

Student Loans, The Changing Landscape: What Borrowers Need to Know

Presented by: Education Debt Consumer Assistance Program in partnership with Legal Services of Long Island

October 23, 2025



Agenda

- About Legal Services of Long Island (LSLI)
- Important Updates
- Three Strategies for Tackling Student Debt
- Repayment Options
- Income-Driven Repayment Forgiveness (IDRF)
- Public Service Loan Forgiveness (PSLF)
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- Delinquency, Default & Collections
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LEGAL SERVICES
OF LONG ISLAND

About Legal Services of Long Island (LSLI)

Legal Services of Long Island: Who We Are, What We Do...



- 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

Legal Services of Long Island: Contact Information

Website:

www.legalservicesli.org

Hempstead:

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

Islandia:

1757 Veterans Highway, Suite 50
Islandia, NY 11749
(631) 232-2400

Riverhead:

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



Legal Services of Long Island: Our Programs



Family

- Domestic Violence Family Court Project
- Child Support Defense 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)

Housing

- Civil Unit (Eviction Prevention)
- Foreclosure Project

Other

- Consumer Debt (including Education Debt)
- Veterans Rights
- Human 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

Legal Support Center For Advocates



Legal Support Center for Advocates:

Advocates call (631) 232-2400 for assistance:

Sharon Campo - x3368

Cathy Lucidi - x3324

Hannah Fitzpatrick- x3343

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

Important Updates

Government Shutdown: Impact on Student Aid and Student Loans

What's still functioning?

- Loan servicers are independent organizations and will continue to perform functions such as billing, collecting payments, processing certain applications (like IDR Applications, consolidations, requests for forbearance, etc.). If the shutdown is prolonged, that could change but you still have to make your payments!
- The FAFSA application for the 2026-2027 school year is open! New loans and Pell Grants for the current semester (fall 2025) should have already been disbursed.

What will be delayed?

- The Department of Education (ED) plans to furlough most of its employees (87%) including the office of the Ombudsman which will make it difficult to resolve disputes or complaints.
- ED is responsible for processing PSLF (including PSLF Buyback), TPD, BDR and other forgiveness and discharge applications so expect delays.

OBBBA-The New Tax & Spending Cut Bill

- The new bill introduces sweeping changes to the student loan system, set to be implemented over the next one to three years. Key changes include:
 - New borrowing limits
 - New Repayment options
 - Changes to IDR Forgiveness
 - Elimination of short-term relief programs
 - More on this bill later
- This bill **does not** alter Public Service Loan Forgiveness (PSLF) in any meaningful way. However, the Negotiated Rulemaking process which is currently underway at the Department of Education may limit employer eligibility in the future according to the President's [Executive Order](#).

The End of the SAVE Plan

- The SAVE plan which is already facing legal challenges will be eliminated under the new budget bill.
- What does this mean?
 - Borrowers currently enrolled in the **SAVE plan** remain in forbearance which is currently scheduled to end in February 2026. It could be extended. Time spent in this forbearance **does not count toward loan forgiveness**.
 - ! – Interest in the SAVE forbearance, which had been set to 0% started accruing on August 1, 2025.
 - About 7.7 million borrowers are still enrolled in SAVE.

The Future of Student Loans

Borrowing Limits (Effective July 1, 2026)

- Direct Subsidized & Unsubsidized loans for undergraduate school
 - No Change
- Direct Unsubsidized loans for graduate school
 - 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
 - Will be phased out starting July 1, 2026
 - **Grandfathered Borrowers:** If you receive a Direct or Grad Plus loan prior to July 1, 2026, you may continue borrowing Graduate PLUS Loans for up to three additional years to complete your current program of study
- Parent Plus Loans
 - Annual limit \$20,000 per child.
 - Lifetime limit \$65,000 per child. This includes both parents.
 - **Grandfathered Borrowers:** If you received a Parent PLUS Loan or your child received a Direct Loan before July 1, 2026, you may continue borrowing under the current rules (up to the cost of attendance) for up to three additional years to support the same dependent student's program of study.

Repayment Plans for Future Borrowers

- Student borrowers taking loans on or after July 1, 2026, will have only two options:
 - Standard Fixed Repayment Plan
 - Payback period will range from 10-25 years based on the size of the debt.
 - Repayment Assistance Plan (RAP).
 - 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.
 - \$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.
 - Unpaid interest will not accrue (i.e., the loan balance will not increase).
 - Offers forgiveness after 30 years.
 - Eligible for PSLF.

