studentloanify

Federal Student Loan Analysis for John Doe

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- Any decisions based on the provided information.

Prepared for Javama Law LLP

8/27/2020

by StudentLoanify

www.studentloanify.com

Thank you for using StudentLoanify. This report is based on a review of John Doe's information submitted on 8/27/2020. The purpose of this analysis is to help you assist your client in understanding their Federal Student Loans and their options to help them achieve their Federal Student Loan goals.

Below is a quick summary of John's Federal Student Loans.

Federal Student Loan Summary	
Total Loan Amount	$ 60863 (10 Federal Student Loans)
Loans in Good Standing?	No *10 of John's Federal Student Loans are currently in default*
Eligible for Forgiveness?	Yes *Borrower may be eligible for forgiveness of some or all of their loans based on the following programs:* • *Teacher Loan Forgiveness* • *Public Servicer Loan Forgiveness* • *Perkins Loan Forgiveness* • *IDR Forgiveness* *See Report for details*
Eligible for Discharge?	No *Borrower is not eligible for any administrative discharges*
Additional Factors Affecting Borrower's Loans	None

Instructions

10 of John's loans are in default. John must resolve the default to avoid potentially serious consequences.

There are 3 options for getting John out of default:

1. Settlement
2. Rehabilitation
3. Consolidation

Each option is discussed in the Consumer Report. You should review it prior to giving a copy to your client for deciding on the best course of action.

If your client wants to Settle

You should call the debt collector directly and advise them that your client wishes to settle their defaulted loans.

The best settlement offer your client can expect is 90% of the outstanding principal and interest, or 100% of principal and 50% of interest.

The debt collector will advise you how to proceed.

If your client wants to Rehabilitate

To complete rehabilitation, John will be required to make 9 loan payments in 10 months. The amount is typically 15% of the borrower's discretionary income (but never less than $5). In this case, that would be $331. Once the Rehabilitation is completed, John will be placed on the Standard Repayment Plan unless John selects a different payment plan.

Rehabilitation usually works best in the following scenarios:

- When your client has accrued PSLF qualifying payments and does not want to lose them (Consolidation will restart the number of required payments that need to be made).
- If your client wants to keep the loans separate as the payment strategy.
- If your client's discretionary income is high enough making the IDR payments greater than the Standard repayment plan.
- If your client cannot consolidate the loan(s) because the loan(s) have already exhausted the consolidation options.

If you and your client decide to proceed with Rehabilitation, determine if $331 is an affordable payment. You should then call the debt collector directly, confirm the rehabilitation payment amount and advise them that your client wishes to rehabilitate their defaulted loans.

If $331 is affordable

- [ ] Arrange for a conference with the client and the debt collector. Collectors often want to read disclosure language directly to the borrower. Pick a due date for John's payments.
- [ ] Make sure John sends the monthly payments.
- [ ] You will receive a Rehabilitation Agreement from the debt collector (can be any time during rehabilitation period). Forward it to John for signature and return to the debt collector immediately.
- [ ] Follow up with the debt collector to confirm they received the Rehabilitation Agreement. (If they do not get the Rehabilitation Agreement, the rehabilitation may be voided).
- [ ] After all payments have been made, the debt collector will send your client a Rehabilitation Letter. Make sure John continues to pay until the Rehabilitation Letter is received. The rehabilitation is not complete until receipt of this letter.
- [ ] Once the rehabilitation is complete, you may want to consider assisting your client with applying for a different payment plan by returning to www.studentloanify.com and running a new analysis for your client.

