Collection Avenues

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Second Alliance, INC.
Campus Based Loans and Receivables

Collection Avenues

- Payment Plans
- Cures
- Arrearages
- Loan Consolidation
- Loan Rehabilitation
- Litigation

Payment Plans

- You are working this account because the student either did not pay the balance due on their tuition or the have defaulted or lapsed on payments on a payment plan.
- You will need to be prepared for:

1. Standard Payment Plans
2. Financial Based Payment Plans
3. Plan Failures and 2nd Chances
4. Deferment

Payment Plans

- It is good to have a <u>set</u> of standard payment plans.

1. The student feels as though they have choices and when they can make a choice this will cement their commitment to that plan.
2. You can refer to these plans from policy and not personal decision. This way the student knows they are getting the same treatment as everyone else and it narrows their escape routes.
3. Payment processing and collection follow-up becomes much easier.

Payment Plans

- Payment Plan Examples

Plan 1

1. Eighteen months with half down
2. Twelve months with a quarter down
3. Six months with zero down

Plan 2

1. Six months
2. Twelve months
3. Eighteen months

Payment Plans

- Payment Plan Guidelines

- All Standard payment plans should begin **Immediately**
- All payment plans should be due on the same day of the month and set by Your Policy
- All payments should have the same amount of grace period

Payment Plans

- Financial Based Plans

- Unless your repayment options include deferment or forbearance, payment of school debt should not be optional or discretionary. It should be immediate and required. We understand that paying money is never convenient and we have all learned to either do it or suffer the consequences of non-payment.

Payment Plans

- Financial Based Plans

- If you choose and if your student can not meet your requirements for a standard plan have the student complete a Financial Statement.
- Your financial statement should include a list of verifiable assets and liabilities including:
- Income. You should require the submission of a pay stub or other verifiable income
- Assets. Vehicles, Savings, Checking, Property, 401k, Spouse
- Debts. This sections should be complete
- Deferrable Debts. Such as student loans to free up income or consolidation to reduce payments

Payment Plans

- Financial Based Plans

- When accepting financial statements you must already have a policy to refer to of minimum payment amounts. It matters less how liberal you are than having a defined policy.
- Example:
- A minimum payment for a period of time (12 months we'll say) then opt for any standard plan
- A minimum payment for a period of time (6 months we'll say) to be considered as part of a maximum period of a standard plan, (24 months we'll say)

Payment Plans

- Payment Plan Failures

- It is important to reinforce to your student that once they have committed to a payment plan that they must complete THAT plan
- You must further decide what you will do if they lapse on their plan. How many times will you allow your student to "Catch Up" or change a plan. It is less important how many changes you will tolerate than it is having this threshold written into POLICY

Deferment

- Unemployment
- In-school
- Hardship
- Discretionary

Deferment

- You will need decide to if you will accept these and reasons for non-payment.
- Will you defer your debt while the student is enrolled at another institution and if so, for how long?
- Is the student aware of who’s responsibility it is to obtain proof of enrollment

Deferment

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Cures and CURES

- Cure and per-collect are an optional avenue to recover debt and there are many variables

- Pre-collect is a warning that gives a borrower an opportunity to revive their account from collections
- Cure is more if a proactive attempt to resuscitate an account from collections
- Second Alliance CURE is an optional preliminary service that presents a restorative opportunity to borrowers. The program objective is to assist borrowers to rehabilitate their delinquency, understand financial literacy and rescind long-term collection placement.

Second Alliance CURE

- Deep-skin skip-trace through four major database and social media resources
- Up to five CURE letters to three addresses
- Up to fifteen telephone attempts

Financial literacy education and tools for your borrower include:

- Debt coaching unique to their current circumstances
- Credit and collections education including repairing, building and maintaining credit
- FICO score calculations
- Budgeting worksheet
- Access to one copy of a their credit report from Experian, Equifax and TransUnion

Arrearages

- An Arrearage Collection is an opportunity for a borrower to repay the past due amount on their loan balance to bring the account current.
- Once current you may leave or return the account from the agency
- Benefits to remaining in collections
- Benefits to returning the account to regular repaymentt

Loan Consolidation

- A ***Direct Consolidation Loan*** allows you to consolidate (combine) multiple federal education loans into one loan **at no cost to you**. Through your completion of the **free** Federal Direct Consolidation Loan Application and Promissory Note, you'll confirm the loans that you want to consolidate and agree to repay the new Direct Consolidation Loan. Once the consolidation is complete, you'll have a single monthly payment on the new Direct Consolidation Loan instead of multiple monthly payments on the loans you consolidated.

