

# Student Loans 2.0: Navigating Changes to the System Under the New Budget Bill

Presented by: Education Debt Consumer Assistance Program and Legal  
Services of Long Island

March 12, 2026



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## Agenda

- About Legal Services of Long Island (LSLI)
- The New Era of Student Loans
- Strategies for Tackling Your Debt
- Guidance for Borrowers
- Delinquency, Default & Collections
- LSLI Contact Information
- Relevant Links

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LEGAL SERVICES  
OF LONG ISLAND

# About Legal Services of Long Island (LSLI)

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LEGAL SERVICES  
OF LONG ISLAND

## 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

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## Legal Services of Long Island: Contact Information

**Website:**  
[www.legalservicesli.org](http://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



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## 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

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# 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

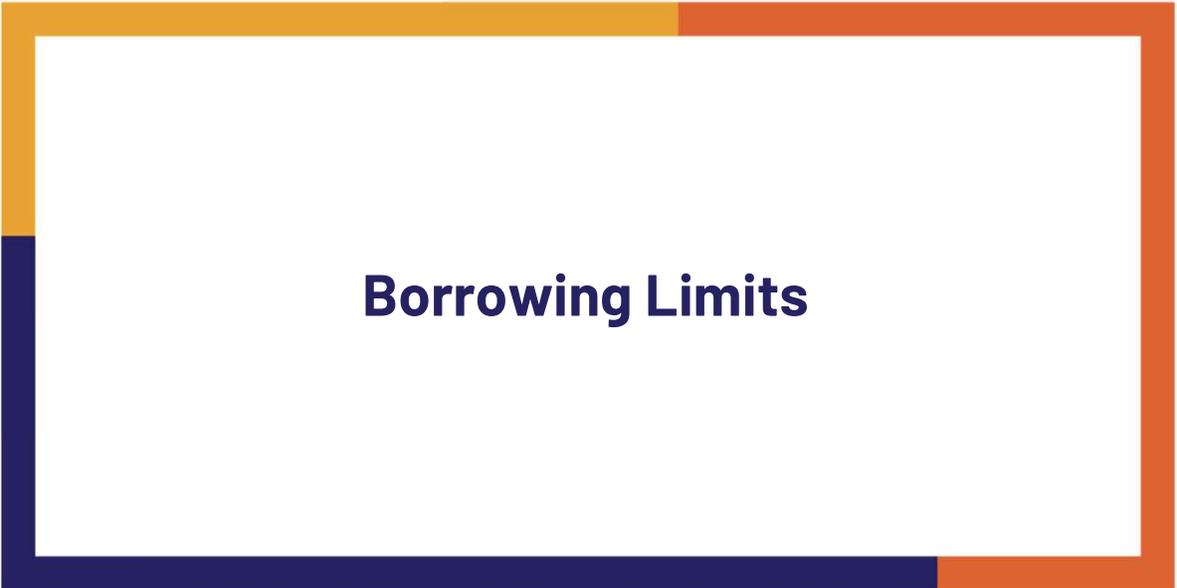
# The New Era of Student Loans

## 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

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## 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**
  - 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
- **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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## Graduate Students: Professional Degrees (Lifetime limit of \$200,000)

	Degree
1.	Medicine (M.D.)
2.	Law (J.D., LL.B.)
3.	Dentistry (D.D.S., D.M.D.)
4.	Pharmacy (Pharm.D.)
5.	Veterinary Medicine (D.V.M.)
6.	Optometry (O.D.)
7.	Osteopathic Medicine (D.O.)
8.	Podiatry (D.P.M, D.P., Pod.D.)
9.	Chiropractic (D.C., D.C.M.)
10.	Theology (M.Div., M.H.L.)
11.	Clinical Psychology (Psy.D., Ph.D.)

Limited number of additional degrees defined as professional using a broader definition (Doctoral level, requires professional licensure, additional years of study beyond Bachelors, etc....).

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Breaking  
News!