If $331 is NOT affordable

- [ ] When talking to the debt collector, let them know that 15% is not affordable and request a financial review from the debt collector. They will provide you with required financial review forms for your client to complete. Review and question this information with your client to confirm it is accurate and truthful.
- [ ] Complete the financial review forms and forward all required documentation to the debt collector.
- [ ] Follow up with the debt collector to get the new payment amount. (Note: there is very little you can do to negotiate a better number than what the debt collector will provide).
- [ ] Arrange for a conference with the client and the debt collector. Collectors often want to read disclosure language directly to the borrower. Pick a due date for John's payments.
- [ ] Make sure John sends the monthly payments.
- [ ] You will receive a Rehabilitation Agreement from the debt collector (can be any time during rehabilitation period). Forward it to John for signature and return to the debt collector immediately.
- [ ] Follow up with the debt collector to confirm they received the Rehabilitation Agreement.
- [ ] After all payments have been made, the debt collector will send your client a Rehabilitation Letter. Make sure John continues to pay until the Rehabilitation Letter is received. The rehabilitation is not complete until receipt of this letter.

- [ ] Once the rehabilitation is complete, you may want to consider assisting your client with applying for a different payment plan by returning to www.studentloanify.com and running a new analysis for your client.

If your client wants to Consolidate

Determine the repayment plan which best meets your client's needs and goals and then finalize their application:

1. Return to StudentLoanify to select the repayment plan chosen;
2. Download the application materials;
3. Have your client sign the required documents and provide any income documentation required; and
4. Send the completed package to the servicer per the instructions on the document cover sheets.

After all the application materials have been sent to the servicer, you should:

- [ ] Confirm your client has received a confirmation letter that the application has been received (should be received within 90 days)
- [ ] Confirm your client has received a confirmation letter that Consolidation is complete
- [ ] Confirm your client has received a confirmation letter the IDR is complete (usually within 3 weeks after Consolidation is completed)
- [ ] Confirm your client received the first bill with the new payment amount (usually 4 weeks after IDR Confirmation)
- [ ] You will want to follow up with your client annually (2 months prior to the anniversary date of their new IDR payment) to make sure they recertify their income to remain on their selected IDR. Failure to recertify by the anniversary date will return their payment to the Standard plan.

Federal Student Loan Analysis

Created for:

John Doe
08/27/2020

Prepared by: Javama Law LLP

Federal Student Loan Analysis

John Doe

This Federal Student Loan Analysis is based on a review of John Doe's information submitted on 08/27/2020. The purpose of this analysis is to provide you with choices and options to help you achieve your Federal Student Loan goals.

Current Status of Borrower's Loans:

The following is a summary of John Doe's Federal Student Loans as reported by the National Student Loan Data System (NSLDS). Currently, John has 10 Federal Student Loan(s) totaling $60,863.00 as shown below.

Loan Type(Loan Holder/Servicer)	Principal Balance	Interest	Interest Rate	Status
FFEL STAFFORD UNSUBSIDIZED (AMERICAN EDUCATION SERVICES)	$ 4,860.00	$ 400.00	6.8%	DEFAULTED, UNRESOLVED
FFEL STAFFORD UNSUBSIDIZED (AMERICAN EDUCATION SERVICES)	$ 5,417.00	$ 446.00	6.8%	DEFAULTED, UNRESOLVED
FFEL STAFFORD SUBSIDIZED (AMERICAN EDUCATION SERVICES)	$ 3,555.00	$ 293.00	6.8%	DEFAULTED, UNRESOLVED
FFEL STAFFORD UNSUBSIDIZED (TRANSITIONAL GUARANTY AGENCY)	$ 2,606.00	$ 687.00	6.8%	DEFAULTED, THEN BANKRUPT, ACTIVE, CHAPTER 13
FFEL CONSOLIDATED (TRANSITIONAL GUARANTY AGENCY)	$ 14,762.00	$ 2,969.00	5.63%	DEFAULTED, THEN BANKRUPT, ACTIVE, CHAPTER 13
FFEL CONSOLIDATED (TRANSITIONAL GUARANTY AGENCY)	$ 7,775.00	$ 1,564.00	5.63%	DEFAULTED, THEN BANKRUPT, ACTIVE, CHAPTER 13
FFEL STAFFORD SUBSIDIZED (TRANSITIONAL GUARANTY AGENCY)	$ 2,787.00	$ 110.00	VARIABLE	DEFAULTED, THEN BANKRUPT, ACTIVE, CHAPTER 13
FFEL STAFFORD UNSUBSIDIZED (TRANSITIONAL GUARANTY AGENCY)	$ 3,703.00	$ 146.00	VARIABLE	DEFAULTED, THEN BANKRUPT, ACTIVE, CHAPTER 13
FFEL STAFFORD UNSUBSIDIZED (TRANSITIONAL GUARANTY AGENCY)	$ 6,348.00	$ 250.00	VARIABLE	DEFAULTED, THEN BANKRUPT, ACTIVE, CHAPTER 13

