Understanding The Current Student Loan Landscape

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edcap
Education Debt Consumer Assistance Program

LEGAL SERVICES OF LONG ISLAND

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Agenda

- About Legal Services of Long Island (LSLI)
- New Borrowing Limits
- The End of the SAVE Plan & New Rules for Repayment
- Create a Long-Term Strategy
- Delinquency, Default, Collections & Other Changes
- EDCAP Contact Information
- Relevant Links

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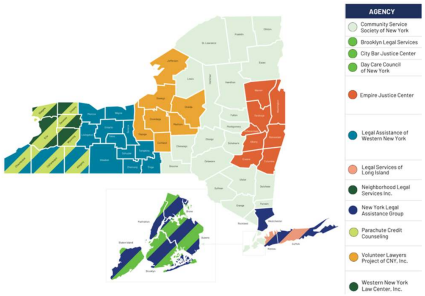
About Legal Services of Long Island (LSLI)

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About Legal Services of Long Island

- EDCAP is a program of the Community Service Society.
- Created to help tackle the student debt crisis in NY.
- We have offices in Hempstead, Islandia, and Riverhead.
- We assist individuals with consumer debt, foreclosure prevention, advocacy for education and disability rights, to name a few.
- In the EDCAP unit, we help you:
  - **Determine** your best student loan repayment option;
  - **Access** loan forgiveness, cancellation, and discharge programs;
  - **Apply** for consolidation, deferment, and forbearance;
  - **Resolve** issues with loan servicers and lenders;
  - **Get out of default** to prevent wage garnishments, social security offsets, and tax intercepts;
  - **Defend** yourself if you are sued.



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New Borrowing Limits

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Borrowing Limits (Effective July 1, 2026)

- **Direct Subsidized & Unsubsidized loans for undergraduate school**
  - No Change
- **Direct Unsubsidized loans for graduate school**
  - Non-Professional Master's Degrees - $20,500 annual limit. Lifetime limit of $100,000
  - Professional Degrees (e.g., law/medical) - $50,000 annual limit. Lifetime limit of $200,000.
- **Graduate Plus loans**
  - Phased out starting July 1, 2026
- **Parent Plus Loans**
  - Annual limit $20,000 per child.
  - Lifetime limit $65,000 per child. This includes both parents.

Grandfathering Plus Loans: If the student has a Direct Loan disbursed before July 1, 2026, graduate students and Parents may borrow under the existing rules (up to the Cost of Attendance) for a maximum of three years to complete the student's program of study. But loans must be paid back under new rules!

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Interest Rates (Effective between July 1, 2026, and July 1, 2027)

Interest Rates for Direct Loans First Disbursed on or After July 1, 2026, and Before July 1, 2027

Loan Type	Borrower Type	Fixed Interest Rate
Direct Subsidized Loans and Direct Unsubsidized Loans	Undergraduate	6.52%
Direct Unsubsidized Loans	Graduate or Professional	8.07%
Direct PLUS Loans	Parents and Graduate or Professional Students	9.07%

All interest rates shown in the chart above are fixed rates. A fixed rate will not change for the life of the loan.

https://studentaid.gov/understand-aid/types/loans/interest-rates

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The End of the SAVE Plan, Rate Reductions & New Rules for Repayment

