Cindy: We are going to talk today about loan repayment and forgiveness plans, so we ask that you leave the questions until the end, because we know you'll have plenty of them. So, we're gonna go through a lot of material, and then we'll give you an opportunity to ask questions about how things work at the very end, so let's get started. I'm gonna start off. I'm gonna talk about both the Direct loan and the FFEL repayment plans, and kind of some repayment strategies. Pam is gonna through the discharges and forgiveness, and then I'm gonna close with kind of an overview of how our federal loan servicers are handling repayment and forgiveness, just to give you an overview.

So, first, we have various repayment options for a student loan borrower, so whether you're Direct loan or FFEL, there are a variety of repayment plans and options that they may choose from. There is a standard repayment plan that is consistent among both Direct and FFEL borrowers, a graduated, an extended, an income-based repayment, or IBR as we refer to it, income-contingent repayment, or ICR, but ICR is only applicable to Direct loan borrowers, income-sensitive, which is only applicable to FFEL borrowers, and then what we call an alternative repayment plan that is just applicable to Direct loan borrowers. So, we're gonna go through each one of those.

So, our standard repayment plan, basic plan, ten-year fixed amount of at least a $50.00 minimum. For most borrowers, this is the plan with the lowest interest paid because your repayment period is shorter. If a borrower does not make a selection on any one of the other repayment plans, either through exit counseling or during the lifecycle, the standard plan is the one they will default to. If they consolidate their loans and choose a standard repayment plan, then they have a longer repayment period, usually between 10 and 30 years, depending on their indebtedness, to repay their loan under the standard plan. The next one is called our graduated repayment plan, and this repayment plan starts out low and then increases every two years, and their minimum payment plan equals the amount of interest that it accrues monthly. So, this is for the borrower that may have a lower income, and then gradually increases over time, so this allows them to make lower payments and then increase over time. Like the standard plan, the maximum repayment period for graduated is 10 years for subsidized, unsubsidized, and PLUS loans, and 10 to 30 years for consolidation loans, again, depending on total indebtedness, so we're gonna talk about that.

So, when we look at the total indebtedness, so, for example, if they

have a loan balance of $10,000.00 to $20,000.00, they are allowed 15 years to repay under the standard or graduated plan. If they have balances in excess of $60,000.00, then they get that full 30 years in order to repay. At any point, if they want to make additional payments, even though their payments are calculated on the 30-year term, they're able to make additional payments and that would pay down that principal. For extended, a borrower may choose the extended plan, if they did not have an outstanding balance on their FFEL or Direct loans as of October of '98, or the date they obtained a student loan after that date and have more than $30,000.00 in outstanding FFEL loans or more than $30,000.00 in outstanding Direct. So, what that means is that say a borrower has $35,000.00 in outstanding FFEL debt but only $10,000.00 in Direct. They would be eligible for the extended plan for their FFEL loans but not eligible for the extended for their Direct loans, so it does look at the program specific. Now, borrowers may choose to make a fixed or graduated monthly payment. It's a minimum payment of $50.00 for the fixed, and this is a maximum term of 25 years.

IBR, or income-based repayment. This one has received a lot of press and attention drawn because it's tied to public service loan forgiveness, and you may have heard them kind of tied together, but again, it is a repayment plan. Pam is gonna go into great detail about the public service loan forgiveness, but I just want to talk about how the IBR plan works during this part. So, under this plan, the required monthly payment is capped at an amount that is affordable based on the borrower's income and family size. The maximum repayment period is 25 years, and then, after that time, the remaining balance is cancelled. Now, eligibility for IBR is only for your FFEL, your Direct Stafford, your graduated PLUS, and a consolidation only if it did not pay off a parent PLUS loan, and then loans that are currently in default are not eligible for IBR. Okay? We're gonna go through more of IBR.

So, how do we determine whether a borrower is eligible for IBR? A borrower must have a PFH, or what we call a partial financial hardship, to be eligible for the IBR plan. So, the monthly payment is based on the adjusted gross income, or AGI, family size, and state of residence. The minimum payment on IBR can be a zero calculated payment, or $10.00, depending on that calculation. So, a borrower that has a very low income, high debt, can have a calculated payment of zero, and they will get billed every month for that zero payment, and they would be current. So, how do we determine what their AGI is? So, the borrower provides AGI either through consent, so the servicers can go to the IRS to

determine what their AGI is, or they can provide tax information and we can derive what AGI is used to calculate IBR.

[Interruption]

All right, so we're talking about alternative documentation of income. So, if they have a current tax return and it's accurate, then we can use that tax return or the information provided from IRS to derive AGI. If circumstances changed, so, for example, they've lost their job, or they have a new job and their income is different than what was reported on their tax return, then we'd use alternative documentation of income to determine what their income would be. If there are multiple loan holders, the borrower must apply to each loan holder, and the IBR payments will be prorated.

Okay, so in IBR, if the payment – so, we have a calculated payment of zero, or somewhere in between. If the payment is less than the accrued interest, or what we call negatively amortizing, then the department pays the difference for up to three consecutive years from the IBR repayment date. So, if they have a calculated payment that is less than the interest, then that interest is subsidized by the department for up to three consecutive years. When the borrower no longer has a partial financial hardship, the payment is recalculated on a ten-year standard, and then the unpaid interest is capitalized. So, they would still be under what we call the IBR umbrella, but they just no longer have a partial financial hardship. When a borrower chooses to leave completely the IBR plan, they must repay the outstanding balance under the standard ten-year term, or consolidation loan standard term, and that's based on the time already spent in IBR. Again, when they exit IBR completely, any unpaid interest will be capitalized.

