



A Fresh Start:
Getting out of Default on your Student Loans

with

NASSAU SUFFOLK LAW SERVICES COMMITTEE, INC.

Presented by Michelle Kimpson (Law Graduate)





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Please keep your
microphone muted.

Please put questions in
chat or raise your hand.

There will be polls
throughout and a survey
at the end of the
presentation.

Thank you!

Housekeeping

Who we are and what we do...



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- Over 6,000 legal cases each year
- Direct representation, phone consultations
- Brief service or referrals
- Offices in Hempstead, Islandia, Riverhead
- Case handling staff includes attorneys, paralegals and social workers
- Partnerships with Community Agencies



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Office Locations

Hempstead:

1 Helen Keller Way 5th Fl
Hempstead NY 11550
(516) 292-8100

Islandia (Western Suffolk):

1757 Veterans Hwy Ste 50
Islandia NY 11749
(631) 232-2400

Riverhead (Eastern Suffolk):

400 W. Main St Suite 200
Riverhead, NY 11901
(631) 369-1112

Nassau Suffolk Law Services

Programs



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Family

- Domestic Violence Family Court Project (Suffolk)
- Family Law Project (Suffolk)

Disability & Health-Related Projects

- HIV Unit
- Mental Health
- ICAN - Advocates in Managed Long-Term Care
- Education and Disability Rights (Special Education and Rights of Developmentally Disabled)
- Disability Advocacy Project (SSD/SSI Appeals)

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Programs (continued...)



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Housing

- Civil Unit (Eviction Prevention)
- Foreclosure Project

Other

- Consumer Debt
- Veterans Rights
- Civil Rights Project
- Public Benefits
- Adult Care Facility Unit
- Senior Citizen Law Project (Nassau)
- Pro Bono Project (Suffolk)
- Volunteer Lawyers Project (Nassau)
- Community Legal Help Project (Suffolk)



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Legal Support Center for Advocates:

Advocates call (631) 232-2400 for assistance:

Sharon Campo - x3368 Cathy Lucidi - x3324

- Provide Technical Support to Advocates
- “Advocates” include legislative staff, social workers, outreach workers, medical personnel, and guidance counselors
- Host Community Trainings
- Publish Newsletters

Visit our website!



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- All About Our Programs
- Sign up for our “Legal Lessons”
- Trainings
- “Self-Help” Resources
- Other Events



Just a Note...



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Nassau/Suffolk Law Services makes every effort to keep legal educational materials up to date. The information contained in this material is not legal advice. Legal Advice depends upon the specific facts of each situation. These materials cannot replace the advice of competent legal counsel.



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A Fresh Start: Getting out of Default on your Student Loans

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Agenda



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1. About The EDCAP Network
2. Federal Student Loan Delinquency & Default
3. The Fresh Start Program
4. Private Loans, Delinquency, Default & Collections
5. Resources (relevant links)

THE EDCAP NETWORK

EDCAP Helpline
 888.614.5004
www.edcapny.org
www.cssny.org

Education Debt
 Consumer Assistance
 Program

EDCAP



AGENCY	COUNTIES	PHONE NUMBER
Community Service Society of New York	Granville	888-614-5004
Brooklyn Legal Services	KIT	718-237-8100
City Bar Justice Center	KIT	212-362-4700
Day Care Council of New York	KIT	212-266-7810 x 1108
Nassau Suffolk Law Services	Nassau, Suffolk	516-262-4550
United Way of Long Island	Nassau, Suffolk	631-942-3712
New York Legal Assistance Group	KIT, Nassau, Suffolk, Westchester	212-615-6100
Neighborhood Legal Services Inc.	Five, Seneca, Niagara, Orleans, Warren	716-665-0800 x 408
Purchase Credit Counseling	Albany, Cattaraugus, Chautauque, Erie, Seneca, Niagara, Orleans, Wyoming	716-752-2360
Empire Justice Center	Albany, Rensselaer, Saratoga, Schenectady, Westchester	518-425-2848
Legal Assistance of Western New York	Albany, Yates, Hamilton, Chautauque, Chazy, Lewis, Madison, Warren, Cayuga, Livingston, Rensselaer, Seneca, Sullivan, Tompkins, Warren, Yates	914-325-0520

edcap
 Education Debt
 Consumer Assistance
 Program



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CSSS Community
 Service
 Society

WHO WE ARE & WHAT WE DO

- EDCAP is a program initiative of the Community Service Society.
- Created to help tackle the student debt crisis in New York.
- Offers free and unbiased services:
 - Advise on student loan repayment options.
 - Rehabilitate loans to help prevent wage garnishments, social security offsets, and tax intercepts.
 - Apply for loan forgiveness, cancellation and discharge.
 - Help consolidate loans, request deferments, and forbearances.
 - Resolve issues with loan servicers and lenders.



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Federal Student Loan Delinquency

- Occurs whenever loan payments are past due and begins the first day after a missed payment.
 - After 30 days, the servicer can start charging late fees.
 - After 90 days, the delinquency will be reported to the credit agencies.
 - After 270 days, the borrower may go into default.
- Delinquencies have negative consequences for the borrower and will remain on credit reports for 7 years.





