

BREAKOUT SESSION #14

One-Time Income Driven Repayment (IDR) Account Adjustment and
Fresh Start Initiatives

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ONE-TIME IDR ADJUSTMENT



AGENDA

1. One-time IDR account adjustment overview
2. Qualifying loans
3. Treatment of defaulted loans
4. One-time adjustment credits

ONE-TIME IDR ACCOUNT ADJUSTMENT

On April 19, 2022, the U.S. Department of Education (ED) announced a one-time IDR account adjustment for borrowers with Direct Loans and federally managed Federal Family Education Loan (FFEL) program loans.

This one-time adjustment will provide credit toward IDR and Public Service Loan Forgiveness (PSLF) for past periods of repayment, deferment, and forbearance that would otherwise not qualify.

This one-time adjustment is currently scheduled to occur on or after July 1, 2023.

QUALIFYING LOANS

- Direct Loans
- Federally managed FFEL program loans

Prior to July 1, 2023 One-Time IDR Adjustment

- Perkins loans must be consolidated into a Direct Consolidation loan before an IDR account adjustment can occur
- FFEL program loans not federally managed must be consolidated into a Direct Consolidation loan before an IDR account adjustment can occur

DEFAULTED LOANS

- Loans that are in a default status on or after July 1, 2023, will not be eligible to receive the one-time IDR account adjustment
- Borrowers who have loans currently in a default status should contact the holder of their defaulted loan(s) to request a transfer to a non-default servicer in accordance with the Fresh Start initiative

ONE-TIME ADJUSTMENT CREDITS

- Prior Periods of Repayment
 - All time in a repayment status, regardless if a payment was made on-time or in-full, will count
 - Includes prior repayment periods for Perkins and FFEL program loans consolidated into the Direct Loan program
- Periods in Deferment
 - Credit for time spent in any deferment prior to 2013
 - Does not include In-School deferment periods
 - Credit for time spent in specific military related deferments
 - Credit for time spent in Economic Hardship deferment

ONE-TIME ADJUSTMENT CREDITS (CONT.)

- Periods in Forbearance
 - Receive credit for 12 or more consecutive months in forbearance
 - Receive credit for 36 or more cumulative months in forbearance
 - Receive credit for specific military related forbearances
 - Receive credit based on a successful appeal to include periods not mentioned above
 - Appeals can be made through your student loan servicer

FRESH START



AGENDA

1. Fresh Start Overview
2. Eligible Loans and Loans not Eligible
3. Fresh Start Period
4. Title IV Aid Eligibility Guidance

FRESH START

On April 6, 2022, the U.S. Department of Education announced the Fresh Start initiative. The Fresh Start initiative eliminates negative effects against a borrower who holds a defaulted student loan.

It reestablishes Title IV eligibility and provides a pathway for borrowers to enter a repayment status without an overdue balance.

FRESH START BENEFITS

- Restores repayments options, including the opportunity to enter an IDR plan allowing a more affordable monthly payment
- Immediately restores Title IV eligibility
- Restores one-time rehabilitation if used during payment pause
- Provides beneficial credit reporting features
- Protects borrowers from involuntary collections

FRESH START ELIGIBLE LOANS

- Defaulted William D. Ford Federal Direct Loans
 - Defaults occurring prior to March 13, 2020 – prior to the payment pause
- Defaulted Federal Family Education Loan (FFEL) Loans (commercial and ED-held)
 - Only defaults occurring prior to March 13, 2020 are eligible for Fresh Start Initiative
 - Defaults occurring after March 13, 2020 are captured in GEN 21-03
- Defaulted ED-held Perkins loans

FRESH START LOANS NOT ELIGIBLE

- Defaulted school-held Perkins loans
- Defaulted HEAL program loans
- Student loans remaining with the Dept. of Justice
- Direct Loans and FFEL loans that default after the end of the pause

FRESH START PERIOD

Borrowers will have one year, following the payment pause:

- To communicate with DMCS or a guaranty agency to request transfer to a non-default servicer (Nelnet), or
- Request Title IV aid at an eligible school
 - School maintains NSLDS screenshots showing eligible and obtains signed statement from borrower agreeing to transfer of defaulted loans to non-default servicer

Borrowers who do not engage either of the options noted above within the one-year period will immediately revert to default status using the original date of delinquency

TITLE IV AID ELIGIBILITY

Dear Colleague Letter GEN 22-13: Federal Student Aid Eligibility for borrower with Defaulted loans, published August 17, 2022

- School must maintain in the student's file a screenshot of National Student Loan Data System screenshot showing default occurred prior to March 13, 2020
 - Direct Loans and ED held Perkins Loans: the default date is the most recent "Start" date for transfer of the loan to DMCS as shown under "Guaranty Agency/Lender/Servicer Agent History" in the "Loan Detail" section
 - FFEL Program Loans: the default date is the most recent "Insurance Claim Payment" date with a reason code of DF or DU shown under "Claim Details for Loan" in "Loan Detail" section

TITLE IV AID ELIGIBILITY (CONT.)

- FFEL program loans may show a subsequent DX or DZ code following a DF or DU code
 - In these instances, continue to use the “Insurance Claim Payment” date from the DF or DU code to determine the date of default
 - Generally, if a loan is still in default, the school should use the DF or DU code to determine the date of default
- ED-held FFEL program loans will not show an Insurance Claim payment date
 - Schools should treat these loans the same way a DL or ED held Perkins loan is treated by use the most recent “Start” date for transfer of the loan to DMCS as shown under “Guaranty Agency/Lender/Servicer Agent History” in the “Loan Detail” section

DEFAULTED PLUS LOANS

- When a School receives a COD PLUS Application response file (CRSPYYOP) they will want to check these fields:
 - Credit Decision Status = A (approved), D (declined) or P (pending)
 - Default Overpay Code = Y (Yes, in Default in NLSDS) or N (No, not in Default in NSLDS)
- If the Default Overpay Code is Y, the school should obtain the necessary NSLDS screenshot and a signed and dated acknowledgement from the borrower if approved or subsequently approved as a result of an appeal

TITLE IV AID ELIGIBILITY

- School must retain a signed a dated acknowledgment from the borrower using the following language:
 - *I, [full name], understand that I am eligible for Title IV aid as a result of the Fresh Start initiative. As a Fresh Start-eligible borrower, I understand that, by accepting Title IV HEA federal student aid during the Fresh Start period, I am agreeing to have my defaulted loans transferred to a new loan servicer – the company that will manage my loan - which will result in continued Title IV, HEA federal student aid eligibility beyond the Fresh Start period. I understand that this transfer may not occur immediately and that I can contact the holder(s) of my defaulted loan(s) to request transfer sooner.*
- Schools can maintain a hardcopy signed statement or an electronic version with an e-signature that adheres to E-Sign Act requirements.

ONE-TIME IDR ADJUSTMENT RESOURCES

- **StudentAid.gov**
 - <https://studentaid.gov/announcements-events/idr-account-adjustment>
- **Department Press Release**
 - <https://www.ed.gov/news/press-releases/departments-education-announces-actions-fix-longstanding-failures-student-loan-programs>

FRESH START RESOURCES

- **Electronic Announcements**
 - General 22-58: Information About Restored Aid Eligibility Under Fresh Start Initiative, published August 17, 2022
 - Fresh Start Fact Sheet Attachment
 - Link to DCL providing guidance to schools (see DCL reference below)
- **Dear Colleague Letters**
 - GEN 22-13: Federal Student Aid Eligibility for Borrowers with Defaulted Loans
- **StudentAid.gov**
 - <https://studentaid.gov/announcements-events/default-fresh-start>

QUESTIONS?