Loan Type(Loan Holder/Servicer)	Principal Balance	Interest	Interest Rate	Status
FFEL STAFFORD UNSUBSIDIZED (TRANSITIONAL GUARANTY AGENCY)	$ 2,102.00	$ 83.00	VARIABLE	DEFAULTED, THEN BANKRUPT, ACTIVE, CHAPTER 13

WARNING - Loans in Default

10 of Your Federal Student Loans are in default. That means you have not made a payment for at least 270 days (about 9 months). As a result, you could be at risk for:

- Collection fees and calls
- Wage garnishment
- Offset of Social Security benefits
- Loss of Federal tax refund
- Lawsuit
- Loss of security clearance

You should deal with this default as soon as possible. There are 3 options which are discussed in detail below:

1. Settlement
2. Rehabilitation
3. Consolidation

Settlement

Settlement is the quickest way to deal with a defaulted loan. Unfortunately, it is often not a viable option because it requires a lump sum payment. The full amount of settlement must be paid within 90 days or the offer will be void. Typically, the best offer you can expect is 90% of the outstanding principal and interest, or 100% of principal and 50% of interest. There is very little opportunity to negotiate beyond this.

To arrange for a settlement of these loans, you must contact the debt collector directly.

Rehabilitation

Rehabilitation is a program that requires you to make nine loan payments within ten consecutive months. The payment is usually 15% of the borrower’s discretionary income (but never less than $5). In your case, your payment is estimated to be $331.062.

If that is unaffordable, you have the right to request a financial review of your income and necessary expenses.

Once payments start, you will receive a Rehabilitation Agreement. The Agreement must be signed and returned. Failure to sign and return the agreement will void the rehabilitation, and the loan will not be removed from default.

There may be a fee of up to 16% charged once the loan is successfully rehabilitated. This amount is added to the principal. In addition, 25% of your payments go to the debt collector and do not pay down your loans.

A loan may only be rehabilitated once after 2008. If a defaulted loan has already been rehabilitated since 2008, rehabilitation is not an option.

Once you have completed the rehabilitation, you will be placed on the Standard Repayment Plan unless you instruct otherwise. As a general rule, monthly payments under the Standard Repayment Plan are higher than other plans but you will pay off your loan in the shortest time.

When considering Rehabilitation, you should be aware that Rehabilitation best works in the following scenarios:

- When you have a wage garnishment due to your default, Rehabilitation is your only option.
- When you have accrued PSLF qualifying payments and do not want to lose them (Consolidation will restart the number of required payments that need to be made).
- If you want to keep your loans separate as your payment strategy.
- If your disposable income is high enough making your IDR payments greater than the Standard repayment plan.
- If you cannot consolidate your loan(s) because you have already exhausted your consolidation options.

For all other scenarios, assuming you are unable or do not want to pay off the full outstanding amount, Consolidation (see below) will most likely prove more beneficial. To learn more about why Rehabilitations are not recommended, see this report by the government's Consumer Finance Protection Bureau.

Consolidation

Consolidation is like refinancing except credit is not an issue. A single loan may be consolidated to remove it from default. When consolidating out of default, the borrower MUST choose an Income Driven Repayment plan. There are 5 different types of Income Driven Repayment plans. See below for details on each plan as well as your estimated payments.
When consolidating, the borrower gets to choose their new loan servicer. Once the consolidation is complete, the loans are removed from default. Fees of up to 18.5% may be added to the principal when consolidating out of default.

