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Impact of Coronavirus on Paying for College

Brought to you by the
National Scholarship Providers Association

Wednesday, April 8, 2020



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Impact of Coronavirus on Paying for College

Before We Begin

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- This program will be recorded. The recording and the PDF of the PowerPoint presentation will be added to the NSPA website in the Members Only section.
- These resources will also be emailed to all registrants

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Presenter

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Meet the Presenter



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Mark Kantrowitz

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Student Loan Payment Pause

- The *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) paused payments on certain federal student loans through September 30, 2020
- Interest will be waived on all federal loans for which payments have been paused
- The payment pause and interest waiver will be automatic
- Federal student and parent loans must be held by the U.S. Department of Education to be eligible

Paused Payments Count as Payments

- The paused payments still count as payments in loan forgiveness and rehabilitation programs
 - Public Service Loan Forgiveness
 - 20/25-year forgiveness at the end of income-driven repayment plans
 - Rehabilitation of defaulted federal student loans



Which Loans are Eligible for the Payment Pause?

- Eligible loans include all loans in the Direct Loan program
 - Federal Direct Stafford Loans
 - Federal Direct Grad PLUS Loans
 - Federal Direct Parent PLUS Loans
 - Federal Direct Consolidation Loans
- Some federal loans in the Federal Family Education Loan Program (FFELP) are also eligible
 - FFELP loans made in 2008-09 and 2009-10 that were transferred to the U.S. Department of Education under the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA)
 - Defaulted FFELP loans which were transferred to the U.S. Department of Education through a guarantee agency

Which Loans are Not Eligible?

- If an education loan is not owned by the U.S. Department of Education, it is not eligible
 - FFELP loans that are held by a bank, credit union, state lender or other financial institution are not eligible
 - Private student loans are not eligible
 - Private parent loans are not eligible
- Federal Perkins Loans are not eligible unless they are held by the U.S. Department of Education
- Borrowers can convert FFELP loans and Federal Perkins Loans into eligible loans by consolidating them into a Federal Direct Consolidation Loan



Options for Financial Relief for Ineligible Loans

- FFELP Loans
 - Economic Hardship Deferment
 - Unemployment Deferment
 - Forbearances
 - Income-Driven Repayment
 - Payment is zero if income is less than 150% of the poverty line
 - Can ask loan servicer for recertification of income mid-year if lost job or income decreased
- Private Student Loans
 - Forbearances
 - Partial Forbearances

Will Interest Rates Drop?

- Interest rates on new federal education loans change on July 1 based on the high yield of the last 10-year Treasury Note auction in May
 - Interest rates on new federal loans are likely to drop by 2 or more percentage points
- It may take 1-3 months for private student loans to reflect recent interest rate drops
- Borrowers of older federal loans cannot refinance them into new federal loans to benefit from the lower interest rates
- Borrowers of federal loans can refinance into private loans, but will lose the superior benefits of federal loan

What are the Benefits of Federal Loans?

- Borrowers who refinance federal loans into private loans will lose the superior benefits of federal loans
 - Payment pause and interest waiver
 - Economic hardship deferments
 - Unemployment deferments
 - Longer forbearances
 - Death and disability discharges
 - Income-driven repayment plans
 - Loan forgiveness options



Other Financial Relief for Federal Loans

- The U.S. Department of Education has halted collection efforts on defaulted federal loans and will refund garnishments and offsets made since March 13, 2020
- Employer-paid student loan repayment assistance (LRAPs) payments are tax-free from March 27, 2020 through December 31, 2020, up to a total of \$5,250
- Full-time teaching service that is incomplete or part-time because of COVID-19 will count toward the TEACH Grant and Teacher Loan Forgiveness

Recovery Rebate

- The recovery rebate provides stimulus checks to U.S. citizens and others who have a work-eligible Social Security Number
 - \$1,200 (single)
 - \$2,400 (married filing jointly)
 - \$500 per qualifying child
- Many current college students are ineligible if –
 - They can be claimed as a dependent on someone else's federal income tax return
 - They are age 17 or older
- Borrowers in default on federal student loans will still receive the recovery rebate
- The recovery rebate is not taxable and won't affect a student's eligibility for financial aid in 2020 and later years