So, what are the advantages and disadvantages of IBR? Again, they're gonna have affordable payments – they can have a calculated payment of zero. The government pays that interest on the subsidized portion for up to three years, any remaining principal will be cancelled after 25 years, and then IBR payments can count toward public service loan forgiveness, and Pam is gonna talk to you about that. Some of the disadvantages: You're gonna pay more interest over time, and the borrower must submit income validation every year. So, the servicers are gonna go out, or the lenders are gonna go out to the borrower and say, "Your year is up. You need to provide updated income information so that we can recalculate your payment for the new year."

ICR, or income-contingent repayment, again, this is a repayment plan that is unique to the Direct loan program, similar as to IBR, where we use income to determine payment, but this one does not have a hardship. You don't have to have a hardship. This is based on your yearly income, family size, and loan amount. ICR payments after 25 years will be forgiven, but the borrower would pay taxes on any amount forgiven. For income-sensitive, which is very unique to the FFEL program, the payment is based on a scheduled monthly payment on the borrower's annual income. The payment increases or decreases based on that income change, so very similar, but maximum repayment period is ten years, except on a consolidation loan, and, again, the borrower must apply each year. And then our final repayment plan unique to the Direct loan program would be alternative.

The alternative plans are usually used when we have exhausted all other repayment options. So, they don't fit into graduated, extended, IBR. The alternative repayment plans can be used in order to keep them in a healthy repayment status. Maximum term of 30 years, minimum payment of $5.00, and payments cannot vary more than three times the smallest payment. So, there are four different types of alternative – alternative fixed, alternative fixed term, alternative graduated, and then what we call alternative negative amortization. Of course, we want to just throw in some of the strategies in order to help manage debt, and one of those strategies could be consolidation. It combines the loan into one lender, one payment. There are flexible repayment options, lower monthly payments, and it's free.

As of July, as you know, borrowers can consolidate for one full year loans that are in an in-school status. If a borrower chooses to consolidate and they are in school, they need to be aware that they could lose their grace period. Now, in the consolidation application, there is an indicator that allows the borrower to choose to delay consolidation until their grace period has ended. So, if they check that indicator, it's called a grace hold indicator, if they check that, then they will delay that consolidation until their grace period ends. But, if they choose to do nothing, then it will consolidate and then they could lose their grace period. Over the spring, we are gonna do some targeted campaigns to borrowers who could be in a condition where they may want to consolidate, so you'll hear more about that.

And then, the last repayment strategy could be deferment and forbearances, so if we tried to exhaust all the repayment options – alternative, consolidation – and we're unable to resolve or find a

repayment plan that fits for the borrower, then they're eligible to apply for deferment and forbearances, and the lenders and the servicers are always going to try to qualify them for deferment before they qualify them for forbearance. Those are repayment plans. I'm gonna turn it over to Pam to talk about discharges and forgiveness.

Pam: Thank you, Cindy. Okay. We have historically had loan discharges in the FFEL and Direct loan programs, and we also have certain forgiveness, so the terminology is generally discharge or forgiveness. The Perkins program talks about strictly cancellations, if you work with that program. Some of the discharges that have historically existed in FFEL and Direct loan: The first one, closed school. If the school closes while the student is enrolled or if the student withdraws within 90 days of the school closing, because they see the handwriting on the wall, they could qualify to have their loan discharged under a closed school discharge if they apply to their loan holder. There cannot be a teach-out available to them, nor can they complete the program of study through transfer of credits or clock hours. If they actually are able to complete the program of study, they would not qualify for the closed school discharge, and the Department of Education determines what the official date of school closure is for this purpose.

Unpaid refund. That's a situation that can apply both in a closed school setting or in a school that's open, and this is a school that fails to provide a refund on behalf of the borrower to the loan holder, either to the Direct loan servicer or to the FFEL loan servicer or loan holder. The borrower is expected, if they apply for an unpaid refund discharge, to attempt to reconcile with the school, if the school is still open, to get them to put forward the refund that, based on program regulations, they should have paid on behalf of the borrower anyway, but sometimes it doesn't happen. Sometimes there's a dispute. If the borrower is unable to reconcile with the school on that issue, then the secretary takes a shot at doing so, and, if we fail, then we will do a discharge of the unpaid refund amount that was not forthcoming, and then, if the school is still open, the secretary will pursue the school for the funds.

Fault certification discharges. There are two forms. There is a school-based fault cert and an identity theft. School-based is a situation where – and I don't think we have this cropping up as much as we did perhaps in the past, when we had hardcopy promissory notes, whatever, in the two programs. But a school-based will be somebody at a school without the borrower's knowledge or authorization actually originating a loan on behalf of

the borrower, and taking it through the entire process, or somehow signing a promissory note for the borrower that generates a loan without the borrower's authorization or involvement. If that's discovered and it's school-based, then there is a discharge available if that should happen to the borrower.

Identity theft. If the borrower – I shouldn't say borrower – individual is a victim of identity theft, then a discharge of the loan or a portion of the loan is available to that individual. Now, it requires that there be a court determination – local, state or federal court – that this individual was, in fact, the victim of identity theft. So, there has to be a judicial determination that the crime of identity theft has, in fact, taken place, and if there is that judicial determination and the individual who is the victim applies for the discharge, then the loan, in fact, will be discharged.