Repayment Plans for Student Borrowers

- **Existing Student Borrowers (All loans disbursed prior to July 1, 2026):**
 - Can access PAYE and ICR under current rules and the modified IBR (when available) until July 1, 2028.
 - After July 1, 2028, borrowers will be transitioned to the modified IBR plan:
 - Modified IBR plans will have no income test, but payments continue to be capped at no more than the cost of the Standard 10-Year Fixed repayment plan.
 - Payments for borrowers with any loans disbursed prior to July 1, 2014, will be calculated at 15% of discretionary income. Balances will be forgiven after 25 years of qualifying payments.
 - Payments for borrowers whose first loans are disbursed on or after July 1, 2014, will be calculated at 10% of discretionary income. Balances will be forgiven after 20 years of qualifying payments.
 - These borrowers can also choose the RAP plan or the new version of the Standard Plan.
- **New Student Borrowers (Any loans disbursed on or after July 1, 2026):**
 - Will only have access to a Standard Fixed Repayment plan or the Repayment Assistance Plan (RAP) which is based on income.

Repayment Plans for Parent Borrowers

- **Existing Parent Plus Borrowers (All loans disbursed prior to July 1, 2026):**
 - Must consolidate their loans **before** July 1, 2026.
 - Recent guidance says borrowers must then enroll in the ICR plan and make at least one payment before transitioning to IBR. These rules are still being finalized and are subject to change.
 - Loans will be transitioned to one of the modified IBR plans by July 1, 2028, if they are not already enrolled. Parent Plus borrowers will not have access to the RAP plan.
- **New Parent Plus Borrowers (Any loans disbursed on or after July 1, 2026):**
 - These loans can only be paid in the Standard Repayment plan, even if consolidated. Parent Plus borrowers will have no access to RAP and will therefore have no path to IDR or Public Service Loan Forgiveness.

Note: If existing Parent Plus borrowers take additional Parent Plus loans on or after July 1, 2026, they will have to pay all their loans back in the Standard Plan.

The New RAP/IBR Plans

Adjusted Gross Income (AGI)	% AGI (RAP)	Monthly Payment		
		RAP	Modified IBR (10%)	Modified IBR (15%)
15,000	1%	10	-	-
30,000	2%	10	-	-
45,000	4%	100	111	166
60,000	5%	200	236	353
75,000	7%	388	361	541
90,000	8%	550	486	728
105,000	10%	825	611	916
120,000	10%	950	736	974
135,000	10%	1,075	861	974
150,000	10%	1,200	974	974

Assumptions for Payment Cap (\$974) in IBR:

Loan Balance = \$85,500

Interest Rate = 6.58%

Assumptions for IBR & RAP Payments:

Family Size (IBR) = 2

Dependents (RAP) = 1

IBR plans will only be available to borrowers if all loans have been disbursed prior to July 1, 2026.

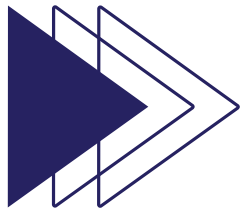
Other Changes

- **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)
- **Borrower Defense to Repayment (BDR) and Closed School Discharge (CSD)**
 - Biden-Era rules which would have made discharges in these programs easier delayed until July 1, 2035.
 - These rules are currently undergoing a court challenge.

Three Strategies for Tackling Student Debt: What's yours?



What's your strategy?



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

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.
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.
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.

Repayment Options

	Traditional Repayment Plans	Income Driven Repayment Plans (Processing has resumed for IBR, PAYE & ICR)
Pros	• More predictable payments. • Shorter repayment period in some cases, potentially paying off loans faster. • No recertification or income verification. • Best suited for those with high income relative to their debt.	• Affordable payments based on income. • Loan forgiveness after 20-30 yrs of payments. • Required for other forgiveness programs. • Best suited for those with high debt balances and low-moderate income or for people pursuing certain forgiveness programs.
Cons	• Higher monthly payments, potentially challenging for those with limited income. • Limited flexibility in adjusting payments. • No forgiveness.	• Annual renewal & income verification required. • Potential interest accumulation over extended repayment period. • Longer repayment period, extending time to become debt-free.
Plan Names	• Standard • Extended (<i>Will be phased out</i>) • Graduated (<i>Will be phased out</i>)	• Income-Based Repayment (IBR) • Pay As You Earn (PAYE) (<i>phasing out by 7/1/28</i>) • Income-Contingent Repayment (ICR) (<i>phasing out by 7/1/28</i>) • Repayment Assistance Plan (RAP) (<i>available by 7/1/26</i>)



Income Driven Repayment Forgiveness (IDRF)

The IDR Account Adjustment

- IDR plans offer forgiveness after 20–30 years of qualifying payments, with no employment requirement.
- The Biden Administration gave credit towards IDRF via the IDR Account Adjustment.
- An IDRF tracker briefly appeared in borrowers' FSA accounts but has since been removed. The data is still available—follow these instructions.
 - Login to your FSA account at studentaid.gov.
 - Open a separate tab in the same browser and click the following link:
<https://studentaid.gov/app/api/nslds/payment-counter/summary>
 - Download the HTML file or copy & paste to a Word document.
- IDRF Credit accumulated on any plan should be transferrable to the modified versions of IBR and to the RAP plan.

