Symposium on student loans during the COVID-19 pandemic webinar transcript

Good afternoon everyone and welcome to the Symposium on student loans during the COVID-19 pandemic. The purpose of the symposium is to discuss, with those who serve student loan borrowers, various topics on how to manage student loans during the COVID-19 pandemic. I'd like to welcome our guests and panelists. They consist of a variety of stakeholders who serve student loan borrowers. They include a consumer advocacy group, state government, the Department of Education, and a trade association. I would also like to thank the members of the public who are listening to the symposium.

Thank you all for taking the time to join us to discuss the impact the Coronavirus is having on student loan borrowers. We look forward to hearing your perspectives. My name is Bob Cameron, and I serve as the Private Education Loan Ombudsman at the Consumer Financial Protection Bureau. As background, the Private Education Loan Ombudsman position was created by Dodd Frank in 2010, and among other things, works with a variety of student loan internal and external stakeholders. This includes offices and sections internally at the Bureau regarding students and student loans, and externally with the Department of Education's Student Loan Ombudsman. Now I'd like to go over what you can expect on this call. Today's meeting will run from 2:00pm and conclude at approximately 2:35pm Eastern Standard time. We will start with remarks from Director Kathleen Kraninger.

Our first agenda item is an overview of benefits provided by the CARES Act which will presented by Joyce DeMoss, the Department of Education's Student Loan Ombudsman. The next agenda item will be a panel discussion with moderated questions and answers. The final agenda be an overview of resources for consumers presented by Kristen Evans, the CFPB's Section Chief for students. I am now pleased to introduce Director Kraninger. Director Kraninger became the second confirmed Director of the Consumer Financial Protection Bureau in December 2018. From her early days as a Peace Corps volunteer, to her role establishing the Department of Homeland Security, to her policy work at the Office of Management and Budget (OMB) to the CFPB, Director Kraninger has dedicated her career to public service and it is my privilege to welcome her to today's symposium.

Director:

Thank you. Good afternoon and thank you everyone for joining the consumer financial protection Bureau symposium on student loans. I want to thank our panelists for sharing their insights and discussing this very important topic with very important topic with us today. The pandemic crisis and the necessary response to mitigate health risks has had a dramatic and abrupt impact on all of our lives. Right now more than ever, consumers need access to trusted information to know where to turn for help and steps to take to manage their finances. As soon as the outbreak hit, the Bureau reached out to engage with all stakeholders for their perspectives. We tapped into insights into our consumer complaint system. To monitor the challenges that people are experiencing in the marketplace. We quickly shifted to adjust accordingly through all of our activities such as research, market monitoring and consumer response. All of these efforts have informed our education and empowerment tools such as blogs, symposia and videos and we continue to update these materials as new developments come in. For student loan borrowers, the Bureau is working to help them understand their options to mitigate the financial impact of coronavirus. We are letting student loan will borrowers know that the Department of Education and the CARES Act have provided certain protections for borrowers with federally owned direct loans and federally owned Federal family education loans. This includes suspension of principal and interest for these federally held loans through September 30, 2020. Interest rates on the federally held student loans have been set at 0%. There is now a temporary hold on collection of defaulted loans held by the federal government. For other federal loans, the CARES Act makes similar benefits available but does not require services to provide them. Regarding private student loans, some lenders are offering assistance to borrowers in need, including short-term forbearance options, many for up to 90 days, waving late fees and offering their own reduced payment options. Again, the Bureau aims to be a trusted place where student loan borrowers of all kinds of loans can come for accurate, up-to-date information. We have introduced a number of new capabilities to help students, including paying for college tool. Notably the CARES Act benefits plan to expire this fall. There will be another significant transition for student loan borrowers and the Marketplace. But taking a proactive approach, closely monitoring markets and complaints, applying available analytic tools and predictive manner and engaging directly with stakeholders, we can continue to provide consumer information and tools to anticipate the challenges in this transition. Again, I want to thank all of the panelists for joining us today and sharing their expertise and insight. And I will turn it over to Bob Cameron again, our private education loan ombudsman to kick off the symposium. Thank you so much for joining today. And I hope you stay safe and healthy.

Thank you Director Kraninger. Now we will get started with the first item on the agenda: an overview of the CARES Act and the benefits available for Federal Student loan borrowers who have federally held loans. Joyce DeMoss, the student loan ombudsman at Federal Student Aid within the Department of Education will present the overview.

