Take Charge America Shares Repayment Options for Student Loan Borrowers in Default, Delinquency

Recent report finds many struggling borrowers aren’t enrolled in income-driven repayment plans that could reduce monthly payments

PHOENIX — (Nov. 11, 2015) – Staggering student debt continues to be a challenge for millions of Americans nationwide – and it’s harder on some student loan borrowers than others.

The Consumer Financial Protection Bureau (CFPB) recently released its annual report on student loan complaints, revealing that more than five million people who borrowed money through the Federal Family Education Loan Program (FFELP) are behind or in default on their loans. FFELP, which was comprised of primarily private lenders making federally-guaranteed student loans, ended in 2010, but students who borrowed money through the program still make up nearly a third of all student loan debtors and owe more than $370 billion combined.

What’s more, the rate of default and delinquency is considerably higher for FFELP loans than the broader student loan market, and only five percent of FFELP borrowers are enrolled in any sort of income-driven repayment plan.

“Consumers in default or delinquency experience major obstacles in achieving financial milestones like buying a home,” said Jessica Ferastoaru, a student loan counselor with Take Charge America, a national nonprofit credit counseling and student loan counseling agency. “But borrowers – even those in default – have several options for repaying their debt and restoring their financial health.”

CFPB’s report raises concerns about whether FFELP loan servicers have adequately informed borrowers about their repayment options. Despite wide availability of income-based repayment plans, 95 percent of people with FFELP loans are not enrolled.

“Many people simply aren’t aware such options exist, or assume only a handful of federal loans are eligible for alternative repayment programs.”

Ferastoaru summarizes several student loan repayment options:

- **Direct Consolidation Loans** can assist FFELP borrowers. They may be able to consolidate their loans through this program in order to qualify for additional repayment options.
- **Pay As You Earn** is an option for students with a partial financial hardship. It caps loan payments at 10 percent of discretionary income and forgives remaining balances after 20 years.
- **Income-Based Repayment** plans are based on income, family size and residence, and are usually capped at 15 percent of a borrower’s income. For borrowers who took out loans on or after July 1, 2014, balances are forgiven after 20 years. Students who borrowed money before that date receive forgiveness after 25 years.
- **Income-Contingent Repayment** plans calculate payments based on income, family size and total
amount borrowed, but the monthly payment amount is adjusted annually to account for changes in income and family size. The repayment period can stretch to 25 years, after which any remaining balances are forgiven.

- **Public Service Loan Forgiveness Program** is an option for people who work full-time in the public or nonprofit sector. Loan balances will be forgiven after 120 qualifying payments. A separate program for teachers allows borrowers to qualify for up to $17,500 in forgiveness.
- **Loan Forgiveness Programs for Military** offer servicemen and women up to $65,000 in loan forgiveness.
- **Loan Rehabilitation** helps borrowers who have defaulted on federal student loans. The borrower and lender agree on a reasonable payment plan, and the borrower makes nine consecutive payments over a 10-month period. At that time, the loan is considered rehabilitated and may be eligible for other repayment programs.

Borrowers seeking more information about loan repayment options may visit Take Charge America at studentloans.takechargeamerica.org or call (877) 784-2008.

**About Take Charge America, Inc.**

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped more than 1.6 million consumers nationwide manage their personal finances and debts. To learn more, visit www.takechargeamerica.org or call (888) 822-9193.

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