## The End of the SAVE Plan

- The parties in the SAVE litigation reached a settlement agreement in December 2025.
- A federal district court dismissed the litigation and refused to approve the settlement.
- An appeals court ordered the lower court to approve the settlement.
- The lower court entered a final judgement approving the settlement on March 10, 2026.
- **What does this mean?**
  - The SAVE plan, which would have ended in July 2028 under the Budget Bill will end much sooner. Probably in the coming months.
  - The Department of Education will issue guidance to borrowers on when they will need to transition out of SAVE.
  - Borrowers should use the [FSA Loan Simulator](#) to start exploring alternative options.
  - Time spent in this forbearance **does not count toward loan forgiveness and interest began accruing in August 2025.**

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# Repayment Plans for Future Borrowers

- **Borrowers taking new loans or consolidating 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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# Understanding the Cost of Borrowing

**The New Standard Fixed Repayment Plan**

Loan Amount	Payment Period	Monthly Payment Range *	Total Interest	Total Paid
Less than \$25,000	10 Yrs	Up to \$284	Up to \$9,064	Up to \$34,063
\$25,000-\$49,999	15 Yrs	\$218-\$436	\$14,199-\$28,399	\$39,199-\$78,398
\$50,000-\$99,999	20 Yrs	\$373-\$746	\$39,468-\$78,936	\$89,468-\$178,935
\$100,000+	25 Yrs	\$675+	\$102,562+	\$202,562+

\*Assumes interest rate of 6.50%

**The Repayment Assistance Plan (RAP)**

AGI Range (Annual)	Base Payment (% of AGI)	Monthly Payments *
≤ \$10,000	-	\$10
\$10,001 - \$20,000	1%	\$10-\$17
\$20,001 - \$30,000	2%	\$33-\$50
\$30,001 - \$40,000	3%	\$75-\$100
\$40,001 - \$50,000	4%	\$133-\$167
\$50,001 - \$60,000	5%	\$208-\$250
\$60,001 - \$70,000	6%	\$300-\$350
\$70,001 - \$80,000	7%	\$408-\$467
\$80,001 - \$90,000	8%	\$533-\$600
\$90,001 - \$100,000	9%	\$675-\$750
> \$100,000	10%	\$833+

\*Assumes no dependents

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## New Rule: Payment Under Same Plan

- The *One Big Beautiful Bill Act (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 RAP or the Standard Plan.
  - **Parent PLUS borrowers:** All loans 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** plans (when available) until debt is forgiven or paid off. .
  - IBR plans have no “Partial Financial Hardship” enrollment test, but payments will continue to be **capped** at no more than the cost of the Standard 10-Year Fixed Repayment plan. Payments are calculated at 10%-15% of discretionary income depending on when loans were disbursed (on or after July 1, 2014, or before July 1, 2014).
- **Legacy Parent Plus Borrowers:**
  - Must have fully consolidated loans disbursed before July 1, 2026 (we recommend submitting the consolidation application no later than April 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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## Parent Plus Borrowers – Call to Action!

- **Legacy Parent Plus borrowers (no loans taken on or after July 1, 2026):**
  - Must **consolidate loans before July 1, 2026** (we recommend submitting the consolidation application by April 1, 2026).
  - Must enroll in the ICR plan and make one payment before that plan is phased out on **July 1, 2028**. Thereafter, you can transition to the IBR plan.
- **Parent PLUS loans disbursed on or after July 1, 2026:**
  - No access to RAP or modified IBR plans.
  - No path to IDR or PSLF forgiveness.
- **Action Steps:**
  - ✓ Begin **consolidation and IDR enrollment now** if you haven't already.
  - ✓ If you took new loans for **Spring 2026**, consolidate ASAP.
  - ✓ If you have **defaulted Parent PLUS loans**, consolidate or remove them from default and enroll in IDR.
  - ✓ If planning to borrow after **July 1, 2026**, you'll be locked into the Standard Plan for all debt.
    - Consider private loans for future borrowing if pursuing PSLF.

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## Strategies For Tackling Your Debt

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## Identifying Forgiveness Programs

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## Income Driven Repayment Forgiveness (IDRF)

- Forgives balances after making 20-30 years of qualifying payments in an Income Driven Repayment (IDR) plan (IBR, PAYE, ICR, RAP).
- No employment requirement.
- Credit accumulated in SAVE, PAYE and ICR will be transferred to IBR or RAP.
- Caution: Consolidation may reset the qualifying payment count to zero.