Joyce:

Thank you Bob, thank you for the introduction and thank you to your colleagues at CFPB and to Director Kraninger for this opportunity for our two agencies to collaborate on sharing this important information. So my job today is to talk about the benefits that have been authorized by the CARES Act for federal student loan borrowers. The CARES Act authorizes most importantly and most prominently, the automatic suspension of principal and interest payments on federally held loans from the period of March 13 until September 30, 2020. That means that federal student loan borrowers will not have to worry about making payments during this broad economic impact of the pandemic. Additionally, the interest rate on these loans has been set to zero. So no interest will accrue during this period. And in addition, if there is interest that is on the balance of the account, even before March 13, that interest will not capitalize at the end of the suspension period. Thereby, borrows may not be surprised by an increased monthly payment amount at the end of the suspension period because of interest capitalization. Suspended payments during this period are not considered as missed payments. Borrowers are not subjected to delinquency or collection efforts. And payments are reported to credit bureaus as fulfilled payments. This in particular is important for borrowers who might be in the defaulted loan portfolio, who are engaged in loan rehabilitation with the objective of regaining eligibility for federal Title 4 student loan assistance. But also for loan rehabilitation to remove a loan out of default at the end of the loan rehabilitation. Additionally, suspended payments will count toward loan forgiveness programs. Most commonly in the public service loan forgiveness program. That means for PSLF borrowers who are aiming for forgiveness under PSLF, payments that would have otherwise been made during the suspension period will take forward toward that 120 months of payments that is required for PSLF forgiveness. At the bottom of the slide, you see a URL to the federal student aid website. And I encourage you to use this URL to bookmark in your browser so you can refer to it because it contains a set of frequently asked questions, pertaining to the relief provisions that are being granted. The rate at which it is being updated has slowed just a little bit. But it is being updated with certain technical questions and decisions being made by the department. The CARES Act applies only to federally held loans, federally held student loans. What exactly does that mean? Which loans are covered? The CARES Act specifies that direct loans are covered by these relief provisions. Those are loans that are held and owned by the Department of Education. In addition there is a population of federal family education loan or FFEL program loans and Perkins loans that are owned by the Department of Education. Both in the non-defaulted portfolio and in the defaulted portfolio. The loans that are not covered and were not included in the CARES Act provisions are listed as and are included, the federal family education loan programs that are owned by commercial lenders. Perkins loans that are held by schools and private student loans or nonfederal loans that are owned by banks, credit unions, schools or other private entities. This is an important distinction. One of the questions that we have seen come up as we have moved further away from the enactment date of the CARES Act, customers who have that mixed loan types and their portfolio. They are asking us about the relief provision and what is available to them. It is important to make those distinctions. I will turn it back over to Bob so he can carry us forward into the next portion of the symposium.

Bob:

Thank you, Joyce, for this informative overview.

We will now shift to our second agenda item, a panel discussion with questions and answers.

Our first panelist is Scott Buchanan. Scott is the Executive Director of the Student Loan Servicing Alliance which represents all the major student loan servicers in the country. Scott has worked on higher education policy and student loan issues for nearly 20 years.

Our second panelist is Michele Streeter. Michele is an External Affairs and Policy Analyst at The Institute for College Access and Success (or TICAS). TICAS is a non-profit based in Washington, DC that focuses on policy and advocacy to promote affordability, accountability, and equity in higher education. Her work focuses specifically on improving the student loan system and ensuring higher education is accessible and affordable for all students.

Our third panelist is Chuck Cross. Chuck is Senior Vice President of Nonbank Supervision & Enforcement for the Conference of State Bank Supervisors. In this role, he manages a team that oversees multistate supervision support for mortgage, money services businesses, payday lending, debt collection and other nonbank supervisory areas.

Question 1. How do you know if you have federally-held student loans? Scott?

Thank you. This is a really important question. As Joyce was talking about earlier, the CARES Act is applicable to federally held student loans. And oftentimes borrowers may say, if I have a federal student loan is it held by the government or is it held by a commercial lender? In general I think it is important for people to know if you have a loan that was taken out in the last 10 years or so, you probably have federally held loan. For some older borrows they may have a mix of federally held and commercially held. Or purely commercially held. That may not always be easy for a borrower to know or make a distinction about. What is important to note is that you can call your servicer to find out this information. Servicers today, if you are eligible for the CARES Act provisions, servicers have sent out to borrowers who are receiving those benefit notifications. If you got the notification about your loans and you have been made eligible and are receiving the benefits. If you have not got notification I want to check, you can reach out to your servicer. Often through our website or by calling the servicer. For example, if your loans are older loans you may need to verify that you're getting the benefits. It is important to know if you are not eligible, you may have other options that are available to you. If you do not know who services your loans, you can certainly call the federal student aid information Center. The number is provided on this slide. They will be able to direct you to view your servicer is. If you have a private education loan, then you can either check the recent statement or bill that you have gotten or you can check on your credit report, if you don't have any statements or bills received recently. You can check your credit report and it will tell you who services your loans. Those of the ways that you can determine if your loans are eligible. It is important to make sure you are clear about if you are receiving the benefit, has payment been suspended and if your loans are not eligible, call your servicer and they will have options for you to use forbearance, income-based repayment plans or other things that can assist you during the situation.