How to Get the Recovery Rebate

- The recovery rebate is an advance refund of a special 2020 tax credit
- The amount of the rebate is estimated based on 2019 federal income tax returns
 - Taxpayers will not be required to return the rebate if the estimated amount is too high
 - File a 2019 federal income tax return even if you have no tax liability to provide the IRS with your current mailing address and direct deposit information
- If your address has changed, file IRS Form 8822 to change your address with the IRS



Other Financial Relief for College Students

- Colleges may pay Federal Work-Study wages through the end of the year if a college student loses their job because the college or their employer closes
- AmeriCorps volunteers will receive their full education awards if their service was interrupted by COVID-19
- Enrollment status changes due to class cancellations will not affect financial aid during the current academic term
- Some colleges are providing prorated refunds for room and board, for cancelled classes and for other fees, but others are not
- Students who withdraw because of COVID-19 do not have to repay their federal student loans or federal grants
- Study abroad programs and international students studying in the U.S. can receive classes through online education, despite previous prohibitions
- Veterans may continue to receive GI Bill benefits and other veterans education funding despite restrictions on online education



Financial Aid Appeals

- Students can appeal for more financial aid if they are affected by the coronavirus pandemic and can provide documentation
- The appeals process does not change, but students and families who are affected by the pandemic may appeal for more aid
- Examples of special circumstances due to the pandemic
 - Student or parent's employer closes, laying off or furloughing staff
 - Death of a parent or other wage-earner
 - Lost wages due to illness, a quarantine period or shelter-in-place order
 - Inability to work because of illness
 - Illness or death of a parent
 - Costs of returning home, shipping or storing belongings
- Colleges can waive the qualitative component (GPA) of Satisfactory Academic Progress (SAP) policies, even if the student does not appeal for relief



Emergency Financial Aid

- Colleges can transfer unused Federal Work-Study funds to the Federal Supplemental Educational Opportunity Grant (FSEOG)
- Colleges can use FSEOG funds to provide emergency financial aid
- Emergency aid is capped at the maximum Federal Pell Grant amount
- This emergency aid will not affect eligibility for other financial aid
- The CARES Act included \$14.25 billion in funding for colleges, at least half of which must be used for emergency financial aid grants to students, including expenses related to the disruption of campus operations and including cost of attendance components



529 College Savings Plans

- Age-based investment glide paths are designed to balance risk and return, including from the pandemic
 - The stocks market has at least one bear market and three corrections in any 17-year period
 - Stay invested because pulling out just locks in losses
 - Increase contributions, if possible
- If a 529 plan was used to pay for college costs, refunds received from the college can be recontributed to the 529 plan within 60 days
- 529 plans can be used to pay for the cost of a computer, peripherals, software, internet access and other equipment required for enrollment or attendance, such as needed to participate in online education



Tips for Working from Home

- Avoid in-person contact with people, even people you know. Someone you know or someone they know is or will be infected with the coronavirus.
- Use a quiet room for work. Use a room with a door, to minimize distractions from pets and children.
- Set specific hours for work, to avoid the temptation to work 24/7.
- Schedule breaks throughout the day to get up and stretch.
- Maintain your regular morning routine for a sense of normalcy.
- If you have a laptop, use a full-sized keyboard, mouse and monitor.
- Get a comfortable chair and place the monitor at eye level.
- Popular videoconferencing software includes Zoom, Google Hangouts, WebEx, GoToMeeting, and Microsoft Teams.
- Limit the number of meeting participants to increase the effectiveness of videoconferencing.
- When using videoconferencing software, mute your microphone. Use the spacebar to temporarily unmute.
- Keep email messages short, with a specific call to action in the first paragraph. Limit the number of recipients and never click on Reply-All.