Pretty-print ☒

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Public Service Loan Forgiveness (PSLF)

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!

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).
- 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. About 5,600 applications were processed in August and the backlog has grown to 74,500.

PSLF Borrowers Can Continue to Verify Employment

- You can continue to update your employment by submitting the PSLF Certification Form. These forms verify you've met the employment requirements of the PSLF program.
- You must submit one form for each qualifying employer you've had since October 1, 2007.
- Submit these forms annually or whenever you change jobs.
- We strongly recommend using the PSLF Help Tool from your studentaid.gov account and requesting an **electronic signature** from your employer.

Complete the Public Service Loan Forgiveness (PSLF) Form With the PSLF Help Tool

Use the PSLF Help Tool to confirm you're eligible and fill out and submit your PSLF form.



Using the PSLF Help Tool

PSLF is a program for people who work in public service in federal, state, tribal, or local government, or for a non-profit organization.

For the best experience using this tool, we strongly recommend that you read [Become a Public Service Loan Forgiveness \(PSLF\) Help Tool Ninja](#) before getting started.

Use the PSLF Help Tool to search for a qualifying employer, learn what actions you may need to take to become eligible for PSLF or TEPSLF, and generate a PSLF form. You will need to provide an email address for an authorized official who can certify your employment and sign your form.

After you submit your PSLF form, we will process it and you will receive a count of the number of qualifying payments you have made toward both PSLF and TEPSLF. You can see updates by logging into [StudentAid.gov](https://studentaid.gov) and visiting My Activity.

[Log In To Start](#)
[Search for Qualifying Employers](#)

Overall Guidance for Borrowers



What Is Your Repayment Strategy?

- Repay loans in full
 - Consider a traditional plan such as Standard or Extended.
- Pursuing Income Driven Repayment Forgiveness(IDRF)
 - There are currently three IDR plans available to those who are eligible: IBR, PAYE and ICR. PAYE and ICR will be phased out over the next three years.
 - Consider IBR first. This plan will survive for existing borrowers after PAYE and ICR are gone. If IBR is the cheapest option, we recommend enrolling now.
 - Qualifying payment credit for IDRF earned in SAVE, PAYE and ICR will be transferred to the IBR plan or RAP.

What Is Your Repayment Strategy?, (cont'd)

- Pursuing Public Service Loan Forgiveness

- If enrolled in IBR, PAYE or ICR, continue making your payments to earn credit.
- If you're currently in SAVE Forbearance and haven't yet selected a new repayment plan, submit an IDR application as soon as possible. We recommend IBR, but if PAYE or ICR results in lower payments, both can still qualify for PSLF credit.

***Note:** While your application is being processed, you may be placed in a processing forbearance for up to two months which will count toward PSLF.*

- Submit a buyback application if you are eligible.

- Selecting the RAP Plan (Not available yet)

- The RAP plan may be cheaper than existing repayment plans.
- Existing student borrowers can switch to the RAP plan when it becomes available (probably July 2026, possibly sooner). If you do choose RAP, it's not clear that you'll be able to switch back to IBR.
- Payments in RAP will count towards PSLF and IDR Forgiveness.
- IDR credit accumulated in SAVE, IBR, PAYE and ICR should transfer to the RAP plan.

***Caution:** The RAP plan has a 30-year path to forgiveness vs. 20-25 years in the other plans. Your payment may be cheaper, but you will have to pay longer.*

Parent Plus Borrowers – Call to Action!