Thank you Scott, now we will move onto the next question. How will I know when to start making payments again? Scott?

Absolutely. For those people who are receiving the CARES Act benefits that are available right now about suspending payments until September 30, those individuals are going to start receiving multiple notifications starting in August. At least six. The law will provide. So we will begin reminding borrowers that their payment will resume after September 30. Those notices will come either by mail or email. That will give you plenty of time to prepare to returning to regular loan repayment. Also, I think it is important to remember coming out of this crisis, that many borrowers may still be facing some economic impact from the situation. If that is the case, that you really need to call your servicer to talk about what other benefits are available. Even when the CARES Act provisions expire, we have a lot of tools that are available under federal statute and under guidance for the Department of Education that will allow you to have flexible repayment options. Those include income driven repayment plans that can adjust the payment amount to what your level of income is, given your personal situation. You can also go to our website and see a lot of the information through FAQs and other documentation about benefits that are available to you, both before and after the suspension of payment. And again to stress, servicers are here to work with our borrowers. If you have any questions, whether it is in August, September or tomorrow, about what is going on with your loans or your options, call your servicer. We will be able to walk you through exactly what the options are and work with your individual situation to put you on a repayment plan that will best meet your needs, even once we begin repayment of federally held student loans in October.

Thank you Scott, now our next question borrows with federally held loans are automatically placed into administrative forbearance. What advice do you have for borrowers that have other federal student loans? Michele?

Thank you Bob, So borrowers whose loans are not covered by the CARES Act do still have a number of options for relief. So these federal borrowers can request an administrative forbearance. Being in administrative forbearance means the borrower can temporarily stop making their federal student loan payments without becoming delinquent on their payments. If you request an administrative forbearance, that means you would not have any payments due for as long as the forbearance lasts and cancel any scheduled auto debit payments. After the administered forbearance ends, you would have to resume making monthly payments. If you wished to use auto debit at the time you would restart the payments as they would not automatically resume. Those with federal loans, not covered by the CARES Act also have the option of consolidating the loans into a direct consolidation loan. Which would then render that loan eligible for all the benefits in the CARES Act. However, if the borrower decides to consolidate into the direct consolidation loan, after the CARES Act, 0% interest waiver period ends, the interest rate may in some cases be higher than what was before. Any outstanding interest would capitalize, meaning that would be added to the principal balance. There are trade-offs to these options. But there are some various options for the borrowers to access. And as Scott mentioned, your loan servicer is able to provide you with the information about how your loan balance, interest rate, total amount paid over the life of the loan, all of those things would be affected or changed if you chose to consolidate into the direct consolidation loan. Best to contact your servicer. And asked them to walk through the options and see what kind of relief is available to you.

Thank you, Michele, Now we will move on to the next question. What are some warning signs or tips to avoid falling victim to a student loan scam? Michele?

Sure so unfortunately, there are a number of unscrupulous companies that have been looking for a long time before the crisis that we are currently in, to take advantage of borrowers and take advantage of how confusing the student loan repayment process can be. By promising easy help for a fee, when in fact all these companies do is charge fraudulent fees to enroll borrowers in free federal programs that they are ready have access to. And also to mislead borrowers about what kind of benefits are available to them. A couple of the major warning signs and red flags that student loan borrowers should be aware of when trying to avoid getting defrauded by a company, these companies will often require you to pay an upfront or monthly fee for help. It is actually not allowed to charge an upfront fee for this type of service. If a company is asking you for an upfront fee before they actually perform any service for you, that is a major red flag. In some cases these companies may ask you to pay them directly and then promise to pay your servicer on your behalf each month when your bill comes due. That is a major red flag if someone says they will do that. Another sign is these companies will often promise immediate loan forgiveness or full loan forgiveness or cancellation of all of your student debt. Unfortunately, no one can promise immediate loan forgiveness of your debt. Most government forgiveness programs require some kind of term of qualifying payments or qualifying employment before your loans can be forgiven. Some kind of application process. These companies will offer borrowers that they have a special ability to negotiate with the federal loan servicer or they know of a special deal they can get the borrower under the federal loan program. None of this is true. The special deals or special promotions do not exist. Any kind of payment level that the borrower is able to access to federal programs such as income driven repayment, those are set by federal law. There is no special deal that a company will be able to work out that a borrower could not access themselves by having a conversation with their servicer. Finally, I would warn borrowers if a company asks you for your FSA ID login information, that is another major red flag. The education department or any of its partners that works with will never ask you for your FSA ID password. And that password allows someone to sign legally binding documents on your behalf. It basically carries the same status if you were to sign something over. That is a major warning sign. And something that if any company is making you feel uncomfortable or you are not sure, if it is legitimate there are a lot of resources online that you can find out what kind of company you are dealing with. If you need any help is a borrower managing student loan repayment or you have questions or want to understand your options, your first step should be to contact your loan servicer and you can also contact a number of reputable organizations that do offer expert help for either no cost or very low cost. Such as the Institute for student loan advisors. There is a national foundation for credit counseling which offers nonprofit credit counseling services for borrowers. If you are struggling or need help managing or understanding your loan repayment option, there are reputable expert options for you. Be sure to know there are these companies trying to take advantage of borrowers. Try to see if you can avoid those, if possible.