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Federal Student Loan Delinquency & Default

Federal Student Loan Default

After 270 days (9 months) of non-payment or paying less than the required amount, most federal student loans are at risk of default!



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The “On-Ramp” Period

- The recently announced “On-Ramp” period will ensure borrowers have a smooth transition back to repayment.
- Interest will start accruing on September 1, 2023 and payments will begin in October.
- From October 1, 2023-September 30, 2024, missed, late or partial payments from borrowers who were eligible for the payment pause will **not be reported to credit agencies or cause loans to go into collections or default.**



Traditional Methods of Getting out of Default

- **Rehabilitation**

- Make 9 monthly payments over a 10-month period.
- Partial credit repair.
- Can take time and be costly.
- Borrowers can only successfully rehabilitate loans once.

- **Consolidation**

- Replaces existing defaulted loans with new Direct Consolidation loans.
- Process generally takes two months and often costs nothing.
- No credit repair.



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The Fresh Start Program

First announced in April 2022, this program allows defaulted student loan borrowers to reenter repayment in good standing while repairing credit damage.

- **Eligible Loans**

- Defaulted Federal Direct Loans
- Defaulted FFEL loans (both Department of Education and commercially held)
- Defaulted ED held Perkins loans

- **Ineligible Loans**

- Defaulted School held Perkins loans
- Defaulted Health Education Assistance Loans (HEAL)
- Loans with DOJ in ongoing litigation
- Direct or FFEL loans that default after the end of the payment pause
- Commercially held FFEL loans that default during the payment pause (there is a different path back to good standing for these loans).



Actions steps for Fresh Start eligible borrowers

Borrowers must “opt-in” to fully benefit. There are two ways to do this:

- For those looking to go back to school at least half-time, file a FAFSA. Loans will be transferred to a non- default servicer and placed in an “in school deferment”, after which, default history will be removed from the credit report.
- All other borrowers, should contact Default Resolution Group (DRG) if they have Department of Education (ED) held loans or the Guarantee Agency (GA) if they have commercially held defaulted loans. Request that the loans be transferred to a non-default servicer. Enroll in a long-term repayment plan (can be Standard or IDR) and the default history will be removed from the credit report.
 - Borrowers with ED held loans can call DRG at 1-800-621-3115 or file a request online through their myeddebt.ed.gov account. They can also request Fresh Start by mail (see resource section for details).
 - Borrowers with commercially held defaulted loans will need to contact their GA and request Fresh Start. The loans will be assigned to ED then transferred to Nelnet. These loans will be ED held after returning to good standing!



Actions steps for Fresh Start eligible borrowers ctd.

- It should take 30-45 days to complete the process, including credit repair for (ED) held loans. It may take longer for loans held at guarantee agencies.

Borrowers have one-year from the end of the payment pause to take the necessary action to benefit from this program.



What is the downside to Fresh Start?

- We don't see much downside!
- Fresh Start is currently the quickest way out of default, and it doesn't cost anything.
- Using Fresh Start to cure default will not count as a loan rehabilitation (Note: Actual rehabilitations completed during the payment pause will also not count as a rehabilitation).
- The process will repair credit damage where applicable.
- Borrowers will get qualifying payment credit towards Public Service Loan Forgiveness (PSLF) or Income Driven Repayment Forgiveness (IDRF) for the period they were in default during the payment pause (from March 13, 2020).



What happens when Fresh Start ends?

- Borrowers have one-year from the end of the payment pause to take the necessary action to benefit from Fresh Start.
- Federal student loan defaults age off credit reports after 7 years!
- If you don't take advantage of Fresh Start to bring your loans back to good standing, you will again be subject to involuntary collections, and will no longer have access to federal student aid. And...
 - If the default is less than 7-years old, ED will start reporting the collection status to the credit agencies but with the original default date, thus not resetting the 7-year time clock.
 - If the default is more than 7-years old (i.e., the default is not reflected on the credit report), it will not reappear on their credit report.

Remember, just because your defaulted federal student loan doesn't show up on your credit report, doesn't mean it is no longer in default!



Commercially held FFELP loans that default during the payment pause

- FFELP is an older loan program. Commercially held FFELP loans are not held by the government, they're held by private institutions. You have a commercially held FFELP loan if:
 - It was not eligible for the payment pause.
 - It may have been held by Navient or AES.
 - It did not transfer to the Default Resolution Group upon default, but to a different entity called a guarantee agencies.
- Though not eligible for “Fresh Start”, commercially held loans that default during the payment pause will be brought back to good standing through a different process called the Department of Education’s Expansion of Covid-19 Flexibilities .



Commercially held FFELP loans that default during the payment pause ctd.

- Loans that default after March 13, 2020, but during the payment pause, will automatically be assigned to the Department of Education then transferred to a non-default servicer. Default history will be removed from credit reports.
- Borrowers will be immediately eligible for financial aid upon the loans being transferred to a non-default servicer.
- Borrowers who default after being returned to good standing will again be subject to involuntary collections, have no access financial aid and a new collection item will be placed on their credit for 7- years.