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The End of the SAVE Plan



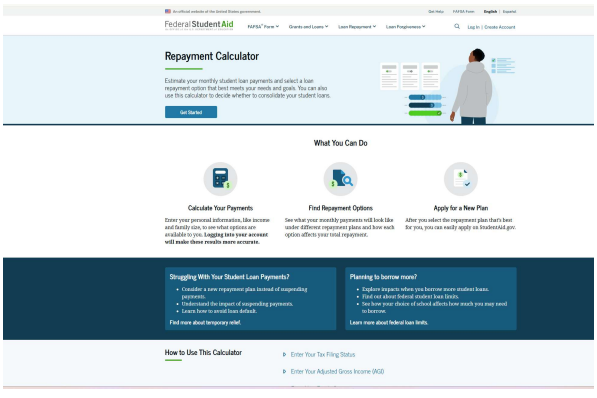
- Introduced in Fall 2023, SAVE would have been the cheapest repayment plan for most student loan borrowers.
- The plan faced legal challenges starting April 2024 and borrowers have been in a forbearance since July 2024.
- Parties to the lawsuit agreed to a settlement which has ended the plan early.
- Servicers began sending notices on July 1st advising borrowers of the deadline to transition to another repayment plan. You will have **90-days from the date of that notice** to select a different plan. If you miss the deadline, you will be placed in a Standard Repayment plan:
- **What does this mean for you?**
  - Not everyone has received the notice to transition yet. They are being sent in batches. The earliest deadline for choosing a new plan was September 29, 2026. If your deadline is later, you can remain in the SAVE forbearance for now. But interest is accruing and you are not earning credit towards forgiveness. Check with your **loan servicer** if you're not sure of your transition deadline!
  - You DO NOT need to wait for the notice to switch to another repayment plan. Submit your application online: https://studentaid.gov/idr/
  - Even if you do miss the transition deadline and wind up in a Standard Plan, you can still submit an application at any time to apply for cheaper options.

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Why Remain in the SAVE Forbearance?

- You need more time to find an affordable repayment option.
- Switching IDR plans requires submitting recent proof of income. If you expect your income to decline soon you may want to wait for that to happen before you submit the application.
- Start exploring your options: Use the new FSA Repayment Calculator on studentaid.gov.



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Reduced Interest Rate Incentive

- You may be eligible for an interest rate reduction of 1% if you meet the following requirements:
  - Your loan status is “In Repayment” and …
  - You enroll in autopay no later than December 31, 2026 (recently extended from September 30, 2026).
  - Applies to Direct loans disbursed on or after July 1, 2012.
- The rate reduction will last until July 1, 2028. Normally, rates are discounted by .25% when enrolling in autopay
- Autopay is also recommended for borrowers pursuing forgiveness to ensure on-time payment and forgiveness credit.

Borrowers still in the SAVE forbearance who want this rate reduction should submit an IDR application as soon as possible to ensure they are in repayment by the 12/31/26 deadline.

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Understanding Your Repayment Options

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Repayment Plans for Future Borrowers

- **Borrowers who took new loans or consolidated existing loans on or after July 1, 2026, will have only one or two options:**
  - **Standard Fixed Repayment Plan (Available to student and Parent Plus borrowers)**
    - Payback period will range from 10-25 years based on the size of the debt.
  - **Repayment Assistance Plan (RAP) (Only available to student borrowers with Direct loans)**
    - Calculates payments at 1%-10% of Adjusted Gross Income (AGI).
    - Payment reduced by $50 for each dependent you claim on your tax return.
    - Minimum payment = $10.
    - Unpaid interest will not accrue (i.e., the loan balance will not increase).
    - $50 Monthly Principal Subsidy: if your payment does not cover the interest and reduce the principal by this amount, the government will pay up to $50.
    - Spousal income can be excluded when filing separately.
    - No protected income, no adjustment for inflation.
    - Offers forgiveness after 30 years.
    - **Eligible for PSLF**

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New Rule: Payment Under Same Plan

- OBBBA rules state that **ALL** loans must be paid back in the same repayment plan.
- This applies to loans for students and to Parent Plus loans.
- **What this means if you take new loans or consolidate existing loans on or after July 1, 2026:**
  - **Student borrowers:** All loans (including older ones) must be paid in either RAP or the Standard Plan.
  - **Parent PLUS borrowers:** All loans (including older ones) must be paid in the Standard Plan.
    ⚠ **Important:** Even if consolidated, Parent PLUS loans cannot enroll in RAP.

    ⟶ **No access to IDR plans or forgiveness programs like PSLF.**

Exception: If you have both student loans for yourself and Parent Plus loans, you can pay the student loans in RAP and the Parent Plus loans in the Standard Plan.

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Repayment Plans for "Legacy Borrowers"

A "Legacy Borrower" is someone who **does not** take out or **consolidate** loans on or after **July 1, 2026.**

- **Legacy Student Borrowers:**
  - Can access **PAYE and ICR** under current rules **until July 1, 2028** ,and the **IBR** or **RAP** plan until debt is forgiven or paid off.

