Understanding Your Student Loan Debt

Legal Aid Foundation of Los Angeles

October 22, 2019
Roadmap for Today

- How to Pay for College
  - Grants, Scholarships, Fee Waiver, and Loans

- Managing Student Loans
  - Student Loan Defaults
  - Student Loan Discharge Options
  - Income-Driven Repayments
  - Warning: Debt Relief Scams
  - Legal Services Provided
How Do I Pay for College?
Grants and Scholarships

- **Community College Promise Grant**
  - Need-based

- **Cal Grant (state grant)**
  - California resident

- **Pell Grant (federal grant)**
  - Financial need, cost of school, full-time student

- **Scholarships**
  - Many kinds! For academics, interests, background, etc.
  - **Be careful of scams.**
Student Loans

Federal Loans
- Direct Loans
- Federal Family Education Loan Program (FFEL)
- Perkins
- Includes Stafford, Subsidized, Unsubsidized, PLUS loans

Private Loans
- Loans directly from school (may require payment during school)
- Educational loan from bank (e.g., Sallie Mae Bank, Bank of America, or other financial services company)

Examples

Figuring Out the Type of Loan
- Check Promissory Note
- Check federal student loan database: www.nslds.ed.gov

- Check Promissory Note
- Check your free annual credit report at: www.annualcreditreport.com
# Federal v. Private Loans

## Federal
- In-school deferment and 6-month grace period
- Lower interest rate and fixed
- Typically no co-signor
- Eligible for affordable repayment plans
- Forgiveness for public service and disability

## Private
- May require payments start even while in school
- Higher interest rate and can be variable
- May depend on credit worthiness or co-signor
- No right to affordable repayment plan
- No right to forgiveness based on job or disability
Private Student Loans

- Review terms of promissory note and programs offered by private lender
  - Be careful of co-signing!
- Negotiate with creditors
- Statute of limitations does apply
- School-related claims (FTC Holder Rule)

If someone is being sued on loan, please refer to LAFLA immediately by calling (800)-399-4529
Federal Student Aid ID

• An FSA ID gives borrower’s access to Federal Student Aid’s online systems
• To create a FSA ID, borrower needs a working email. Visit www.fsaid.ed.gov
  • The website is also available in Spanish.
NSLDS STUDENT ACCESS
National Student Loan Data System

Retrieve Your Loan Information

The National Student Loan Data System (NSLDS) is the U.S. Department of Education’s (ED’s) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data.

Financial Aid Review
View your federal loans, grants, and aid overpayments.

Enrollment
View your current enrollment, or let NSLDS know about future enrollment.

Subsidized Usage
View the status of your loans that are subject to subsidized usage limits.

Your Contact Information
View or add your contact information.

Exit Counseling
Complete exit counseling for your TEACH grant.

Authorization
Authorize a servicer to view your information on the NSLDS Professional Access site.

Glossary of Terms
Find definitions of the terms used on this site.
Log in

Enter your username and password and select LOG IN if you already have an FSA ID. If you do not have an FSA ID, select the Create An FSA ID tab.
Aid Summary for JOSEPH C

Your enrollment status is WITHDRAWN, effective 08/22/2006.

Authorization

Loans

Please click on number in first column to see details

<table>
<thead>
<tr>
<th>Type of Loan</th>
<th>Loan Amount</th>
<th>Loan Date</th>
<th>Disbursed Amount</th>
<th>Canceled Amount</th>
<th>Outstanding Principal</th>
<th>Outstanding Interest</th>
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Total DIRECT CONSOLIDATED SUBSIDIZED $963 $14
Total DIRECT CONSOLIDATED UNSUBSIDIZED $1,448 $21
Total STAFFORD UNSUBSIDIZED $6,951 $2
Total STAFFORD SUBSIDIZED $3,672 $2
Total All Loans $13,034 $39
## National Student Loan Data System (NSLDS) for Students

