

# Student Loan Sidebar

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Student loan debt continues to remain a problem for many. The Covid forbearance is scheduled to end May 1, 2022 and federal student loan payments are expected to restart.

Some new developments over the past few weeks and months have included:

Navient/Attorney General settlement: 39 Attorneys General entered into a settlement which includes a small payment to those who have federal loans and were put into forbearance instead of an Income Driven Plan. More importantly, those borrowers with private loans that meet the following criteria will be automatically forgiven:

- 1) The loans must have been originated by Sallie Mae;
- 2) The loans must be dated after January 1, 2003;
- 3) The loans must be for attendance at one of the named schools – there is a list located at: <https://navientagsettlement.com/Common-Questions? #6>.
- 4) The loans have to have been in charge off status as of June 30, 2021;
- 5) The borrowers must currently reside in one of the states covered by the settlement OR if in the military, the residence requirement is waived.

Unfortunately, the charge off status is something that will hurt borrowers who chose to remain current for credit reasons even though the debt would otherwise have been forgiven. This settlement has not yet been approved by the Court and any objections should be submitted to the State AG.

For further info, please see our Navient/AG settlement video <https://www.youtube.com/watch?v=0m5rmBoj8eg> – and please subscribe for further updates.

PSLF waiver: this is a major development for certain borrowers. Those public service borrowers whose payments did not count because they had the older Federal Family Education Loans (FFEL), previously consolidated to a FFEL consolidation loan instead of Direct, were in the wrong repayment program (Graduated or Extended), who made payments at the wrong time (paid ahead status or late), or who paid the wrong amount (any payments will count) now will receive the benefit of PSLF credit for those months.

Some nuances:

- 1) If the loans are still FFEL, or a FFEL Consolidation loan, borrowers have until October 2022 to consolidate to Direct or they will NOT receive the benefits of the temporary waiver;
- 2) Payments made to FFEL loans prior to a consolidation to a Direct loan will now count – they never used to;
- 3) If a borrower bifurcated their education (i.e., obtained an initial degree, and then obtained another degree five years later), the consolidation will allow for full forgiveness even though 120 payments are made on the first batch of loans, but not yet on the second batch.

*Update on  
Navient/AG  
Settlement,  
PSLF  
Waiver and  
the Middle  
District's  
SLMP new  
Admin  
Order*

## Student Loan Sidebar continued

There is more, but it's too much for this short column so please see our one-hour webinar for the Florida Bar located at: <https://flayld.org/2021/12/whats-new-with-public-service-loan-forgiveness-and-how-to-get-your-loans-forgiven/>

A new Administrative Order for the Middle District of Florida containing updated rules for the Student Loan Management Program became effective February 2, 2022.

The goal of this Order is to address concerns raised by the Department of Education while facilitating the consensual resolution of student loan borrowers and to avoid litigation. As such, the procedures are outlined with more specificity for debtors and their attorneys as to how to take advantage of this SLMP and avoid years of forbearance with higher loan balances when the bankruptcy case is over.

Is it possible to just settle federal student loans and be done with them?

Guidance allows FFEL loans to settle at a 30% discount. Direct loans can be resolved at 10% of the full balance OR if interest has accumulated for years, the Department of Education will also settle for Principal plus 50% of the interest. The 25% collection cost is also typically waived.

Recertification changes: Borrowers can self-certify their income without providing documentation through July 31, 2022. Also, if a borrower's recertification date is before Nov. 2022, the borrower can use the last income on file rather than recertify with higher income earned during Covid.

Tax Forgiveness. It bears repeating: the American Rescue Plan signed into law on March 11, 2021 provides that all student loan forgiveness, whether federal or private, is tax free for loans forgiven through December 31, 2025.

Alexander L. Paskay Bankruptcy Seminar is a GO for March 19-21, 2022. This will include an in person panel presentation on student loan strategies, tax issues and dealing with the Chapter 7 trustee. It will also include discussion of the discharge injunction and an update on Taggart.

Hope to see you there!