Legacy Parent Plus Borrowers:

- Must have fully consolidated loans disbursed before July 1, 2026.
- Once consolidated, you must enroll in the ICR plan and make one payment. You must do this before ICR is phased out in 2028. After that, you will have access to IBR.

Older loans consolidated on or after July 1, 2026, will be considered "New Loans" and will be subject to more restrictive repayment options.

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Modified Income Based Repayment (IBR)

- **Plan Features**
  - No income test!
  - Payments are capped at no more than what you would pay in the Standard 10-Year fixed Repayment plan (this will benefit those with high incomes relative to loan balances).
  - The only existing IDR plan that will be available to qualified legacy borrowers beyond **July 1, 2028**.
  - Direct and FFEL loans are eligible (except for Direct Parent Plus or FFEL Parent Plus, both of which must be consolidated before July 1, 2026).
- **Two versions:**
  - IBR (Original or Old) – If you have **ANY** loans disbursed before **July 1, 2014**:
    - Payments calculated at 15% of discretionary income, offers forgiveness after 25 years.
    - The only IBR plan available to FFEL borrowers.
  - IBR For New Borrowers – If your **FIRST** loans were disbursed between **July 1, 2014–June 30, 2026**:
    - Payments calculated at 10% of discretionary income, offers forgiveness after 20 years.

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PAY As You Earn (PAYE-Phasing Out July 1, 2028)

- **Plan Features**
  - May have an income test (if the payment calculated under PAYE is more than you would pay in the Standard 10-Year Fixed Repayment plan and you're not already enrolled you may not be eligible)
  - Payments are capped at no more than what you would pay in the Standard 10-Year fixed Repayment plan (this will benefit those with high incomes relative to loan balances).
  - Must have Direct Loans (except Direct Parent Plus loans or Direct Consolidation loans containing Parent Plus loans).
  - Must be a "New Borrower" – No loans disbursed prior to October 1, 2007, and at least one loan disbursed on or after October 1, 2011.
  - Payments calculated at 10% of discretionary, offers forgiveness after 20 years.

This plan is almost identical to IBR for New Borrowers

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Income Contingent Repayment (ICR-Phasing Out July 1, 2028)

- **Plan Features**
  - Available to all Direct Loan borrowers except Direct Parent Plus borrowers must be consolidated before July 1, 2026.
  - No income test, no payment cap.
  - Payments calculated at the lesser of:
    - 20% of discretionary income or…
    - A 12-year fixed plan payment adjusted for income.
  - Offers forgiveness after 25 years.

This plan can be a good option for borrowers with high income relative to loan balances

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Forgiveness and Discharge Programs

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Public Service Loan Forgiveness (PSLF)

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The PSLF Rules

- Make 120 qualifying monthly payments (10-years) after which remaining loan balances are forgiven. A qualifying payment is:
  - An **on-time** payment made in full on or after October 1, 2007,
  - on Direct loans,
  - in an IDR plan or a Standard 10-Year Fixed repayment plan,
  - while working an average of at least 30 hours per week,
  - for one or more qualifying employers (non-profits or governments) concurrently.
- Payments do not have to be consecutive.
- You must meet the employment requirements at the time you submit your application for forgiveness.

Forgiven balances are not taxable at the federal or state level in New York!

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The PSLF Buyback

- The buyback allows you to purchase PSLF credit for months spent in a disqualifying status under the following circumstances:
  - You must have **120 qualifying months of employment** on record.
  - The months you buyback **must bring you to 120 qualifying payments**.
  - You **cannot** purchase months prior to consolidation or months spent in a school deferment, grace period or default.
  - Payments are based on the payments you were making in an IDR plan prior to entering the disqualifying status and immediately after exiting that status (if applicable).
    - If you are trying to buyback months that straddle two tax periods, you may be asked to provide updated tax filing information.
- Submit a request through PSLF Reconsideration. Select the "PSLF Buyback" option.

Buyback applications are being processed and time spent in the SAVE Forbearance does count. But it's slow. You could wait over a year or more for a response.