Forgiven balances in IDRF may be taxable starting in 2026

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## Public Service Loan Forgiveness (PSLF)

- 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.
- PSLF Buyback allows you to purchase months spent in disqualifying status (not including school deferments, grace periods or default), but the process is very slow and estimated time to clear the application back log is about 3 years!

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

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## 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 or TEPSLF form.

**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](#) and visiting My Activity.

[Log In To Start](#)

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[Log In To Start](#)

[Search for Qualifying Employer](#)

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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](https://studentaid.gov) at studentaid.gov.

The screenshot shows the Federal Student Aid website interface. At the top, the navigation bar includes 'Federal Student Aid', 'FAFSA® Form', 'Grants and Loans', 'Loan Repayment', 'Loan Forgiveness', and 'Log In / Create Account'. A red box highlights the 'Loan Forgiveness' link, and a red arrow points to the 'Total and Permanent Disability (TPD) Discharge Application' header. Below the header, there are three main sections: 'Apply for a TPD Discharge', 'Who Should Complete This?', 'How Long Will It Take?', and 'What Do You Need?'. The 'Apply for a TPD Discharge' section includes a 'Log In To Start' button. The 'Who Should Complete This?' section mentions 'Student loan borrowers and TEACH Grant recipients'. The 'How Long Will It Take?' section states 'The application must be completed in a single session. Most people complete the application in 10 minutes or less.' The 'What Do You Need?' section lists requirements such as 'Qualifying U.S. Department of Veterans Affairs (VA) documentation' and 'Qualifying Social Security Administration (SSA) documentation'.

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## Choose Your Strategy

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## 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	<ul style="list-style-type: none"> <li>This strategy is suitable for borrowers with low loan balances or high income relative to their balance.</li> <li>They have the option to make lump sum payments or pay more than the required amount, regardless of the repayment plan.</li> <li><b>Traditional Repayment Plans can work for this strategy</b></li> </ul>
Pay minimum required and pursue forgiveness, if eligible	<ul style="list-style-type: none"> <li>Borrowers with high balances or low to moderate income compared to their debt can opt for this strategy.</li> <li>They make the minimum required payment until they become eligible for forgiveness.</li> <li>Making extra payments is not advisable if you expect to get forgiveness.</li> <li><b>Most often, borrowers will opt for or be required to enroll in IDR plans</b></li> </ul>
Pay minimum required until death do you part!	<ul style="list-style-type: none"> <li>If paying off your debt or pursuing forgiveness is not a feasible option, consider paying the minimum required until you die.</li> <li>This strategy is often chosen by older borrowers who cannot realistically repay their loans or achieve forgiveness.</li> <li>Federal student loans are dischargeable upon death.</li> <li><b>Either Traditional or IDR plans work. Whichever is cheapest!</b></li> </ul>

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## Guidance for Borrowers



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## Guidance For Borrowers

- PSLF & IDRf: If you are enrolled in **IBR, PAYE, or ICR, keep making payments** to earn PSLF and IDRf credit.
- **⚠ Important:** You will need to switch out of PAYE or ICR **after July 1, 2028**, if you still need to make payments.
  - IDRf credit accumulated in SAVE, PAYE and ICR can be transferred to IBR and RAP.
- **Reasons to remain in the SAVE Forbearance:**
  - **Temporary relief:** If you cannot afford any repayment plan right now, SAVE forbearance gives you time to create a strategy.
  - **Avoid higher payments:** Switching plans requires recent proof of income. If your income may drop soon, waiting could result in lower payments.
  - **Waiting for RAP:** If the new Repayment Assistance Plan (RAP) is your best option, you may want to wait until it becomes available (or as long as you can if the SAVE plan ends before RAP is available in July 2026).

Use the [FSA Loan Simulator](#) or the [EDCAP Repayment Plan Calculator](#) to explore your options!