Bankruptcy. Because of changes made in the 1998 amendments to the Higher Education Act, the reauthorization of 1998 Title IV student loans – Perkins, FFEL, Direct loans – can only be discharged under bankruptcy if the borrower shows an undue hardship, and that requires a separate adversarial finding or filing of that borrower to the bankruptcy court. It's an additional step from simply filing for bankruptcy. It's a separate adversarial filing with the bankruptcy court to have a finding of undue hardship. If there is a finding by the bankruptcy court of undue hardship, then, in fact, one of our Title IV loans can be discharged, but that's granted fairly rarely. So, in general terms, our loans are generally not dischargeable in bankruptcy unless there is that finding. The other form of bankruptcy filing that you may have that our loans get involved in is what's called a Chapter 13 Wage Earner Plan.

Now, this is a case where the individual is having difficulty with all of their creditors and the outstanding obligations they have. They honor the obligation. They are willing to say, "I will attempt to repay my debts as best I can," and they put together what's called a Plan that they present to the bankruptcy court. The creditors that this individual has obligations to has to agree to the Wage Earner Plan, and then the borrower pays out, under that Wage Earner Plan that is coordinated and directed by the bankruptcy court, for a three- to five-year period, and in some cases, the full Title IV loan, an agreed Wage Earner Plan, it would not be paid in full, and whatever is not would, effectively, be discharged. So, there are these Chapter 13 bankruptcy plans, these Wage Earner Plans that will pay out a certain amount of debt.

Total and permanent disability, and we've had a major overhaul of

the total and permanent disability discharge as a result of the Higher Education Opportunity Act, the last reauthorization. Now, for total and permanent disability, we have statutorily based standards. Prior to this, we had a directive in this higher education act that basically said that there will be a discharge for total and permanent disability based on regulations of the secretary, with no standards actually in the law. With the reauthorization, they actually incorporated standards into the law related to total and permanent disability discharges, and they provided a separate discharge standard for veterans. The new standard for everyone, except a certain category of veteran, is that they have to be unable to engage in any substantial, gainful activity due to a medically determined medical or mental impairment, and that situation, as certified by a physician, has to have existed for a continuous 60-month period, or the physician anticipates that it will ensue for a continuous 60-month period.

So, that's the standard in the law now for borrowers who are applying for total and permanent disability who are not a certain category of veteran. The separate standard for the category of veteran is if you have a veteran who has been determined to be 100 percent disabled and unemployable by the VA administration due to a condition that happened while they were in the service, so it has to be a service-connected disability, there has to be a formal determination by the Veterans Administration that this person has 100 percent disability, service-connected, and there is unemployability. Under those circumstances, they can apply for a discharge and their loan would be discharged. Now, for all the other borrowers, except that group of veterans, the discharge, unlike the past, can be granted but then the borrower enters – then, the individual or the borrower has the loan discharged immediately, but then they're in a three-year monitoring period because there is the possibility that the discharged loan can be reinstated if the borrower hits certain triggers.

Okay, what are those triggers? One of the triggers is that they suddenly have income coming in, they are making a level of income, which suggests a capability of substantial, gainful activity, and that income level is 100 percent of the poverty line for a family of two, and these are poverty guidelines that are published annually by the Health and Human Services, or HHS. So if, in fact, they hit that threshold of income, then, in fact, their discharged loan will be reinstated and they would be expected to repay that loan. The other possible trigger, and this is probably more common than income threshold, is that they take out a new Title IV loan or they take out a new TEACH Grant. Well, if you

take out a new Title IV loan or a TEACH Grant, you are basically saying, "I affirm that I will repay that obligation." In the case of a TEACH Grant, you are affirming that if you don't do the teaching that's required, the teaching service, that, in fact, you will pay that as an unsubsidized loan. So, you are affirming a certain capability here in terms of honoring this new debt obligation, or the potential in the case of the TEACH Grant, so that is another trigger, where if you have had a loan TPD discharged, it would be reinstated, so that is the new law.

For veterans, if, in fact, you were that certain category of veteran and you had your loan discharged based on disability, there is no reinstatement for that category of veteran. So, if you have that loan discharged under that special condition, and you should get another loan and you should whatever, it doesn't matter. There is no reinstatement for that particular standard of TPD discharge. And then there is, of course, the death discharge, which applies to all borrowers, including parent PLUS borrowers if the dependent on whose behalf they borrowed becomes deceased while the loan is still in repayment. There's no retroactivity, so if the loan is paid in full before the individual comes forward, the family comes forward in the case of a student borrower, or the parent if a dependent, if the loan has already been addressed and paid in full, then there is no potential retroactively to discharge, so there would have to be outstanding debt.

Now, on to forgiveness, and we have teacher loan forgiveness in FFEL and Direct loans, and we have public service loan forgiveness that is only available through the Direct loan program. So, if you are a FFEL borrower, you would have to consolidate into the Direct loan program in order to take advantage of the public service loan forgiveness benefit, and as Cindy mentioned, this public service loan forgiveness has been somewhat tied to income-based repayment, and you'll see why as we go on, but income-based repayment is a standalone repayment plan available to anybody who can meet the partial financial hardship qualifications, whether or not they are interested in public service loan forgiveness. So, IBR is a plan unto itself, but there is an overlap with public service loan forgiveness that we'll get into in a moment.