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PSLF Buyback Guidance

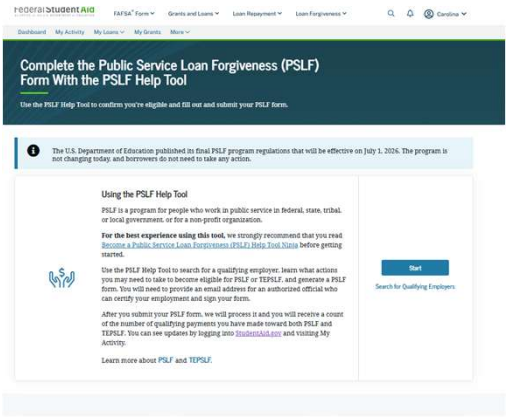
- Don't rely solely on the buyback to get to 120 qualifying payments.
- Take a 2-pronged approach:
  - If you are eligible for the buyback, there is no downside to submitting the request.
  - If you are in the SAVE forbearance, switch as soon as possible and start making qualifying payments in a different IDR plan.
- Most borrowers who have been in the SAVE forbearance have to accumulate about 2-years of payments to get forgiveness. But it could take just as long to have your Buyback request processed. Pursue both strategies and see which one gets you to forgiveness sooner.

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Verify Your Employment By Filing The PSLF Certification Form

- Submit the PSLF Certification Form to verify you meet the employment and payment requirements.
- One form **per qualifying employer** since **October 1, 2007.**
- Use the PSLF Help Tool: **studentaid.gov/pslf** for faster and accurate processing.
- Submit annually or whenever you change jobs.
- Request an **electronic signature** from your employer to speed things up.
- Manual certification submission is also available if needed but can take much longer to process.

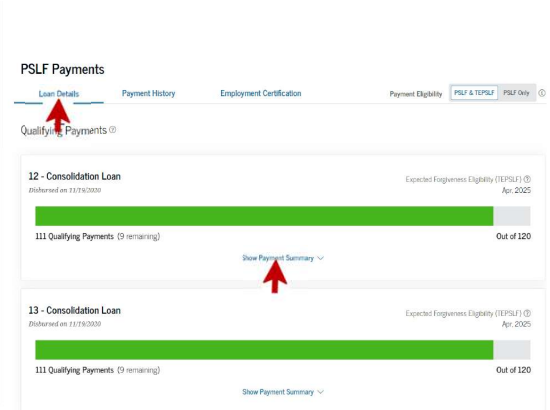


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Track Your Progress!

- The **PSLF Tracker** will appear on your FSA account once you've submitted a PSLF Certification Form.
- You will get month-by-month detail of your payment status for each loan.
- The count will only update when you submit new forms



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Other Forgiveness & Discharge Programs

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IDR Forgiveness (IDRF): Overview

- Forgives balances after 20-30 years of qualifying payments in an IDR plan (PAYE, ICR, IBR, RAP).

Plan	Payment Period
IBR (Loans disbursed before July 1, 2014)	25 Years
IBR New (Loans disbursed from July 1, 2014-June 30, 2026)	20 Years
RAP	30 Years
PAYE (Phasing out July 1, 2028)	20 Years
ICR (Phasing out July 1, 2028)	25 Years

- No employment requirement.
- Time accumulated in PAYE, ICR & IBR is transferable to RAP. Time accumulated in RAP cannot be transferred back to the other repayment plans.
- Forgiven balances may be taxable starting 2026 at the federal level (forgiven federal student debt is not taxable in New York State).

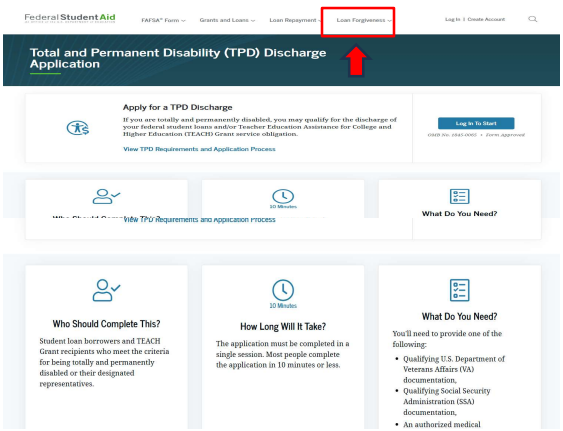
Insolvency Exclusion may mitigate some or all of the tax liability.