### Financial Aid Review
- Exit Counseling
- Glossary of Terms
- Browser Info/Setup
- FAQs
- Contact Us
- Logoff

### Detail Loan Information

**Type of Loan:** STAFFORD SUBSIDIZED

**Scheduled Start of Repayment:**
- Loan Period Begin Date: [Date]
- Loan Period End Date: [Date]

### Amounts and Dates

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Outstanding Principal Balance</th>
<th>Outstanding Principal Balance As of Date</th>
<th>Outstanding Principal Balance As of Date</th>
<th>Interest Rate</th>
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<td>$0</td>
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<tr>
<td>$1,000</td>
<td>IA</td>
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<tr>
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### Disbursement(s) and Status(es)

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<tr>
<th>Disbursement Date</th>
<th>Disbursement Amount</th>
<th>Loan Status</th>
<th>Status Description</th>
<th>Status Effective Date</th>
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<tbody>
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<td>$1,000</td>
<td>IA</td>
<td>LOAN ORIGINATED</td>
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<td></td>
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<tr>
<td>$1,300</td>
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<td></td>
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### Servicer/Lender/Guaranty Agency Information

**Current Servicer:** UTAH STATE BOARD OF REGENTS LSC
- BOARD OF REGENTS' BUILDING
- 60 S 400 W
- SALT LAKE CITY
- UT 84101
- 877-336-7378
- uheaa@utahstatebr. uheaa.org

**Backup Loan Servicer:** U.S. DEPARTMENT OF THE TREASURY
- 1001 1ST STREET
- DENVER
- CO 802020000

**Current Lender:** UTAH HIGHER EDUCATION ASSISTANCE AUTH.
- THE GATEWAY, BOARD OF REGENTS BUILDING
- 60 S 400 W
- SALT LAKE CITY
- UT 84111284
- 877-336-7378
- uheaa@utahstatebr. uheaa.org

**Current Guaranty Agency:** UTAH STATE BOARD OF REGENTS LSC
- BOARD OF REGENTS' BUILDING
- 60 S 400 W
- SALT LAKE CITY
- UT 84101
- 877-336-7378
- uheaa@utahstatebr. uheaa.org

### Download

**MyStudentData Download**

**Loan Amount**

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Outstanding Principal Balance</th>
<th>Outstanding Principal Balance As of Date</th>
<th>Outstanding Principal Balance As of Date</th>
<th>Interest Rate Type</th>
<th>Interest Rate</th>
<th>Cancelled Amount</th>
<th>Cancelled Date</th>
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<tr>
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<td>03/01/2010</td>
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<td>4.25%</td>
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<tr>
<td>$20,012</td>
<td>0.732</td>
<td>03/01/2010</td>
<td>03/01/2010</td>
<td>FIXED</td>
<td>4.25%</td>
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<th>Loan Status</th>
<th>Status Description</th>
<th>Status Effective Date</th>
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<td>RP</td>
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<td>CN12005</td>
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### Servicer/Lender/Guaranty Agency Information

**Current Servicer:** NAVIENT SOLUTIONS INC.
- 303 LANSING AVE
- WILKES-BARRE
- PA 18706
- 8663723643

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Managing Federal Student Loan Debt
Standard Repayment Plan

Typically 10 years

This is NOT the most affordable repayment option
Other Repayment Plans

1) Income-Driven Repayment
2) Extended Repayment
3) Graduated Repayment
Income-Driven Repayment

- Plans range from 20-25 years
- Forgiveness of balance at end of plan (with tax consequences)
- Apply online at studentloans.gov and must re-certify income annually
- Types:
  - IBR, PAYE, REPAYE, and ICR
  - Eligibility depends on type of loan and date of disbursement
  - Not eligible if you are in default
  - Parent PLUS loans not eligible
Discretionary Income

- Adjusted Gross Income (AGI) earned above 150% federal poverty level for family size
  - AGI: On Tax Form 1040, 1040A, or 1040EZ
- 10-15% will be monthly payments under income-driven repayment plan, depending on the plan
- Repayment calculators at studentloans.gov
**Example:**

Tanya’s AGI is $30,000. She is a household of one and has over $40,000 in federal student loans.