Another forgiveness category, and this came about through the Higher Education Act, is the Civil Legal Assistance Attorney Repayment forgiveness. This program is subject to annual appropriations from Congress. It basically addresses or provides a benefit to individuals who are legal – they're doing indigent work

with borrowers who would not otherwise – I'm sorry, with individuals who would otherwise not be able to secure legal counsel, so they're working for Legal Aid and similar kinds of organizations that receive certain kinds of federal funding. But that's a first come/first served basis program subject to annual appropriations by the Congress. We've received one appropriation. We don't expect, given the condition of the federal deficit, that we will likely see another appropriation, and, if there is no more appropriation, there will be no more CLAARP benefits to anyone, but you never know. A senator or congressman could take it upon themselves to be the champion for funding and putting forward appropriations.

For this particular program, again, we'll have to see. And then the last is, again, and this was from the Higher Education Opportunity Act, a new area of national need, but this also is first come/first served basis on the basis of appropriations of Congress on an annual basis. There has been no appropriation, so we have not done regs for this. So, there effectively is no program unless Congress appropriates money, and then they would have to do it annually for there to be a program. The one saving grace with this particular forgiveness program is that a lot of the professions that would be covered and are specified in the law are also covered under public service loan forgiveness.

Okay, moving on to teacher loan forgiveness. Again, available to both FFEL and Direct loan borrowers. It was established, of course, to encourage folks to go into teaching and to stay in teaching, and this program grants forgiveness of up to $17,500.00 for teachers in certain specialties, and those specialties are – at the elementary level it would be special education. At the secondary level, it would be math, science and special education, and those individuals can receive up to $17,500.00 if they teach for five consecutive years in certain low-income schools, and those low-income schools are identified to the secretary on an annual basis by the respective states. We maintain a directory, that if you go onto www.studentaid.ed.gov, you will be able to get to, under the repayment link, the low-income directory. So, these are low-income schools, and the individual teaches for five consecutive years.

If you're not in those specialties that I mentioned, then, after five consecutive years, your qualification, or your maximum eligibility would be $5,000.00, and it was only, when it was brought up, available to new borrowers, and they came into existence with the 1998 amendments. So, when we regulated this, we defined new

borrowers as someone who had no outstanding balance on a FFEL or Direct loan on October 1, 1998, basically effective date of the program, or on any later date, when they took out a loan after that date. So, they have to effectively be a new borrower, and there have been a lot of disappointed individuals who have been out teaching for years, still paying on their loans, who have not qualified, cannot qualify because of this provision that was put in the law for teacher loan forgiveness.

The HEOA, the Reauthorization Act, added a new tweak to teacher loan forgiveness by acknowledging for the first time teachers who are employed by educational service agencies. These are standalone entities that some of the states maintain. Some teachers teach fulltime in a facility that is called an ESA or, in some cases, they're attached to an ESA but they're sent out to teach in the community. Perhaps it's a disabled child or a child that has a medical problem that doesn't allow the child to go to school in the classroom, and so some of these teachers are sent out by these ESAs, so now this is a new entity that you'll find in some states, and teachers who are teaching fulltime and employed by the ESA can now qualify for teacher loan forgiveness. The states will identify these ESAs to us in the same way they do the low-income schools for purposes of the directory. Same eligibility criteria, same amounts, same specialties that would yield up to $17,500.00 in some cases; others, only $5,000.00, and, again, it's five consecutive years of teaching. And because of the effective date, we tried when we regulated this to reach back as far as we could, still maintaining the effective date that was in the statute. So, the way this is written is as long as someone was performing teaching as an ESA in one of the years, one of the five consecutive years, is 2007-2008 academic year and later, then, in fact, they could qualify for this, even if their first year of teaching at the ESA was prior to the date of enactment or prior to 2007-2008. As long as 2007-2008 is one of the five consecutive years, they can qualify.

Public service loan forgiveness, and this is the new forgiveness provision. Again, this is available only through the Direct loan program. This was intended to encourage individuals to enter and continue in fulltime public service employment by forgiving an outstanding balance on an eligible Direct loan after the borrower fulfills certain requirements. The individual cannot be in default. They have to make 120 separate full monthly payments, and that's defined as within 15 days of the due date. The first time the qualifying service could have been recognized is October 1, 2007, so some folks who have been out there working for years in not-for-profit public service, we cannot count those prior years, and

they have to be paying under one or more specified repayment plans or approaches, and we'll get to that, and that's the overlap with IBR, and you'll see that.

They have to be employed fulltime at a public service organization while they make the 120 monthly on-time payments, and while they're doing this qualifying service and when they request forgiveness – so when they actually apply for the forgiveness – they still have to be employed in the qualifying service, and when we grant the forgiveness, they still have to be employed in the qualifying service. To take advantage of the benefit, the borrower has to have one of the following eligible loans, and you'll see they have Direct subsidized – it's only through the Direct loan program – Direct unsubsidized, a Direct PLUS loan, either for parents or a grad professional student, and a federal Direct consolidation loan. So, those are the eligible loan types, and also for FFEL borrowers, they would have to consolidate their FFEL loans if they wanted to take advantage of this benefit.