Preventing Delinquency and Default in the Future

- Enroll in auto-debit (also reduces the interest rate by .25%)
- Change the monthly due date.
- Select a more affordable repayment plan.
- Recalculate IDR plans when income declines in between recertification dates.
- Request a deferment or forbearance.
- Explore long-term strategies and forgiveness options.
- Do a budget!



Preventing Delinquency and Default in the Future, (cont'd)

If federal loans are managed properly, there should be almost no reason for them to default.

- Income Driven Repayment (IDR)

- Almost all borrowers are eligible for one of the four existing IDR plans that cap monthly payments at between 10%- 20% of their discretionary income.
- Later this summer, a fifth plan called SAVE will be introduced that will be cheaper than most of the existing options.

- Deferment & Forbearance

- Deferment and forbearance are not long-term solutions to repayment problems but can be used when no other options exist.
- Note: During the “On-Ramp” period for eligible borrowers, deferment and/or forbearance may not be necessary!

Explore IDR options before requesting Deferment or Forbearance!



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Private Student Loans: Delinquency, Default & Collections

- Private loans are not eligible for any of the federal relief programs previously described.
- Terms of delinquency and default vary from lender to lender and are defined by the loan contract.
- According to CFPB, private student loans generally default after 120 days of delinquency (versus 270 days for federal loans).
- Private lenders must obtain a court judgement before garnishing wages or seizing assets. They can garnish up to 25% of your “disposable income”.
- Private student loans DO have a statute of limitations (SOL-a date after which the creditor can no longer take the debtor to court to collect past due debt).

If you are struggling to make payments on a private loan, seek help.



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Resources & Quick Links

Delinquency & Default

- General information at: studentaid.gov.
- Collections on defaulted loans: studentaid.gov.
- The Treasury Offset Program ([TOP](#))

Curing Default

- [Loan Rehabilitation](#)
- [Loan Rehabilitation Income and Expense form](#)
- [Loan Rehabilitation Agreement](#) – sample letter
- Curing default through [loan consolidation](#).

(Continued...)



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Resources & Quick Links *(continued...)*

Fresh Start

- Default Resolution Group-Apply for Fresh Start:
 - By Phone: 1-800-621-3115
 - Online: by logging in to a myeddebt.ed.gov account.
 - By Mail: PO Box 5609, Greenville, TX 75403-Include a letter with name, SSN, DOB and the following statement:
“ I would like to use Fresh Start to bring my loans back into good standing”.
- Fresh Start Announcement Page studentaid.gov.
- Fresh Start Fact Sheet [FSA](#)
- [FSA guidance for Guaranty Agencies](#)
- [ED Expansion of Covid-19 Flexibilities](#) for commercially held loans that default after March 13, 2020
- [NYS HESC guidance](#) for defaulted commercially held FFELP loans.

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Resources & Quick Links *(continued...)*

Covid Relief-Payment Pause Extension-Preparing for Payment Resumption

- Visit studentaid.gov.

Student Loan Cancellation

- Access the cancellation application (when/if available) at studentaid.gov/debt-relief/application.
- Visit studentaid.gov for the official announcement and [latest information](#).
- [To get updates and information about the cancellation application, sign up sign up at the Department of Education subscription page.](#)

Public Service Loan Forgiveness

- [Information](#) about PSLF and Waiver (expired October 31, 2022).
- [PSLF Help Tool](#) to generate the required Employer Certification and Application Form.
- PSLF Employer Certification and Application Form ([in PDF](#))
- Loan consolidation online [application](#).
- Permanent changes to PSLF, [fact sheet](#).

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Resources & Quick Links *(continued...)*

Income Driven Repayment Account Adjustment

- [Federal Student Aid \(FSA\) Announcement](#)

Repayment Plans

- [Loan Simulator](#) to determine your repayment plan options.
- [Income Driven Repayment](#) plan options.
- Income Driven Repayment plan [online application](#) to enroll in an income driven repayment plan.
- If you want to enroll in a standard plan, you will need to call your student loan servicer.

Student Loan Servicers—Who Is Your Servicer?

- Information about [federal student loan servicers](#), including contact information.

Other Information

- US Department of Education Press Release: [2023 Rule Changes to relief programs](#)
- Federal Student Aid (FSA) [Forms Library](#)
- Federal Student Aid (FSA) [Announcements Page](#)



Thank you for attending!

**Need help?
Contact EDCAP**

Helpline:
(888) 614-5004

Email:
mkimpson@nsls.legal

Web:
edcapny.org



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Check out our website at
www.nslawservices.org and
follow us on social media
[@nslawservices](https://www.instagram.com/nslawservices) or
[@nassausuffolklawservices](https://www.instagram.com/nassausuffolklawservices)

We are available for staff or client presentations!



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If you think your staff or client base would benefit from a higher education debt, student loans, how to apply for forgiveness, etc. training, please let us know! We can offer virtual or in person presentations for your office.

Contact: Sharon Campo at 631-232-2400 ext 3368 or scampo@nsls.legal