- Under the terms of the new bill, existing Parent Plus borrowers must consolidate loans before July 1, 2026, and enroll in an IDR plan by July 1, 2028, to retain access to any IDR options. Recent guidance indicates borrowers must enroll in ICR and make one payment before transitioning to the modified IBR plan.
- Parent Plus loans disbursed on or after July 1, 2026, will have no access to RAP or modified IBR plans and thus no path towards IDR or Public Service Loan Forgiveness.
- If you have not done so already, begin the consolidation/IDR enrollment process soon.
- If you plan to take additional loans for the Fall 2025 or Spring 2026 semesters, consolidate immediately upon receiving your loans.
- If you have defaulted Parent Plus loans, now is the time to consolidate or remove them from default & enroll in an IDR plan.
- If you plan to take additional Parent Plus loans on or after July 1, 2026, you will have to pay all your debt back in the Standard Plan. Be strategic about future borrowing when possible. You may consider taking a private loan to complete your Parent Plus borrowing, particularly if you are pursuing PSLF.

Total & Permanent Disability (TPD) Discharge

Total & Permanent Disability (TPD) Discharge: Application Process

- ▶ TPD discharges loans if you have a mental or physical disability that prevents you from earning a livable wage.
- ▶ Management of the program has been transitioned to the Department of Education. Visit the new [TPD Application page](#) at studentaid.gov.
- ▶ Three ways to submit forms:
 - ▶ Use online application and request electronic signatures (including medical certifications).
 - ▶ Use online application and request manual signatures. *
 - ▶ Complete the entire application manually by using the [PDF](#). *
- ▶ For more information, visit the [TPD page](#) at studentaid.gov.

** Manually signed applications must be mailed, faxed or uploaded from "My Activity" on studentaid.gov.*

The screenshot shows the Federal Student Aid website. The navigation bar includes links for FAFSA, Grants and Loans, Loan Repayment, and Loan Forgiveness. The 'Loan Forgiveness' link is highlighted with a red box and a red arrow pointing to it. Below the navigation bar, the main heading is 'Total and Permanent Disability (TPD) Discharge Application'. The content area is divided into two columns. The left column is titled 'Apply for a TPD Discharge' and contains a paragraph explaining the eligibility criteria, a 'Log In To Start' button, and a link to 'View TPD Requirements and Application Process'. The right column contains a 'Log In To Start' button and the text 'OMB No. 1845-0065 • Form Approved'. Below this, there are three sections: 'Who Should Complete This?' (explaining that student loan borrowers and TEACH Grant recipients who meet the criteria for being totally and permanently disabled or their designated representatives should complete the form), 'How Long Will It Take?' (stating that the application must be completed in a single session and most people complete it in 10 minutes or less), and 'What Do You Need?' (listing the required documentation: Qualifying U.S. Department of Veterans Affairs (VA) documentation, Qualifying Social Security Administration (SSA) documentation, and An authorized medical professional).

Delinquency, Default & Collections

Your Loan is Delinquent—What Now?

- Being delinquent means your student loan payment is past due — but there are steps you can take to avoid default.
 - After 30 days you will be assessed a late fee.
 - After 90 days, delinquencies will be reported to the credit agencies.
 - At 270 days, you are at risk of default.
- **How to Address Past-Due Payments:**
 - Call your student loan servicer and request a retroactive forbearance
 - This may resolve missed payments and bring your account current
- **Plan Ahead to Avoid Future Delinquency:**
 - Review and update your repayment plan
 - Explore income-driven repayment (IDR) options for more affordable monthly payments
 - Requests additional forbearance, deferment if you have no other options

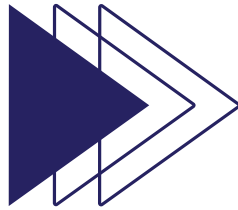
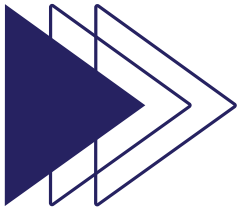
Your Loan is Default—What Now?

- After 270 days of non-payment (9 months), loans are at risk of default.
- Debt becomes payable in full immediately.
- Not eligible for IDR plans, deferment, forbearance and cannot earn credit towards forgiveness programs.
- No access to Federal Aid.
- **Subject to Involuntary Collections**
 - Tax refund intercepts (Began May 5th – Will not affect those who already received a refund for the 2024 tax year)
 - Social Security Offset (15% with a floor of \$750 per month). (On pause)
 - Administrative Wage Garnishment-up to 15% of disposable pay. (Notices may go out soon)
 - The government can also intercept funds owed to you from federal contracts or sale of federal assets such as treasury bonds.

Call the automated Treasury Offset Program (TOP) line to see if you're scheduled for collections: 1-800-304-3107.

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.



Contact Legal Services of Long Island

Phone: 516-292-8100

Web: www.legalservicesli.org

Relevant Links

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](#)
- Loan Consolidation: [File a consolidation application online](#)
- Stay Informed: [Subscribe to EDCAP's Newsletter](#)