Also, federal Perkins and certain health professional loans that are eligible loans for consolidation, once those loans come over and, effectively, are repaid through the federal Direct consolidation program, and the borrower now has a federal Direct consolidation loan, that consolidation loan is an eligible loan for public service loan forgiveness. I wouldn't necessarily encourage a Perkins borrower who might have the benefit of 100 percent cancellation of the Perkins under the Perkins cancellation provisions to include a Perkins loan in this mix, but if they didn't believe that they would otherwise qualify for a Perkins cancellation, they might want to bring it over into a Direct consolidation for purposes of public service loan forgiveness.

Payments. One-hundred-twenty monthly, on time, full monthly payments have to be made and they have to be made under certain repayment plans, and here's the tie-in with IBR: One of those payment plans is IBR. Another is ICR, so the income-contingent repayment plan is also an eligible plan to be paying under. Another is ten years standard repayment, and then any other repayment plan if you pay a monthly payment amount that's equivalent to an amount you would pay under a ten-year standard repayment plan. But, under 3 and number 4, 120 monthly payments is 10 years of payments, so under 3 and 4, you are unlikely to have anything left after ten years, 120 payments, to be forgiven, and that's the benefit. So, in essence, you have to be paying under an income-contingent or income-based repayment plan to effectively have a balance left after 120 monthly payments

for forgiveness. Just a note.

Public service. For this purpose, a public service organization includes positions like AmeriCorps or Peace Corps. It could be local, state, federal or tribal government. The military counts. If you're serving in Congress, that does not count. You are not qualified. You're not eligible, and they actually went in and made a technical correction, the Congress did, to exclude themselves from this. You go for it. Employment in any position, by any other public service organization, and this can include other private organizations, as long as they're not-for-profit, they're not involved in religious proselytizing, and there's basically not-for-profit, not involved in – ah, they're not lobbyists and they're not a trade union, lobbying for a trade union. Also, employment has to meet the definition of fulltime, and that generally means at least an average of 30 hours per week, but we defer to the employer. So, if the employer's standard is 40 hours a week, then you would have to be meeting that fulltime standard of the employer.

Public service organizations – federal, state, local, tribal government, public or child or family service agency, any non-profit organization, like a 501(c)(3). Any organization that has the status with an IRS of a 501(c)(3) status and is exempt from taxation would be a qualified public service organization. Tribal college or university, a private organization that provides certain business services and is not a business organized for profit, and as the slide points out, there is extensive information at www.studentaid.ed.gov on public service loan forgiveness. Lots of Q&As and a basic fact sheet, information for borrowers who are interested.

Civil Legal Assistance Attorney Repayment Program, that I refer to as the CLAARP program. This is the one that was new with the HEOA but requires an annual appropriation by the Congress for it to be a live program. There was a $5 million appropriation for fiscal 2010. We published a federal register notice to get this program off the ground and developed an application, and so we have awarded all of the money, we've committed all the money, and people are in line to receive a benefit, but we do not anticipate that we will have any subsequent appropriations. But, as I said, you never know. This was, of course, to encourage individuals to get involved in civil legal assistance, and these are attorneys in the Legal Aid field, primarily. The secretary is authorized to repay a portion of their outstanding balance, and this involves federal Perkins loans, as well as FFEL loans, and Direct loans. It's first come/first served basis, which means you cannot process this

through individual loan holders. We've had to do this centrally through the Department of Education.

Borrowers can receive under the law up to $6,000.00 for each year up to a total amount of $40,000.00 per borrower. But, of course, if there are no new appropriations, the maximum that anyone will see on this is a $6,000.00 annual amount. Each individual has to sign a service agreement with the secretary to perform qualifying service on a fulltime basis for not less than three years for any benefits they receive. And, just as a note, if you are tied into three years of this service under your service agreement for purposes of this CLAARP benefit, you cannot count those same three years toward public service loan forgiveness, but let's say you get $6,000.00, there's no more money forthcoming, appropriated for this program, you do your three years, you also may qualify for public service loan forgiveness. You'd have to pick up and start paying on the ten years that would be required for public service loan forgiveness, but there's no reason why you might not be able – that you would be able to take advantage of that program, as well. You just can't count the same years of service as qualifying service for both programs.

Some of these individuals have outstanding balances on their loans because they've gone to law school that are significant, so there is the possibility that they could take advantage of benefits under both programs. They have to be employed by a non-profit organization, a protection and advocacy system, or a client assistance program, and in the law there are certain listings of federal programs that these organizations have to be funded through to be qualified. We did publish the criteria and the application process in a federal register notice that we published in July. We had an application posted to the website with a deadline of August 16. We have fully committed the fiscal 2010 funds, and so we have about 800 some odd borrowers. If you divide $6,000.00 into $5 million, you get about 884 borrowers. So, we have those folks out there, they've signed their service agreements, and they will come in at the end of the first year of service to receive their $6,000.00 payment, but they are tied to three years of service in exchange for that one $6,000.00 benefit, even if no other money is forthcoming. If there is a new appropriation, for every amount they receive they're tied to three years of service. And _______ back to Cindy.

Cindy: Okay. I hope you digested all of that because there will be a quiz before you get your cookie. All right. So, what we wanted to do to kind of close up repayment plans and forgiveness is just talk very briefly about our servicers, just to kind of give you an update,

and then I'm gonna allow you to ask as many questions as you want. I'm gonna give you plenty of time to do that because we had a lot of questions in the last session. So, as you know, we have five servicers. We have five federal loan servicers. They are: _______ Direct Loan Servicing Center, ACS; FedLoan Servicing – PHEAA has their own branch that they are maintaining the federally-held portion of their portfolio; Great Lakes Educational Loan Services; Nelnet; and Sallie Mae. So, of those five, all of them are servicing Direct loans, but only the last four – PHEAA, Great Lakes, Nelnet and Sallie Mae – are servicing the FFEL PUT, just to clarify that.