Thank you, Michele, that was very informative. And our next question is what are some options for private student loan borrowers if they cannot afford their payment. Chuck?

Thank you Bob. And thank you to the Bureau for inviting the Conference of State Bank Supervisors to provide information on behalf of our state bank commissioners. As stated previously the CARES Act did not provide forbearance or relief assistance for commercially owned loans, Perkins loans or privately held student loans. In late April a group of nine states came together to address this gap in coverage. I'll touch on this initiative in just a moment but the first thing you should understand is that your search for relief should always begin with your loan servicer. You must be proactive here. And any assistance you obtain will be arranged directly with your servicer. Second, any assistance will impact the terms and conditions of your loan. You need to understand and carefully consider the impact of accruing interest during any period of forbearance and how much it will extend your loan payment schedule. Third, be aware of your rights. If your lender provides incorrect information, makes an error on your account or denies you benefits that should be offered, you should report the issue to your state regulator, Federal Trade Commission Assistant or the Consumer Financial Protection Bureau. On April 21, 2020, the states of California, Colorado, Connecticut, Illinois, Massachusetts, New Jersey, Vermont, Virginia and Washington announced payment relief for private student loan borrowers not covered under the CARES Act. Under this initiative, borrowers in this category who are struggling to make their payments due to the COVID-19 pandemic will be eligible for expanded relief. If you are such a borrower you should contact your student loan servicer to identify the options that are appropriate for you. Fifteen servicers have agreed to provide relief options which include, providing a minimum of 90 days of forbearance, waiving late payment fees, ensuring that no borrower is subject to negative credit reporting, ceasing debt collection lawsuits for 90 days and working with borrowers to enroll them in other borrower assistant programs such as income-based repayment. If you would like additional information about this program, including a list of participating servicers, you can visit the banking department website in any of the participating states or go to the Connecticut Department of Banking site at portal.ct.gov/dob. In closing I'd like to thank Director Kraninger and the Bureau for including the state system in this important message.

Thank you Chuck, that was very helpful and informative. We will now move to the next part of the agenda and that will be resources for student loan borrowers. This will be presented by Kristen Evans the Section Chief for the Section for Students and Young Consumers at the Bureau. Kristen?

Thanks Bob. I wanted to highlight some of the resources that were mentioned in this presentation. And provide some helpful links to access those resources. If you need further information about your student loans related to the COVID-19 pandemic, as mentioned before the Department of Education and the CFPB as well as other federal agencies have provided trusted resources for you. The Department of Education has provided a website full of helpful FAQs for borrowers with federal student loans as well as information for students who are currently enrolled in postsecondary education. The CFPB has also created a webpage containing information from different products from student loans to mortgages as well as other topics to protect your finances as related to the coronavirus pandemic. If you need specific advice related to your student loans, we have provided some helpful resources on this slide. As has been mentioned previously in this presentation Remember, contact your student loan servicer with any question. They are there to help you. Also your financial aid office may be able to provide information and don't forget to check out state-based resources as many were mentioned by Chuck Cross. If you run into problems with your student loans, you can look to the Department of Education and the CFPB for more information. Links to information on complaints are provided here. Thanks Bob, now back to you.

Thank you Kristen. I want to thank Director Kraninger and our guests and panelists Joyce DeMoss, Scott Buchanan, Michele Streeter and Chuck Cross as well as Kristen Evans for this informative symposium. For student loan borrowers, I urge you to take advantage of the resources available to assist you during the pandemic. The Bureau and Department of Education, Federal Student Aid have many resources available online that are regularly updated. If you have questions about your options, don't hesitate to contact your servicer or the financial aid office at your school. Remember benefits under the CARES Act are free. There is no charge to access. If you run into problems, don't hesitate to contact CFPB or the Department of Education Federal Student Aid Ombudsman. I want to thank everyone for a great afternoon and informative symposium on these important issues. The symposium is now concluded and we are adjourned. Thank you.