Loan Consolidation

- In a nutshell

- Submit an online or paper application for consolidation
- The TIVA obtains a payoff request from the holders of your loans
- The TIVA sends you a summary of all loans they intend to fund
- The TIVA funds your consolidation after approximately 28 days

Loan Consolidation

- Review and select loans for consolidation
- Choose the federal loan servicer (TIVA) you want to complete the consolidation and service your new Direct Consolidation Loan.
- TIVA’s include:
  Great Lakes
  Navient
  Nelnet
  PHEAA

Loan Consolidation

- **Select your repayment plan**

- **Standard Plans**
- Standard
- Extended
- Graduated

- https://studentaid.ed.gov/sa/repay-loans/understand/plans

Loan Consolidation

- **Select your repayment plan**

- **Income Sensitive Plans**
- ICR
- IBR
- PAYE – Pas as you earn
- REPAYE – Revised pay as you earn
- https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven

Loan Consolidation

- You should understand the details of the available repayment plans before you make a selection. General information about repayment plans is available at StudentAid.gov

Loan Consolidation

- If you want to repay your Direct Consolidation Loan under the Pay As You Earn (PAYE), Revised Pay As You Earn (REPAYE), Income-Based Repayment (IBR), or Income-Contingent Repayment (ICR) Plan, you'll be able to electronically complete the Income-Driven Repayment Plan Request. To repay under one of the income-driven plans, you must provide information about your income. As part of the income-driven repayment plan request process, you may be able to provide your income information by using the Internal Revenue Service (IRS) Data Retrieval Tool. If you're unable to transfer your income information from the IRS Data Retrieval Tool or if you don't believe that the Adjusted Gross Income (AGI) reported by the IRS accurately reflects your current income, you'll be given instructions on how to submit a paper request and alternative documentation of your current income to the federal loan servicer that you choose to service your Direct Consolidation Loan.

Loan Consolidation

- **Read the Direct Consolidation Loan terms and conditions.**

- **Enter your personal and reference information.**
- You will need to provide two references (that don’t live with you or live together) including:
- Name
- Address
- City, State and Zip
- Telephone number
- Relationship to you

Loan Consolidation

- Review, electronically sign, and submit the completed Federal Direct Consolidation Loan Application and Promissory Note

Loan Consolidation

- The Public Service Loan Forgiveness (PSLF) Program forgives the remaining balance on your Direct Loans after you have made 120 qualifying monthly payments under a qualifying repayment plan while working full-time for a qualifying employer

Loan Consolidation

- **What is qualifying employment?**
- Qualifying employment for the PSLF Program is not about the specific job that you do for your employer. Rather, it is about who your employer is. Employment with the following types of organizations qualifies for PSLF:
- •Government organizations at any level (federal, state, local, or tribal)
- •Not-for-profit organizations that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code

Loan Consolidation

- **Other types of not-for-profit organizations that provide certain types of qualifying public services**
- Emergency management
- Military service
- Public safety
- Law enforcement
- Public interest law services
- Early childhood education (including licensed or regulated child care, Head Start, and state funded pre-kindergarten)

Loan Consolidation

- **Other types of not-for-profit organizations that provide certain types of qualifying public services**
- Public service for individuals with disabilities
- Public service for the elderly
- Public health
- Public education
- Public library services
- Other school-based services

Loan Consolidation

- Law enforcement includes organizations that are publicly funded and whose principal purposes include crime prevention, control or reduction of crime, or the enforcement of criminal law
- Public health includes organizations that employ nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in health care practitioner occupations and health support occupations, as such terms are defined by the Bureau of Labor Statistics
- Public interest law refers to legal services provided by an organization that is funded in whole or in part by a local, state, federal, or tribal government
- Serving in a full-time AmeriCorps or Peace Corps position also counts as qualifying employment for the PSLF Program

Loan Consolidation

- **The following types of employers do not qualify for PSLF:**

- Labor unions
- Partisan political organizations
- For-profit organizations
- Non-profit organizations that are not tax-exempt under Section 501(c)(3) of the Internal Revenue Code and that do not provide a qualifying service

Loan Consolidation

- **What is considered full-time employment?**
- For PSLF, you are generally considered to work full-time if you meet your employer's definition of full-time or work at least 30 hours per week, whichever is greater
- If you are employed in more than one qualifying part-time job at the same time, you may meet the full-time employment requirement if you work a combined average of at least 30 hours per week with your employers
- For borrowers who are employed by not-for-profit organizations, time spent on religious instruction, worship services, or any form of proselytizing may not be counted toward meeting the full-time employment requirement

Loan Consolidation

- **Which types of federal student loans qualify for PSLF?**
- A qualifying loan for PSLF is any loan you received under the William D. Ford Federal Direct Loan (Direct Loan) Program.
- You may have received loans under other federal student loan programs, such as the Federal Family Education Loan (FFEL) Program or the Federal Perkins Loan (Perkins Loan) Program. Loans from these programs do not qualify for PSLF, but they may become eligible if you consolidate them into a Direct Consolidation Loan. However, only qualifying payments that you make on the new Direct Consolidation Loan can be counted toward the 120 payments required for PSLF. Any payments you made on the FFEL Program loans or Perkins Loans before you consolidated them don’t count