Okay, so we are ensuring, all of our federal loan servicers are going to ensure that borrowers are successful in repaying back their loan. They're gonna all have a variety of tools and options to help them understand repayment options, forgiveness options in that manner. Their tools are there to help them understand what their options are and their responsibilities are, and while some of those tools may be very different, the actual repayment plans themselves and how they apply for them should be consistent amongst all of our servicers. There are a number of tools that the borrowers can access. Entrance counseling, if they are a Direct loan only borrower, is available on studentloans.gov, or, as the borrower is exiting your schools, they can access exit counseling through NSLDS. There are a couple of sessions that describe and go through in detail how exit counseling works, and this is gonna be applicable for both FFEL and Direct loan borrowers, so it doesn't distinguish. It's smart enough to know what repayment plans, what options needs to be presented, depending on whether you're a FFEL borrower or a Direct borrower, or both.

Again, the servicers are gonna have payment due date flexibility. They're going to allow the borrowers to change their payment due dates, as appropriate. There are entitlements to help them stay successful, whether it's deferment, forbearances, discharges or the programs we mentioned, and of course loan consolidation is also an option. Again, our servicers are gonna educate and inform borrowers as to the tools to help them manage their loan. They're gonna have multiple repayment options, whether it's online or ACH, or mailing a check. They're gonna have multiple options for them to repay. They will provide self-service tools, and there's usually some kind of dedicated school services to help schools manage default rates, so we're doing everything that we can to keep borrowers in successful repayment. But, when the borrower falls off and becomes delinquent, they're gonna make every effort to keep them on the right road, keep them on track.

So, our call centers phone borrowers when they know that they're most likely to be at home. They do have the ability to apply forbearances over the phone, if that will satisfy the delinquency, and then they also have interactive tools to help them provide the best resolution to their delinquency. And then, finally, under default, the servicers have up to 360 days, a full year, to satisfy that account, so no longer is it transferred at 270. So, all of the federal loan servicers will maintain that account all the way up to 360 days delinquent, and they will continue to work that account before it is transferred to the collections department. So, they're gonna make every effort, whether it's multiple phone calls, multiple emails, whatever they need to do to resolve that account before it is actually defaulted. In the end of the presentation, we provided a few resources, and all of the federal loan servicers are here at the conference.

If you look on your tri-fold, there are intra-sessions that you may want to participate in. If you have suggestions or concerns, or ways that they can improve service, please utilize that and go to those intra-sessions. There will be one this evening. There was one this morning. There will be one tomorrow morning, as well. So, please participate in those, and at the end are just some regulatory references, if you want to go back and read that, and you have one fun evening. Okay, so let's open it up to questions. If you could please go to the microphone so that we can hear the questions nice and loud, we'd appreciate that.

Question: Hi. I have two questions, actually. One, it's in reference to the IBR repayment. Is it possible that those payments could exceed the amount that it would be under the standard repayment? So, if a student starts out sort of underemployed and then gets a great job, would it possible, if they're still submitting their information, that their payment would be more than it would have been under the standard repayment?

Cindy: So, we're conferring, because it would be – in order to be eligible, your payment has to be less than the ten-year, so the only time it could exceed the ten-year would be if they don't have a partial financial hardship, or –

Pam: No. If they don't have a partial financial hardship, and then the reg requires that their payment – well, the reg says it has to be recalculated. What the loan servicers have done is calculate a ten-year standard repayment amount for that borrower based on the outstanding balance they had at the time they requested and qualified for IBR. They keep that in their system, okay? If

someone hits the trigger, where they no longer have a partial financial hardship, or if for some reason they decide they don't want to make IBR payment amounts anymore, then the reg requires that they pay under standard repayment based on ten years, for a ten-year period. Well, if someone came into IBR with a consolidation loan, and they were paying a certain amount under standard consolidation loan repayment, now they're going back to a ten-year standard payment, so then the payment amount could jump. Otherwise, if you were on a ten-year standard repayment amount when you went into IBR, you're only gonna effectively revert back to that ten-year standard repayment, but for consolidation borrowers, it's a different ballgame if they hit that trigger, where they no longer have a partial financial hardships.

Question: Gotcha. Thank you, and the second question was about the public service loan forgiveness, and I guess this applies to the teacher loan forgiveness, as well. How does time away, like under FMLA, or sabbatical or other leave of absence that's less than a year, say, affect that fulltime employment contingency? Do you know if it counts if someone –

Unknown Male: Like maternity leave.

Question: Yeah, or FMLA, or any other kind of leave of absence.

Pam: The question has to do with – because let me clarify, is it whether or not the 120 months of qualifying service effectively have to be consecutive, or is it the issue of whether or not you're a fulltime employee?

Question: I guess both.

Pam: Okay. Well, you would have to meet the standard of what is fulltime for that employer, so I would think that an employer would not consider you a fulltime employee if you were not actively engaged in employment, but for public service loan forgiveness, it's not consecutive months. So, someone could step away from not-for-profit public service work for a period of time and then come back. You have to have 120 qualifying payments while you're doing qualifying service, but it doesn't have to be consecutive months. So, assuming you still have a balance there that could be potentially forgiven, and, of course, if you step away for too long and you have to continue to pay, then maybe you won't have an outstanding balance. But all that being equal, assuming you have something that will be there at the end of 120 monthly payments while you're making qualifying service, those do not have to be consecutive months.