More Information

- A free student loan forgiveness tip sheet is available to people who sign up for a free student loan newsletter at 529.savingforcollege.com/studentloanforgiveness
- U.S. Department of Education coronavirus information is available at ed.gov/coronavirus
 - Higher education updates are available at studentaid.gov/announcements-events/coronavirus

Student Loan Forgiveness Tip Sheet

Quick Reference Guide on Student Loan Forgiveness and Discharge

 Savingforcollege.com

PUBLIC SERVICE LOAN FORGIVENESS (PSLF)

- The remaining debt on eligible loans is forgiven tax-free after 120 qualifying payments made while working full-time in a qualifying public service job.
- Eligible loans** are limited to federal loans in the Direct Loan program, such as Federal Direct Stafford Loans, Federal Direct PLUS Loans and Federal Direct Consolidation Loans. FFEL program loans must be consolidated into a Federal Direct Consolidation Loan. Private student loans are not eligible.
- 120 **qualifying payments** require a minimum of 10 years.
- Consolidation resets the payment clock.
- Payments must be made in full and on time (no more than 15 days after the due date).
- Only payments made since October 1, 2007 count.
- Lump sum payments (paid ahead status) count as a single payment, except for Segal Education Awards(AmeriCorps), Peace Corps transition payments and payments made by the DoD for members of the U.S. Armed Forces.

TEACHER LOAN FORGIVENESS

- Teachers* may qualify for tax-free forgiveness of up to \$17,500 in Federal Stafford Loans in the Direct Loan and FFEL programs after 5 years of full-time employment at an eligible school or educational service agency.
- Only new borrowers as of October 1, 1998 are eligible.
- Teachers must be highly qualified, with at least a Bachelor's degree and full state certification.
- Science, math and special education teachers are eligible for up to \$17,500 in loan forgiveness. Other teachers are eligible for up to \$5,000 in loan forgiveness.
- Eligible schools include schools that serve predominantly low income students.
- Teachers who work in a field with a state shortage of qualified teachers or in a school that serves low income students and special education teachers may qualify for forgiveness of up to 100% of their Federal Perkins Loans (15% first year, 15% second year, 20% third year, 20% fourth year, 30% fifth year).

How to Appeal for More College Financial Aid

- This book discusses
 - How to appeal for more college financial aid by presenting adequate documentation of special circumstances that affect the family's ability to pay for college
 - How to improve the odds of a successful appeal
 - How to increase eligibility for need-based financial aid and merit aid
- This book is available on Amazon.com in paperback (\$19.95) and Kindle (\$9.95)
- ISBN 978-1793298447
- A free tip sheet about how to appeal for more financial aid is available at kantrowitz.com/books/appeal/

How to Appeal for More College Financial Aid

The Secrets to Negotiating a Better
Financial Aid Offer ... and Getting More
Financial Aid in the First Place!

Mark Kantrowitz

Free Tip Sheet on Financial Aid Appeals

HOW TO APPEAL FOR MORE COLLEGE FINANCIAL AID



This tip sheet is based on the book, *How to Appeal for More College Financial Aid*, by Mark Kantrowitz. The book is available from Amazon.com.

How to Appeal for More Financial Aid

1. **Appeal for more financial aid at any time, even mid-year.** Submit the appeal ASAP. Resubmit appeals annually.
2. **Call the financial aid office to ask about the financial aid appeals process** (sometimes called a professional judgment review or special circumstances review). Some have a form. Most ask you to write a letter.
3. **Identify the special circumstances that affect your ability to pay for college.** Special circumstances are financial circumstances that have changed in the last two years or anything that differentiates the family from the typical family. Focus first on circumstances that are beyond the family's control, not discretionary lifestyle choices.
4. **Write an appeal letter.** Keep it short, to one or two pages.

Special Circumstances

Change in Student or Parent Income

- Job loss, furlough or dislocated worker
- Quit job to enroll in college full-time
- Retirement
- Sabbatical
- Death, disability or incapacitation of a wage-earner
- Cash-flow problems
- Long-term incarceration or hospitalization of a wage-earner
- Called to active duty service in the U.S. Armed Forces
- Combat pay
- End of Social Security benefits at age 18
- End of child support upon reaching the age of majority
- Income from a Roth IRA conversion
- Hardship distributions from retirement plans
- Volatile income (e.g., small business owners, taxi drivers, Uber/Lyft drivers, realtors, seasonal workers and waiters)
- Salary reduction or elimination of overtime pay
- Unusually high one-time bonuses

Thank You

Follow Mark Kantrowitz on Twitter at @mkant

Learn about saving and paying for college at
www.savingforcollege.com

Read policy research at www.studentaidpolicy.com