Loan Consolidation

- **What is a qualifying monthly payment?**

- A qualifying monthly payment is a payment that you make
- after October 1, 2007;
- under a qualifying repayment plan;
- for the full amount due as shown on your bill;
- no later than 15 days after your due date; and
- while you are employed full-time by a qualifying employer

Loan Consolidation

- You can make qualifying monthly payments only during periods when you are required to make a payment. Therefore, you cannot make a qualifying monthly payment while your loans are in:
- an in-school status,
- the grace period,
- a deferment,
- a forbearance, or
- Default
- *Your 120 qualifying monthly payments do not need to be consecutive

Loan Consolidation

- Note that loan amounts forgiven under the PSLF Program are not considered income by the Internal Revenue Service. Therefore, you will not have to pay federal income tax on the amount of your Direct Loans that is forgiven after you have made the 120 qualifying payments.

- https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service#receiving-forgiveness

Loan Consolidation Benefits

- One lender One payment
- Income sensitive payments
- PSLF
- Fast
- Free
- Adds a new trade line, closes old and defaulted loans
- Restores Title IV eligibility
- May lift holds at your school

Loan Consolidation Drawbacks

- Capitalizes interest
- Non-defaulted Perkins loose subsidy and cancellation privileges
- Fixes interest – if rates go down yours stays the same
- Can do it once

Loan Rehabilitation

- A borrower may rehabilitate a defaulted Perkins Loan by making nine consecutive, on-time, monthly payments. A rehabilitated Perkins Loan is returned to regular repayment status

Loan Rehabilitation

- <u>In a nutshell</u>
- Borrower requests from their school or through their collection agency to enter the Rehabilitation program
- The school determines the repayment amount
- The borrower pays 9 consecutive on-time monthly payments
- Complete a written request
- The loan is return to regular repayment
- The default is removed

Loan Rehabilitation

- Your school must establish a rehabilitation program and notify borrowers with defaulted loans of the option to rehabilitate and the advantages of rehabilitation
- A borrower may rehabilitate a defaulted Perkins Loan by making nine consecutive on-time monthly payments, as determined by the school, each month for nine consecutive months and requesting rehabilitation.

Loan Rehabilitation

- Upon successful completion of rehabilitation
- Returned to regular billing status and is subject to the terms, conditions and benefits of their original promissory note
- The borrower regains the benefits and privileges of the promissory note, including deferment and cancellation
- The lending institution will request that credit agencies remove any derogatory information from the borrower's credit history regarding the rehabilitated Perkins Loan
- Title IV eligibility is re-established after the loan is rehabilitated.

Loan Rehabilitation

- Borrowers may not rehabilitate loans on which the holder has obtained a judgment. However, your school may enter into an agreement with the borrower that provides the borrower with some of the benefits of rehabilitation. For example, your school could promise to vacate the current judgment and request the removal of the default from the borrower's credit report after the borrower makes nine consecutive payments and signs a new promissory note

Loan Rehabilitation

- The rehabilitation payments should be sufficient to satisfy the outstanding balance on the loan within a 10-year repayment period. A school may not establish a loan rehabilitation policy that requires defaulted Perkins Loan borrowers to pay the full outstanding balance of the loan within the nine-month rehabilitation period, if such payments would create a hardship for the borrower. In most cases, such a policy would require a borrower to make excessively high monthly payments, and would, in effect, deny the borrower access to a statutorily mandated benefit of the Perkins Loan Program

Loan Rehabilitation

- If a borrower chooses to rehabilitate a defaulted loan and then fails to make nine consecutive on-time payments, the rehabilitation is unsuccessful, but the borrower may still make further attempts to rehabilitate the defaulted loan. Also, if a borrower successfully rehabilitates a defaulted loan and maintains good standing on the loan, the borrower may continue to attempt to rehabilitate other defaulted Perkins loans. **However, if the borrower successfully rehabilitates a defaulted loan, but the loan later returns to default, the borrower may not attempt to rehabilitate that loan again or any other defaulted Perkins Loan**

Loan Rehabilitation

- Collection costs resulting from rehabilitation. Collection costs charged to the borrower on a rehabilitated loan may not exceed 24% of the unpaid principal and accrued interest as of the date following application of the ninth payment. **Collection costs are not restricted to 24% in the event that the borrower defaults on the rehabilitated loan**

Loan Rehabilitation Benefits

- Requires payments
- Loss of time

Loan Rehabilitation Drawbacks

- Default Deletion
- Regain entitlements

Loan Consolidation & Rehabilitation

- Long term and short term economics
- Delayed gratification

- A webinar on the complete workings of Loan Consolidation and Loan Rehabilitation can be found at:
- http://www.secondalliance.com/event/federal-student-loan-consolidation-and-loan-rehabilitation/

Litigation

- Why might we consider litigation?
- What criteria would we require to litigate?
- What are the benefits of litigation?
- What are the consequences of litigation?
- Are we required to litigate?

Questions

- Thank you