Question: So, your payments have to be consecutive but your service doesn't have to be consecutive?

Pam: Your payments have to be on time, full monthly payments during the time that you're providing qualifying service, yes, and you can't have lump sum payments. They have to be individual payments for each of those months, while you're doing qualifying service if you want those months to count.

Question: Okay. Thank you.

Question: I just wanted to check on the total permanent disability. From what I'm understanding, for the new regs, they could still have a Pell if they came back after having loans discharged with the new regs.

Pam: The answer to your question is yes, and I don't think that that's any different than the previous total and permanent disability situation. You always could go back to school. Well, way, way back when, with total and permanent disability, you could not go to school, but you could go to school under the both of the scenarios before HEOA and after HEOA, and you could get a grant, so we weren't saying you couldn't attempt to go to school. You could get a grant, you just couldn't get a loan, because that will raise the suggestion that you expect to be able to undertake substantial gainful activity and be employed, and if that's the case, then you should be able to honor your debt, and that was true before the HEOA, and that's also true after the HEOA.

Question: Okay, and the second part is with the new regs, I mean within a year, I was getting students filling out the FAFSA again that had just had their stuff discharged, and before I even go further with them, I say, "Are you sure you know what's going on, that if you're going to come back to school and if you want to borrow loans, that all the other loans are gonna go into repayment?" Then, I have them call the disability folks to make sure this student is gonna be aware that this money is gonna go back into repayment if they come back to school and get more loans. Does that –

Pam: Yeah, that's correct. I mean right now, under the new standards, they may get a discharge based on the certification of their medical situation, but then they're gonna be monitored for a three-year period. If they come forward and take out a new loan, they will have that previous discharged loan reinstated, and the other thing is that when they do approach you for a new loan, they have some additional eligibility criteria. They are required to secure a certification from a physician saying that they are capable of

substantial gainful activity, and they also are required to certify that they understand that any new loan they take out cannot be discharged based on a pre-existing medical condition that they have at the time they apply for that new loan.

Question: So that's with the new regs, that we still have to do the medical –

Pam: And that was under the old regs, that you –

Question: I knew it was under the old regs, but it wasn't specific that it continued on that process.

Pam: Yeah. No, but this is true, even in the current scenario under the new standards. Not only are you gonna be subject to reinstatement on the loan you just had discharged, but also on any new loan you're taking out, you have to get a certification from the physician, and also certify yourself that you understand you cannot discharge this loan based on a pre-existing medical condition.

Question: Okay. Thanks.

Question: Hi. I have a couple questions. First of all, and I've heard that the department is working on it, but we desperately, on the public service, need some sort of form the students can send to you to know that their job qualifies and that they meet the conditions. I've got students making decisions that substantially are gonna see negative amortization on their loans based on information that they – there's nowhere to turn to, and let me just give you an example, because a lot of people think it's cut-and-dry if you're in a 501(c)(3). But, for instance, we have someone working for the U.N. under a grant, and they're getting paid by the U.N. Well, it's not technically – I mean if it's a grant, do they qualify or not? I mean we need some sort of – there's a lot of anxiety, and they're turning to us, and there's no one at the department that they can call that will counsel them.

There's no form, at least a stamp that this job qualifies, or something like that, and I've heard it's now over three years, and I don't know if it's because the first set of forgiveness isn't until 2017 that the department feels that they don't need to rush to get something out, but we have students making decisions now. I have students that are gonna see $50,000.00, $60,000.00, $80, 000.00, $100,000.00 in growth on their loan in negative amortization. They're basing decisions because they can't get clarification. We've got PDs now that are being contracted out to private companies, which I don't think qualify. So, I'm just wondering is

there progress on that? I've heard they're gonna do it, but I'm wondering what's going on with that.

Pam: We do have a draft application, and it has to go through, as all federal forms do, through a clearance process, which is two separate clearance public comment periods – one is 60 days, one is 30 days. So, I don't think you're going to see anything out on the website probably any earlier than maybe spring of next year, but we are working on it. The application itself is sort of somewhat separate and apart from determining whether or not your employment is eligible employment, and we are working and in discussions about how we can provide support to folks who make inquiries about their particular employment.

Question: But shouldn't the application process, when you submit it, you submit what your job is, and then the department can determine that that job qualifies based on the documentation that you would require? I mean wouldn't it be easier just to make it in the one application, including the job?

Pam: Well, all of these things about how we're gonna do it operationally, whether or not there will be submission that's in a shorter timeframe than ten years out, we're working on doing some kind of process to assist folks.

Question: But we could be talking a good six months to a year still?

Pam: At the time we post the application that'll have a lot of information about it, about the program that will be incorporated into the application that we post, we will, by that point, have decided how we're going to work with borrowers on the process.

Question: I'm glad that's at least _______. One last question, and hopefully it's real quick. IBR, it was my understanding that if someone wanted to switch out of it, they would then put them in the standard, they could make a payment, and then switch to another one, like extended. Is that not true?

