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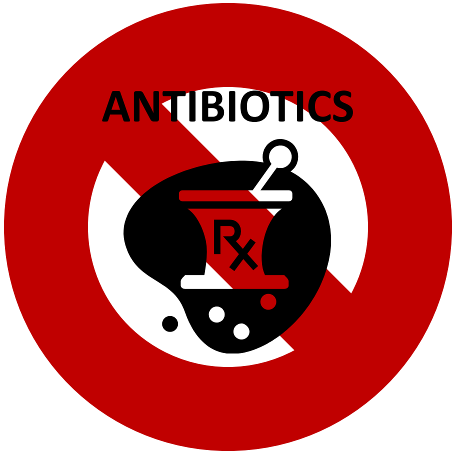

When Antibiotics Stop Working

How Repayment Options are Like Medication

How are General Forbearances like Antibiotics?

ANTIBIOTICS

STUDENT LOANS

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General Forbearances

JUST
SAY
NO!

(And Find a
Better Solution!)

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General Forbearances

- General Forbearances are discretionary and not mandatory or an entitlement, however can be used to prevent default
- Uses:
  - Bring account current

- MOHELA's Strategy:
  - Bring account current
  - Not to offer forbearances that end more than 60 days into the future
  - There may be exceptions to this strategy

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General Forbearances Disadvantages

- Capitalized interest
- No interest is subsidized
- Principal balance continues to increase due to capitalization and may result in compounding interest
- Limited time available
- Time spent in a General Forbearance does not count toward Public Service Loan Forgiveness or IDR forgiveness

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Deferment Disadvantages

- Deferments are an entitlement
- Not necessarily as advantageous for the borrower as an Income-Driven Repayment (IDR) option
  - Government only pays interest on subsidized portion
  - Interest accrued on the unsubsidized portion will capitalize
  - Limited time available for most deferments
  - Time spent in a deferment does not count toward Public Service Loan Forgiveness or IDR forgiveness (IDR exception: periods of Economic Hardship Deferment as defined in the regulations)

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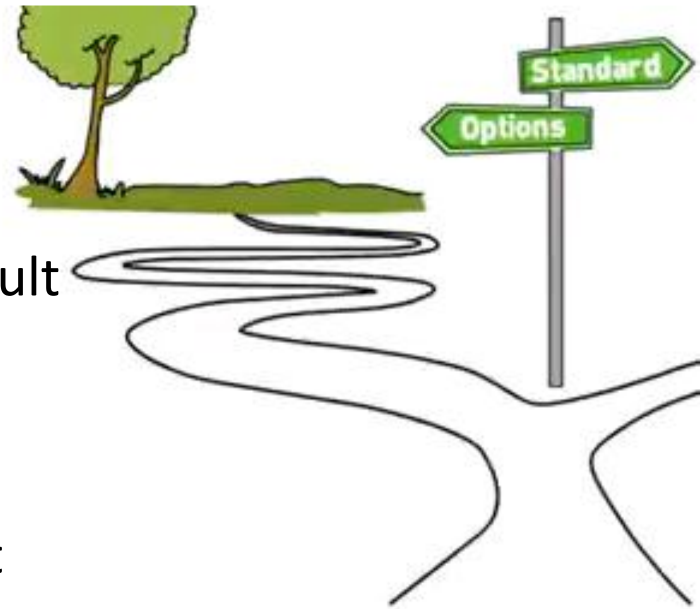
Income Driven Repayment (IDR) Options

- “Collector” → “Repayment Assistance Counselor”
- Standard level payments remain the default repayment option
- IDR Options:
  - Income-Based, Income-Contingent (Direct Loans only), and Pay As You Earn (Direct Loans only)
  - $0 monthly payment possible
  - Annual renewal required



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Repayment Plan Options

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IDR Changed How We Collect on Direct Loans

- The economy is still recovering from the “Great Recession”
- The national unemployment rate is 7.0%
- Many Americans are unemployed or underemployed
- In response to a need for different types of repayment options and to help borrowers avoid defaulting on their student loans, Congress expanded repayment plans

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IDR Advantages

- Accrued interest amounts above the installment amount for subsidized loans is paid by the government for up to 3 consecutive years (Not applicable for ICR plan)
- Remaining balance may be forgiven after 20 (Pay As You Earn) – 25 (IBR/ICR) years of qualifying events
- 10 years to repay if partial financial hardship ends
- ICR – 10% capitalization limitation based on loan balance at the time the borrower entered repayment
- Payment amount based on family size and income
- Qualifying payment plan for PSLF (if borrower qualifies)

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Jodi S.: A real-life example

- Her loan transferred at the end of a long forbearance
- She applied for an Economic Hardship Deferment, but was denied because her income was too high
- She knew she was unable to pay and avoided the Servicer

Servicer Finally Establishes Contact with Jodi!