Standard Repayment: $444/month for 10 years.

Income-Driven repayment: Calculate discretionary income. AGI – 150% of poverty level for household size $30,000 - $18,090 = $11,910.

IBR (15% of discretionary income): $149/month PAYE or REPAYE (10% of discretionary income): $99/month

<table>
<thead>
<tr>
<th>Household Size</th>
<th>100%</th>
<th>150%</th>
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<tbody>
<tr>
<td>1</td>
<td>$12,060</td>
<td>$18,090</td>
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<tr>
<td>2</td>
<td>16,240</td>
<td>24,360</td>
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<tr>
<td>3</td>
<td>20,420</td>
<td>30,630</td>
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<td>4</td>
<td>24,600</td>
<td>36,900</td>
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<tr>
<td>5</td>
<td>28,780</td>
<td>43,170</td>
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<tr>
<td>6</td>
<td>32,960</td>
<td>49,440</td>
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<td>7</td>
<td>37,140</td>
<td>55,710</td>
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<tr>
<td>8</td>
<td>41,320</td>
<td>61,980</td>
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</table>
How to Apply

- Visit studentloans.gov
- IRS Retrieval Tool; or
- Submit paper application with most recent 1040 tax form
Annual Recertification

- Every 12 months, submit annual update of income
  - Apply online at studentloans.gov
  - Proof of income (either IRS retrieval tool or most recent 1040 or pay stub)
  - If no taxable income, no documentation needed
- If income lowers anytime, can submit updated proof of income to your servicer to re-calculate your monthly payments
Pausing Payments

- **Forbearance**
  - No more than 12 months at a time
  - Limited number
  - Interest accrues on all loans

- **Deferment**
  - Unemployment (for up to 3 years)
  - Economic hardship (up to 3 years)
  - Interest accrues depending on loan

*These are temporary options if you have trouble repaying your debt. It is important to stay current on payments to avoid default!
Federal Student Loan Default
What is default? 270 days or more of non-payment

Over 5 million Americans in default on their student loans
Consequences of Default

1) Garnish wages
2) Offset Social Security benefits (except Supplemental Security Income/SSI)
3) Seize tax refunds (including Earned Income Tax Credit)
4) **All without any court order.**
More Consequences of Default

1) Reported to debt collection agencies
2) Ineligible for affordable repayment plans
3) Ineligible for additional federal financial aid
4) No statute of limitations

IMPORTANT TO STAY OUT OF DEFAULT!
How to Get Out of Default

Two main ways to get out of default:

- Not all loans are eligible – depends on your loan situation
- Consolidation (creates new loan)
- Rehabilitation (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. Seek legal assistance to determine which option is right for you.
WARNING! STUDENT DEBT RELIEF SCAMS

- Watch out for emails, phone calls, and internet ads promising loan forgiveness.
- If you make payments, make sure you get confirmation in writing.
- If any business:
  - Promises it will get your loans forgiven and
  - Charges up-front fees
- **Watch out. This is likely an illegal scam.**
Where to File Complaints

- **Student loan debt relief services:**
  - CA Attorney General: oag.ca.gov

- **Private student loans, loan servicers and debt collectors:**
  - Consumer Financial Protection Bureau:
    - www.consumerfinance.gov

- **Federal student loans:**
  - Dept. of Ed. Ombudsman:
    - https://studentaid.ed.gov/ or 1.877.557.2575
Legal Assistance Services
How LAFLA Can Help

- Loan discharges
- Stop involuntary debt collection (i.e., wage garnishment, Social Security offset, etc.) and get borrowers out of default
- Obtain affordable repayment plan
- Defend student loan collection lawsuits
- Closed school and other legal clinics
Other Legal Services

- Government benefits
- Employment barriers and employment issues
- Housing
- Immigration
- Family law and domestic violence
- Self-help centers (Long Beach, Inglewood, Santa Monica, and Torrance courthouse)
- API and language access
- Veterans justice center
Questions?
Thank you!