Pam: Yeah, it is true that when they leave public service loan forgiveness, if they choose to leave totally, the statute says they repay under standard repayment. We have determined, and you're referencing it, that it's sufficient for them to pay under standard – make one payment, effectively, and then, after that one payment under standard –

Question: They could select –

Pam: – they would have a choice, like all borrowers do, to change repayment plans, and, at that point, they could then make a switch to another payment plan. But now, again, if a borrower chooses to do that, to leave IBR totally, and they're interested in public service loan forgiveness, then they have to be aware of what repayment plan they're going into if they still want to be considered for public service loan forgiveness.

Question: I understand. I was just talking about IBR, not so much the public.

Pam: Just strict IBR with no public service.

Question: Yeah.

Pam: Right.

Question: Thank you so much for the information.

Cindy: And let me just add to that one about IBR and the one payment. We have discovered that all of our federal loan servicers are not consistent in _______ that because, again, the interpretation on the regs was that they were going to be on standard forever, so we are not consistent with how the servicers are handling that, we know that, so we are taking steps to make sure that our servicers are consistent with how to handle that.

Question: Thank you very much.

Cindy: Okay. You're welcome.

Question: My question has to do with when the student's income is so low that under IBR they'd have a zero dollar payment. Will that count toward the ten years so they can get the public service forgiveness?

Cindy: Yes. So, if they have a calculated payment of zero and they're working in a public service job that qualifies, and it just so happens to have a calculated payment for that entire 120 months, then yes, it would be eligible.

Question: Okay, and the second question has to do with combining the public service forgiveness with some of the other repayment programs, such as AmeriCorps, or when the federal government repays student loans for students because they are needed in the federal government, or they have military service, where they are qualifying for some repayment from the government. Can they combine those?

Pam: The issue with public service loan forgiveness is that borrowers have to make these 120 full monthly payments while providing the qualifying service, okay?

Question: Right.

Pam: And for AmeriCorps and Peace Corps purposes, we did in the regulations provide an opportunity for the stipends that folks receive as part of that service to be attributed to payments, and that's how we handled it, but we did not do that for any category other than AmeriCorps and Peace Corps because of the service. We wanted to count that as qualifying service, but you had to have a payment attribution that you could say was monthly payments. So, we allowed for the attribution as monthly payment of the stipends that they received if they chose to bring those stipends forward to pay their student loan, so we're attributing those out as monthly payments. Otherwise, lump sum payments do not count, and so in answer to the rest of your question about whether you can combine some of these other forgiveness programs, or these other benefits that people can receive through their federal agency or whatever, the answer would be no.

Question: Okay, but they could still get the money from the federal agency and still make their own monthly payments for 120 months, right, or not? Say, for instance, I've got a job with the GAO, and the GAO wants to pay me $8,333.00 a year until I get to that $60,000.00 because they want me that bad so it's an employment benefit, so they're gonna help pay my student loan, but I've got $150,000.00 in student loans. So, I'm still making payments, my regular payments from my bank account automatically every month, and the government pays $8,000.00 a year toward my loans. Will that payment from the government disqualify them from getting that 120 monthly payments in to get whatever's left forgiven?

Pam: I would have to check with our Office of General Counsel as to whether or not you could count that qualifying service for both purposes –

Question: Okay, that's the question, yeah –

Pam: – but there's a possibility, if you were continuing to make payments and your employment was eligible employment, that the fact that you were getting a payment that would reduce your overall principal balance from some other source perhaps would not be disqualifying. But I would want to run that by our Office of

General Counsel before I would give you an affirmative that it would not be disqualifying.

Question: Okay, so can we look forward to that in the –

Pam: Yeah, and I don't think in the Qs and As. There were a lot of Qs and As on a lot of topics related to public service loan forgiveness that you will find on the website, studentaid.ed.gov, under the public service Qs and As, but I don't think that's one of them.

Question: No, I don't, either, that's why I'm hoping it'll come out in one soon.

Pam: Okay.

Question: Thank you.

Question: Hi. Cynthia, early in your presentation, you mentioned that in the spring there will be a publicity campaign directed, I think you said, to in-school borrowers. Is that correct?

Cindy: Consolidation, so we're going to do kind of a consolidation outreach to targeted borrowers. We don't have the specifics on how we're going to do it, but we are going to, I guess, have an outreach campaign to borrowers who could be eligible or it would be advantageous for them to consolidate.

Question: Are you directing that towards split borrowers? Is that primarily your target?

Cindy: It could be. It could involve some split borrowers. Yes, it would.

Question: How will we know so that we can prepare our staff to be able to –

Cindy: For your staff?

Question: – answer questions. Yes.

Cindy: Generally, what we do when we have those consolidation campaigns, it's kind of a dual campaign. We have some materials that we prepare for the schools that explain what that campaign is, and then, in tandem, we have the information that we send to the borrowers. So, I think that's still our plan, is to have some outreach to the schools so that you can prepare your staff for what you're gonna get.

Question: Thank you.

Cindy: You're welcome. Yes?

Question: I just want some clarification on teacher loan forgiveness. If a student first borrows after October of 1998, does not completely repay that loan while they are teaching, but then takes an additional loan to do graduate school, do they give up their eligibility for teacher loan forgiveness on that initial loan?

Pam: But this person was a first-time borrower as of October 1, 1998, meaning when they came forward for the first time, on or after October 1, 1998, they were effectively a new borrower.

Question: Yes, they were.

Pam: Right. Then, if they took out subsequent loans, that wouldn't disqualify them if they had not repaid the loan they first took out on or after October 1, 1998. No, it would not disqualify them.

Question: Thank you.

Cindy: Well, thank you.

[Applause]

[End of Audio]