temporarily set at 0% on federal student loans. Which loans does the 0% rate apply to?

There are three types of federal student loans that the 0% interest rate will be applied to from March 13th through December 31, 2020:

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Administrative Forbearance - Q & A

Question 8: How can I take advantage of this 0% interest period if I have Federal Family Education Loan (FFEL) Program and Federal Perkins loans not owned by ED?

- Borrowers can speak to their lender or school to see if those benefits are being provided.
- Another option is to consolidate the borrowers FFEL Program or Federal Perkins loans, not owned by the Department of Education, into a Direct Consolidation Loan. By doing this, it would make the borrower eligible for the 0% interest.
  - Borrowers will need to complete this during the time the interest rate is 0% or your interest rate may be higher than you are currently paying.
- One other thing to note when making this decision to consolidate is that any outstanding interest will be capitalized upon consolidation.

Administrative Forbearance - Q & A

Question 9: Are private student loans eligible for the 0% interest benefit?

- **No**. The Department of Education does not have legal authority over private student loans, and private loans are not covered by the CARES Act.
- We would encourage borrowers to reach out to their private loan lender to see if they are offering any benefits during this time.

Administrative Forbearance - Q & A

- **Question 10: If I'm trying to rehabilitate my defaulted student loan, will my suspended payments count toward my rehabilitation?**
  - Yes.

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