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Total and Permanent Disability Discharge

- TPD discharges loans if you have a physical or mental disability or chronic condition that prevents you from earning a livable wage.
- You may be eligible:
  - If you are a disabled Veteran and meet certain requirements.
  - If you are on SSDI, SSI or SSR and meet certain requirements.
  - If a medical professional signs a certification form.
- Management of the program has been transitioned to the Department of Education.
- For more information, visit the TPD page at studentaid.gov.



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Create A Long-Term Plan To Eliminate Your Debt



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What's your strategy?

Strategy	Description
Pay debt in full as quickly as possible	• This strategy is suitable for borrowers with low loan balances or high income relative to their balance. • They have the option to make lump sum payments or pay more than the required amount, regardless of the repayment plan. • **Traditional Repayment Plans can work for this strategy**
Pay minimum required and pursue forgiveness, if eligible	• Borrowers with high balances or low to moderate income compared to their debt can opt for this strategy. • They make the minimum required payment until they become eligible for forgiveness. • Making extra payments is not advisable if you expect to get forgiveness. • **Most often, borrowers will opt for or be required to enroll in IDR plans**
Pay minimum required until death do you part!	• If paying off your debt or pursuing forgiveness is not a feasible option, consider paying the minimum required until you die. • This strategy is often chosen by older borrowers who cannot realistically repay their loans or achieve forgiveness. • Federal student loans are dischargeable upon death. • **Either Traditional or IDR plans work. Whichever is cheapest!**



Did you know?
Some repayment strategies do not involve repaying the entire balance?

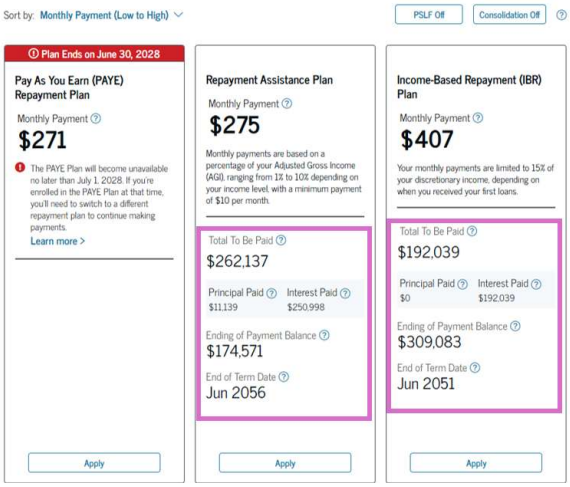
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Choosing the Right Repayment Plan

Selecting Repayment Plans: Practical Guidance

- Select a repayment plan.
  - If you are pursuing **Public Service Loan Forgiveness (PSLF),** select the plan with the lowest payment.
  - If you are eligible for PAYE and IBR and both offer the same payment, choose IBR as that plan will continue to exist beyond **July 2028** for eligible borrowers.
  - If PAYE or ICR are the cheapest options, you can enroll and earn credit towards forgiveness, but you will need to switch to either IBR or RAP if you need to accumulate credit beyond **July 2028**.
  - If you are pursuing **Income Driven Repayment Forgiveness (IDRF),** understand that even if RAP is the cheapest option, you may have to pay 5-10 years longer to achieve forgiveness! Check "**Total Paid**" and "**End of Term Dates**"



Selecting Repayment Plans: Practical Guidance, (cont'd)

- **Your payment is based on your income and household size.**
  - If you complete the IDR online application and approve IRS data retrieval, your federal tax information (Adjusted Gross Income—Line 11a of the IRS 1040 form) will be used.
  - They will use your most recent tax return—2025 (or 2024 if you have not filed 2025 yet).
  - If your information cannot be matched with IRS data, you will be asked to provide proof of income.
  - If your income has significantly decreased since your last tax return or you did not file taxes in the last two tax years, you can report that and will need to submit proof of your current income (pay stubs, W-2).
- **Monitor your application.**
  - Your servicer will get your IDR application and process it.
  - It can take up to two months before your first payment is due. Monitor your servicer account.
  - Those 1-2 months of "processing forbearance" should count towards forgiveness.
  - Your IDR payment should be good for 12 months and you will need to recertify your income to stay in your plan.

