

Recent Updates from the Department of Education

Recently, the Department of Education reported that one in four student loans are either in default or are at risk of imminent default. The Department also reports that 70% of borrowers qualify for an income driven repayment plan but that few borrowers seek alternative repayment options. Therefore, the Department of Education, in coordination with the Consumer Financial Protection Bureau and the Department of Treasury, have announced an initiative to increase awareness of these alternative repayment options and to improve the customer service provided to student loan borrowers. Below are summaries of some of the recent developments made as part of this initiative.

The new Department of Education website for Alternative Student Loan Repayment plans:

The Department of Education has created a very straight forward website to assist student loan borrowers in determining what alternative repayment options are available to them. The website asks up to five questions about the student loan and about the borrower's current employment and payment preferences to determine what repayment options are available. These questions include:

- (1) Do you have federal loans?
- (2) Did you take out the loans before 2011?
- (3) Do you work for the government or a non-profit?
- (4) Have you ever missed a payment because you could not afford it?
- (5) Do you want to lower your monthly payment?

Using the responses from these five questions, the website will provide the various alternative repayment options for the borrower as well as a step-by-step instruction on how to start the application process and what documentation will be needed to complete the process.

The website can be found at: <http://Studentloans.gov/repay>

Consumer Financial Protection Bureau's Payback Playbook

The Consumer Financial Protection Bureau is currently in the process of creating the Payback Playbook to better inform student loan borrowers of the available alternative repayment options. The goal of the project is for student loan servicers to present personalized repayment options directly to their borrowers whenever the borrowers interact with the servicer.

Specifically, servicers will be required to provide a comparison of the borrower's current repayment plan with a short description of the borrower's available alternative repayment options. In this comparison, the servicer must include a personalized estimated monthly payment as well as the amount of remaining payments under each alternative option. If the borrower is in default on the student loan, the comparison will include only one repayment option (generally, the repayment options that will have the largest decrease in the borrower's monthly payment). At the bottom of this payment comparison, the servicer will provide further information to allow the borrower to explore their options or to enroll in an alternative repayment plan.

Servicers will be required to include this comparison in: (1) the monthly statements sent to the borrower, (2) the regular email communications sent to the borrower from the servicer, and (3) the borrower's account once the borrower has logged onto the servicer's website.

The Payback Playbook is currently in the "prototype stage" and has been listed for public comment until June 12, 2016. Thereafter, the Department of Education will finalize the project. Further information about the Payback Playbook can be found at <http://www.consumerfinance.gov/payback-playbook/>

Consumer Financial Protection Bureau's Servicemember Student Loan Action Guide

The Consumer Financial Protection Bureau has also created a concise brochure, known as the Student Loan Action Guide, that outlines the available options for servicemembers to reduce their student loan debt. These options include:

- (1) The reduction of student loan interest rate to 6 % when the borrower is on active duty.
- (2) 0% interest rate for servicemembers in an area of hostile fire.
- (3) Perkins Loan Forgiveness for those who served more than a year in an area of hostile fire
- (4) Military Deferment
- (5) Income-Driven Repayment Plans
- (6) HEROES Act waiver
- (7) Public Service Loan Forgiveness for 10 years of service.

The Action Guide includes a Tips section for each option to assist servicemembers in obtaining the available repayment options. For example, for the section on the reduction of student loan interest to 6%, the guide points out that for Federal loans, the reduction is automatic, but that for private loans, the servicemember must request the reduction. Further, the Action Guide recommends the types of Duty Orders the servicemember should submit to the private lender to expedite the process.

The Action Guide can be found at:
http://files.consumerfinance.gov/f/documents/201604_cfpb_servicemember-student-loan-guide.pdf

Department of Education's solicitation for Total and Permanent Disability Discharge of Student Loans

Last month, the Obama Administration announced that the Department of Education will be sending nearly 400,000 letters to people they have identified as being eligible for a Total and Permanent Disability Discharge of their student loans. A Total and Permanent Disability Discharge allows borrowers who cannot work because of a disability to discharge their Federal Direct Loans, Federal Family Education Loans and Federal Perkins Loans.

The Department of Education requires that all disabled borrowers apply and demonstrate a the disability to receive the student loan discharge. To demonstrate the disability, the borrower must submit either: (1) documentation from the Department of Veteran Affairs showing that the borrower is unemployable; (2) documentation from the Social Security Administration showing

that the borrower will be receiving Social Security Disability Insurance or Supplemental Security Income and that the borrower will be scheduled for disability review in 5 to 7 years; or (3) a certification from a physician that the borrower is totally and permanently disabled.

However, the Department of Education has worked with the Social Security Administration by reviewing the records of both agencies to identify those borrowers who qualify for a Total and Permanent Disability Discharge and have mailed customized letters notifying the borrowers of their eligibility. Included in this letter is a short application requesting discharge. These eligible borrowers are given a streamlined application process because they are not required to provide documentation evidencing their disability as it is already on record with the Social Security Administration.

More information regarding the Department of Education's efforts to notify student loan borrowers of the Total and Permanent Disability Discharge can be found at:

<http://www.ed.gov/news/press-releases/us-department-education-acts-protect-social-security-benefits-borrowers-disabilities>