- Received a letter from Servicer CEO at 220 days delinquent
- Letter encouraged borrower to call a Repayment Assistance Hotline or contact the CEO directly if Hotline staff is unable meets her specific and unique needs
- Unique letter packaging

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Jodi's Response

- Jodi responded with an angry email to the CEO. She has four children, is a school teacher making $41,000 per year, and is going through a "horrific and heartbreaking divorce."
- Finally, the Servicer established contact for the first time!
- Solution: She qualified for an income-based repayment plan resulting in a $0 monthly payment.
- She is now eligible for Public Service Loan Forgiveness Plan.

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A Win-Win Outcome for Jodi and Others

Getting Jodi in an income-driven repayment plan benefits:

1. Jodi
2. School
3. Taxpayer
4. Servicer

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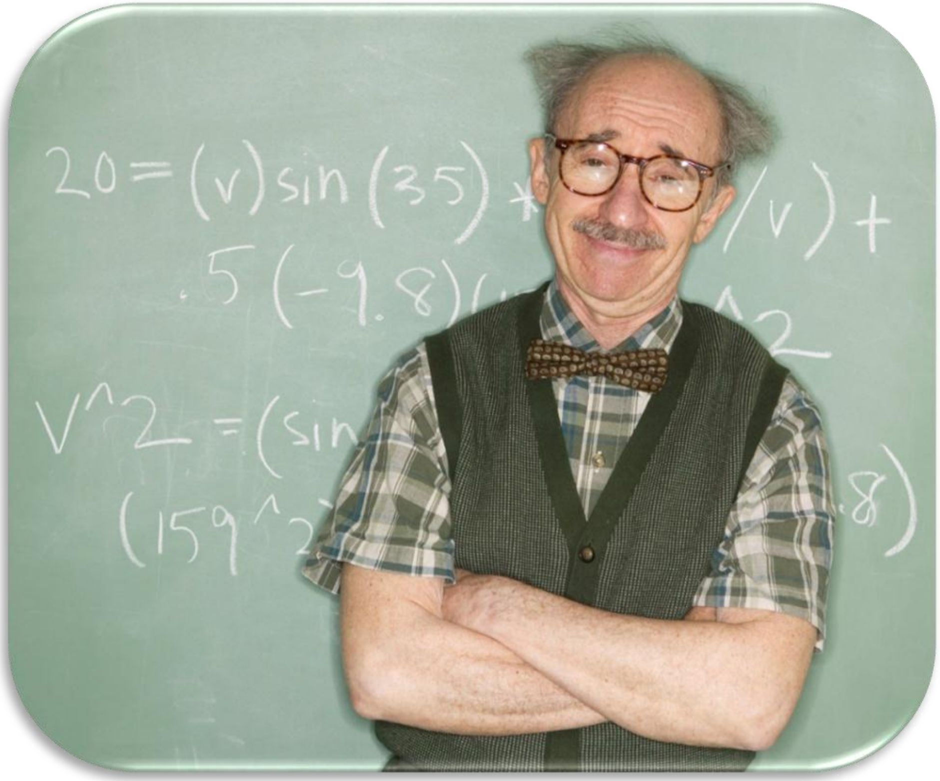
What do these numbers represent?

- **3.8%**
- **26%**
- **4,423**
- **$99.2 million**



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Results from July 1, 2012 – June 30, 2013

- Average less than **3.8%** of all borrowers currently in a repayment status greater than 90 days delinquent per quarter.
- MOHELA has resolved an average of **26%** of borrowers 180 days+ delinquent from the previous quarter by the end of the quarter.
  - i.e. The quarter ending June 2013 had 15,297 borrowers greater than 180 days delinquent at the beginning of the quarter. **4,423** (28.9%) of those borrowers were resolved.
    - **$99.2 million** represents balance of 4,423 borrowers brought current last quarter.

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Discussion

***Question:* How do you reach borrowers not responding to your standard mailings and collection calls?**

Answer: Try unique and innovative ways to establish contact. Listed below are a few ideas. **Is anyone willing to share their latest unique ways of establishing contact with students/borrowers?**

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How Can You Work With Servicers to Protect Your Portfolio?

- Tell students about the various repayment plans
- Encourage them to visit their servicer's website or call
- Use servicer portfolio reports and NSLDS
- Borrowers can apply online for Income-Driven Repayment Plans on StudentLoans.gov which interfaces with the IRS database to retrieve most recent tax information
  - This process allows for a more borrower friendly, quicker process
    - Retrieval of loan data from NSLDS
    - No need to find paper tax returns
    - Ability to manually input family size that may differ from tax return
    - Servicer receives electronic application the next business day
  - Can be utilized for both first time and renewal applications

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