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## Guidance For Borrowers, (cont'd)

- **PSLF: Borrowers in SAVE who meet the Buyback requirements**
  - In most cases, we recommend a 2-pronged approach:
    - Submit the Buyback Request.
    - Switch into a new IDR plan and make payments to earn additional PSLF credit.
  - Because you may have to wait more than 3-years to have your Buyback request processed, you should consider doing both options to see which strategy gets you to forgiveness faster!
- **All other borrowers in SAVE**
  - Submit an application to switch your IDR plan to the cheapest available option on [studentaid.gov](https://studentaid.gov).
  - If you are able to connect to the IRS database to provide proof of income, the application may process quickly.
  - If you have to upload proof of income, expect longer processing times.

While your IDR application is being processed, you should be placed in a processing forbearance. Processing forbearances are eligible for PSLF credit for up to two months.

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# Delinquency, Default & Collections

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## Student Loan Delinquency & Default Snapshot-National and New York State

Based on September 30, 2025, data (below), we anticipate record high default rates at the end of 2025:

Portfolio	Total Federal Student Loan Borrowers	Defaulted Borrowers	Defaults as % of Total Borrowers	271-360 Days Delinquent *	Potential Defaulted Borrowers as of 12/31/25 **	Potential Defaults as % of Total Borrowers
National	42,800,000	5,262,000	12.3%	3,390,000	8,652,000	20.2%
New York State	2,486,400	279,000	11.2%	196,937	475,937	19.1%

\*Delinquencies for New York State are estimated (based on National delinquency rate).

\*\*Potential Defaulted Borrowers = Defaulted borrowers as of 9/30/25 plus those who are seriously delinquent (271-360 days).

Source: [Federal Student Aid](#)

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## Delinquency & Default

- **Delinquency:**
  - 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.
- **Default:**
  - Loans are payable immediately in full.
  - No access to IDR, deferment, forbearance, forgiveness programs.
  - Subject to involuntary collections.
- **Two ways to get out of Default:**
  - Consolidation (Old defaulted loans are replaced by new Consolidation loans in good standing).
  - Rehabilitation (Make 9 monthly payments on time and in full over a 10-month period).

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## Collections Suspended

- The Department of Education recently announced the suspension of involuntary collections for borrowers in default. This includes:
  - Administrative Wage Garnishment
  - Tax Refund Intercepts
  - Social Security and other Federal Benefits Offsets
- They did not provide a clear timeline for restarting the process, but it is not likely to be before July 2026.
- Only loans that are actually in default are subject to involuntary collections!

Defaulted borrowers should take this extra time to bring their loans back into good standing! Seek advice!

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## Two Ways to Get Out Default: Consolidation and Rehabilitation

Feature	Loan Consolidation	Loan Rehabilitation
<b>How it Works</b>	Replace defaulted loans with new Direct Consolidation Loans	Make 9 monthly payments within 10 months
<b>Speed</b>	Can be completed in 30-90 days	On average takes 10-12 months
<b>Impact on Credit</b>	Default & Delinquency still shows on credit history (but loan shows as paid in full)	Default status removed from credit report after completion. Delinquency remains.
<b>Eligibility for Benefits</b>	Restores eligibility immediately after consolidation	Restores eligibility for IDR, deferment, and forgiveness programs
<b>Interest &amp; Fees</b>	Any unpaid interest is capitalized into the new loan	May not capitalize unless you have commercially held FFEL loans.
<b>PSLF/IDRF Credit</b>	IDR forgiveness clocks restart. Will get weighted average credit for PSLF.	May retain original qualifying payments toward PSLF or IDR forgiveness
<b>Number of Uses</b>	Depends on outstanding loan types	Effective 7/1/27, 2 chances at rehab. Until then, only 1.
<b>Collection Stops?</b>	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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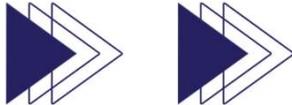
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## Legal Services of Long Island Contact Information

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**Contact Legal Services of Long Island**  
Phone: 516-292-8100  
Web: [www.legalservicesli.org](http://www.legalservicesli.org)

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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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