Your eligibility for each of the Income Driven Repayment Plans (IDR) and your estimated payments under each are shown below:

Plan	Details
Revised Pay As You Earn (REPAYE) $ 220.71 /mo *Based on current income for next 12 months, then recertify **Consolidation Required**	Repayment based on income and family size (must recertify each year) Monthly payment set at **10% of discretionary income** (may be as low as $0.00) Eligible for **loan forgiveness (20 years for undergrads, 25 Years if ANY loan for graduate studies)**
Pay As You Earn (PAYE) $ 220.71 /mo *Based on current income for next 12 months, then recertify **Not Eligible**	Repayment based on income and family size (must recertify each year) Monthly payment set at **10% of discretionary income** (may be as low as $0.00) Eligible for **loan forgiveness (20 years)** Must be a new borrower as of 10/1/2007
Income-Based Repayment (IBR) $ 331.06 /mo *Based on current income for next 12 months, then recertify **Consolidation Required**	Repayment based on income and family size (must recertify each year) Monthly payment set **at 15% of discretionary income** (may be as low as $0.00) Eligible for **loan forgiveness (25 years)**
IBR for New Borrowers $ 220.71 /mo *Based on current income for next 12 months, then recertify **Not Eligible**	Repayment based on income and family size (must recertify each year) Monthly payment set **at 10% of discretionary income** (may be as low as $0.00) Eligible for **loan forgiveness (20 years)** Must be a new borrower as of 7/1/2014

Plan	Details
Income-Contingent Repayment (ICR) $ 585.10 /mo *Based on current income for next 12 months, then recertify **Consolidation Required**	Repayment based on income and family size (must recertify each year) Monthly payment set at **20% of discretionary income** (may be as low as $0.00) Eligible for **loan forgiveness (25 years)**

Important Disclaimer:

The payments noted in the chart above are estimates. Only the servicer processing your application can give you the exact amount. Your exact amount depends on how soon you exercise your options and the interest accrued on your next payment along with the accuracy of the information provided.

Also, while you could pick a different plan for each loan and/or choose to consolidate some and not all loans, experience suggests that this usually is not a good option for most borrowers. That is why we show and recommend you select the same course of action for all loans. If you do not want to take this approach, make sure you fully educate yourself about all of the potential consequences (intended and unintended) of selecting different plans for different loans.

Public Service Loan Forgiveness

Based on the information provided, you may be eligible for loan forgiveness under the Public Service Loan Forgiveness program.

What is Public Service Loan Forgiveness?

Public Service Loan Forgiveness (PSLF) is a program that rewards borrowers who work in the public or nonprofit sectors by forgiving the balance of their loan after 10 years. PSLF requires three items to qualify:

- **The right job** – Any full-time government or non-profit 501(c)(3) company, and certain not-for-profit companies that serve the public.
- **The right loan** – ONLY Direct Loans.
- **The right payment plan** – Must be an Income Driven Repayment plan or the 10-year Standard plan

After 120 qualifying payments (i.e., payments that meet all three criteria) have been made, any remaining balance of your Federal Student Loans will be forgiven…tax free. If any payment does not meet any of these three criteria, it will not count towards PSLF.

Some additional important things you should know about PSLF:

- Only payments made after October 1, 2007 count towards PSLF.
- Payments only qualify if they are made for the minimum amount due and not paid more than 15 days before or after the due date.
- Non-Direct loans like FFEL and Perkins may be consolidated in order to qualify them for PSLF.
- If you are already making qualifying payments towards PSLF, a consolidation will reset the amount of payments owed – i.e., you will need to make 120 qualifying payments on the consolidated loan. Any previous payments will not count.

Are You Eligible for Public Service Loan Forgiveness?