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Delinquency, Default, Collections and Other Changes

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Delinquency, Default & Collections

- After 30 days of missed payments, you will be assessed a late fee.
- After 90 days of missed payments, delinquencies will be reported to the credit agencies.
- After 270 days of missed payments (9 months), you are at risk of default:
  - Debt is payable in immediately and in full
  - No access to IDR plans, forbearance, deferment and no credit towards forgiveness programs.
  - No access to Federal Student Aid if you wish to continue your education.
  - Risk of involuntary collections (On Pause):
    - Tax Refund Intercept-up to 100%
    - Social Security Offset-up to 15% but cannot leave you with less than $750 per month.
    - Administrative Wage Garnishment-up to 15% of disposable pay but cannot leave you with less than 30x the federal minimum wage weekly (currently $217.50).
- Request a retroactive forbearance to address delinquencies
- Defaults can be cured through Consolidation or Rehabilitation

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Two Ways to Get Out Default: Consolidation and Rehabilitation

Feature	Loan Consolidation	Loan Rehabilitation
How it Works	Replace defaulted loans with new Direct Consolidation Loans	Make 9 monthly payments within 10 months
Speed	Can be completed in 30–90 days	On average takes 10-12 months
Impact on Credit	Default & Delinquency still shows on credit history (but loan shows as paid in full)	Default status removed from credit report after completion. Delinquency remains.
Eligibility for Benefits	Restores eligibility immediately after consolidation	Restores eligibility for IDR, deferment, and forgiveness programs
Interest & Fees	Any unpaid interest is capitalized into the new loan	May not capitalize unless you have commercially held FFEL loans.
PSLF/IDRF Credit	IDR forgiveness clocks restart. Will get weighted average credit for PSLF.	May retain original qualifying payments toward PSLF or IDR forgiveness
Number of Uses	Depends on outstanding loan types	Effective 7/1/27, 2 chances at rehab. Until then, only 1.
Collection Stops?	Stops offsets after consolidation is complete. But you can't consolidate loans with an outstanding wage garnishment or judgement.	Stops wage garnishment and tax offset after 5 qualifying payments. You cannot rehabilitate a loan with an outstanding judgement.

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Other Changes

- **Loans disbursed on or after July 1, 2027:**
  - Will not be eligible for economic hardship or unemployment deferments.
  - Can only be in forbearance for nine months during any 24-month period.
- **Rehabilitation of defaulted loans**
  - Effective **July 1, 2027**, you will get two chances to rehabilitate a defaulted loan (current limit is one)

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Legal Services of Long Island – EDCAP Contact Information

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Contact Legal Services of Long Island

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Email: EDCAP@ legalservicesofli.org

Hempstead telephone number: (516) 292-8100
Islandia telephone number: (631) 232-2400
Riverhead telephone number: (631) 369-1112

Jennifer Maldonado's Extension: 3344

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Relevant Links

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Relevant Links

- **Income Driven Repayment (IDR)**
  - IDR Plans
  - IDR Forgiveness
  - For the latest PDF version of the IDR Application visit the FSA Forms Library
  - File for IDR online
- **IDR Account Adjustment:** One Time Account Revision
- **Public Service Loan Forgiveness (PSLF)**
  - PSLF Program Details
  - PSLF Buyback
  - PSLF Help Tool

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Relevant Links, (cont'd)

- **Public Service Loan Forgiveness (PSLF): Lawsuits challenging New Qualifying Employer Rules**
  - National Council of Non-Profits (Represented by "Protect Borrowers". Includes some States and other independent groups)
  - Twenty-One States Led by The Commonwealth of Boston (Includes New York)
  - Student Defense and Public Citizens Litigation (Representing four non-profit groups)
- **Loan Consolidation:** File a consolidation application online
- **Stay Informed:** Subscribe to EDCAP's Newsletter

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