Qualified employer? *You must work full time for a government, 501(c)(3) nonprofit or certain not-for-profit public service oriented entities. Job titles and duties are irrelevant.*	Eligible *Based on the information provided, it appears that you meet this criteria*
Eligible loans? *Only Direct Loans in good standing qualify. (Note: loans received under other federal programs may become eligible if consolidated into a Direct Consolidation Loan).*	Not Currently Eligible – Non-Direct Loan(s) *One or more of your loans is not a Direct Loan. Only Direct Loans are eligible for PSLF. You may consolidate these non-Direct loans into a Direct Consolidation Loan to gain eligibility. However, ONLY payments made on this new Direct Consolidated Loan will count towards PSLF. If you have previously made qualifying PSLF payments on any existing Direct Loans, you will <u>lose credit</u> for these payments if those loans are included in the consolidation. (TIP: if you previously made qualifying PSLF payments on any loans, you should consider consulting an expert before making any changes to your loans).* Not Currently Eligible – Defaulted Loan(s) *One or more of your loans is in default. Defaulted loans are not eligible for PSLF. However, a defaulted loan may become eligible for PSLF if you resolve the default. Please refer to the "Loans in Default" section above for information on how you can cure the default. If you cure the default by consolidating, you will lose any time accrued towards PSLF prior to default. (TIP: if you previously made qualifying PSLF payments on any loans, consider consulting an expert before making any changes to your loans).*

Making Qualifying Monthly Payments

If your employment and loans are eligible for PSLF, you will need to make 120 qualifying monthly payments. A "qualifying monthly payment" is:

- Made under any IDR or 10-year standard plan;
- For the full amount due; and
- No earlier or later than 15 days from the due date.

Applying for PSLF

PSLF is a program that you qualify for. It is not a program that you sign up for. Once you have 120 qualifying months (right employer, right loan, right payment plan, all at the same time), you can apply for PSLF.

During the 120 months leading up to full qualification, you should complete and submit an Employment Certification Form every year or whenever you change employers. This will help you confirm that the employment, loans, and payments qualify for PSLF.

The Department of Education has designated FedLoan Servicing as the servicer for tracking PSLF payments. When submitting the Employment Certification Form, it must be sent to

FedLoan Servicing. If your loans are not being serviced by FedLoan, servicing will be transferred to FedLoan Servicing immediately. If a consolidation is required to make the loans eligible for PSLF, FedLoan should be chosen as the new servicer.

General Comments About Consolidation

You should consider the following when deciding if consolidation is the best choice:

Pro	Con
One servicer, one bill, one payment	Restarts the forgiveness clock if anytime has been accrued
May qualify loan for additional payment plans	Lose ability to pay off one loan at a time
Can choose new servicer	
Get loan(s) out of default	
Lock in interest rate (if variable)	
Extend time to repay	

**Note: this list is not meant to be exhaustive.*

A Direct Consolidation Loan has a fixed interest rate for the life of the loan which is the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of one percent.

Why Refinancing Your Federal Student Loans with a Private Student Loan is a Bad Idea

Refinancing Federal Student Loans with a private student loan is a bad idea. The reason people suggest it is to lower your interest rate. But you also lose ALL the flexibility that comes with the Federal loan program such as:

- Repayment plans based on income and family size;
- Rescuing a loan from default;
- Discharging the loan due to disability;
- Discharging the loan upon your death (or upon your child's death for a Parent PLUS loan);
- Loss of forgiveness programs such as
    - o Teacher Loan Forgiveness;
    - o Public Servicer Loan Forgiveness;
    - o IDR Forgiveness

While you may get a lower interest rate with a private student loan refinance (and you need really good credit and income for that), you may pay more over the life of the loan because the term could be longer than what your current Federal loan term is. Additionally, only Federal Student Loans have the flexibility to lower your payment temporarily or permanently in case of a life altering event, having children, losing a job, planning for family leave, divorce, etc.