

The Future is Now: Preparing for the Resumption of Repayment

Greg Kerr
School Relations Director
ECMC Solutions

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Commitment to Student Success

ECMC Group, located in Minneapolis, MN is a Nonprofit with a mission to help students succeed.



OUR MISSION

To help students recognize and realize their potential by investing in, creating and providing innovative education solutions that support schools and improve student educational outcomes.

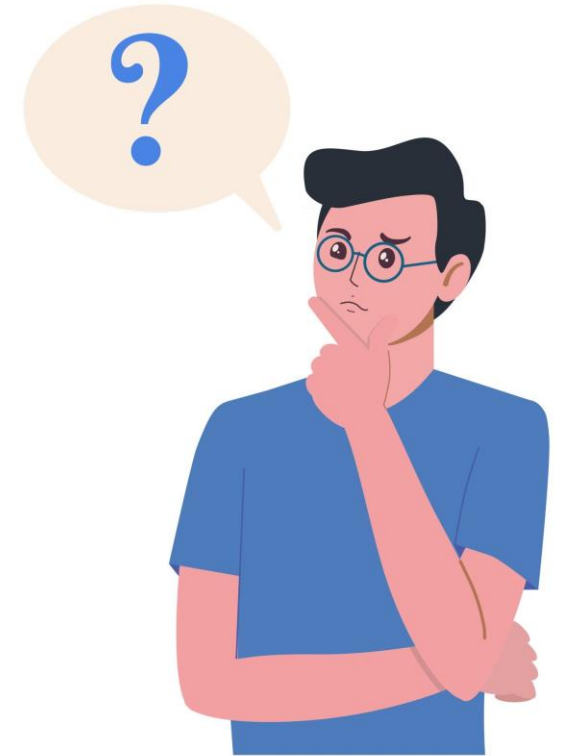


Why preparing for repayment is important today



What's going to happen once repayment resumes?

- Repayment on loans that have been in administrative forbearance since March 2020 will resume 60 days after June 30 (or earlier depending on the SCOTUS ruling about forgiveness)
- Interest rates will most likely be reset from 0% to the rate prior to the forbearance
- Auto-debit will **not** automatically resume. Students will have to sign up again with their servicers
- Delinquent loans will reset to day 0



Fresh Start

- Defaulted loans reset to zero. Credit reports adjusted.
- Defaulted students regain Title IV eligibility.
- No details around timeline.
- Old defaulted loans that get a fresh start will not lower your previous CDRs.
- Will delinquent and defaulted students find themselves in the same situation?



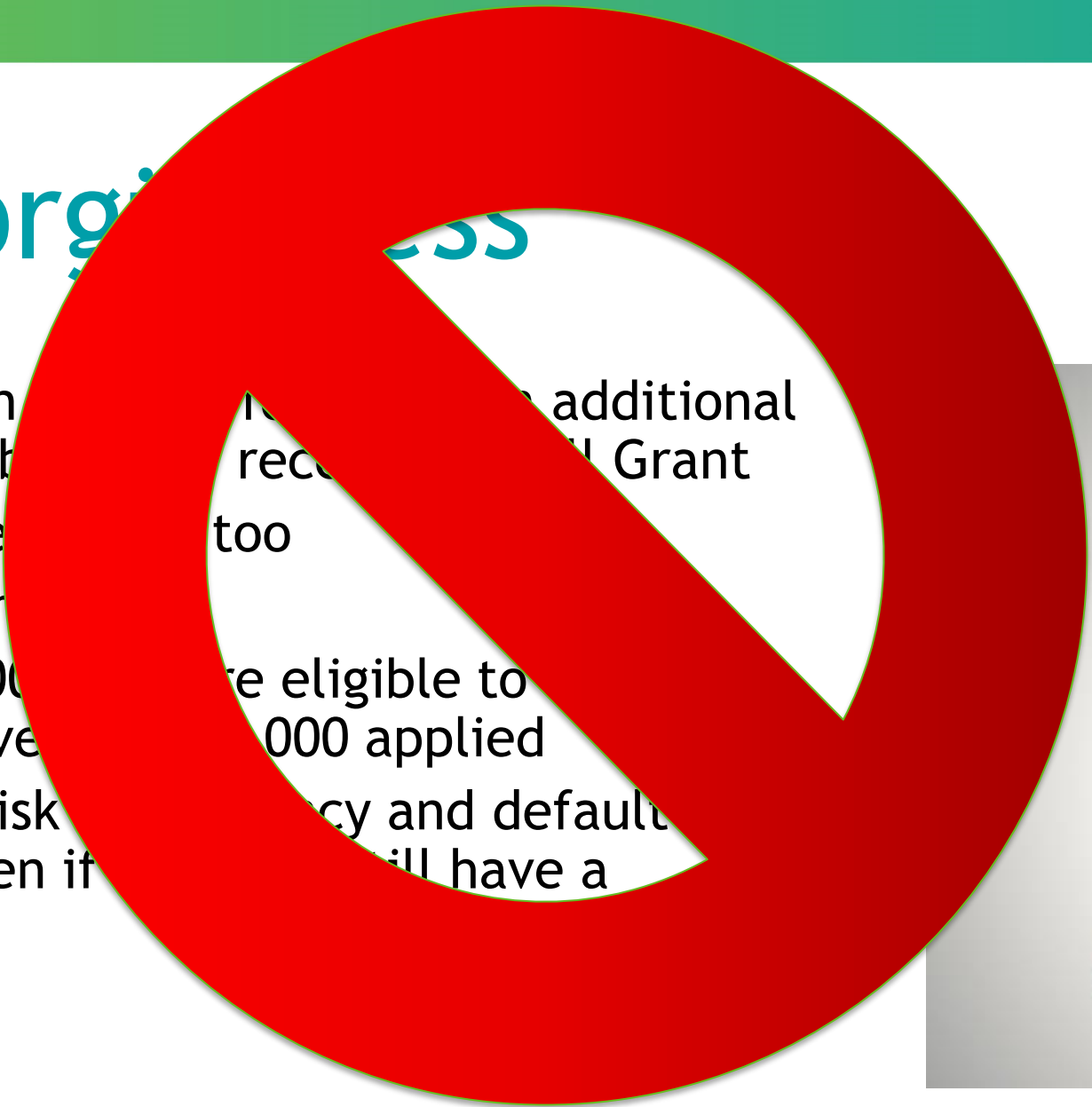
Loan Forgiveness

- \$10,000 of loan balance forgiven. An additional \$10,000 if the borrower received a Pell Grant
- Applies to Parent PLUS too
- Driven by income
- Estimated 37,000,000 are eligible to receive forgiveness. Over 22,000,000 applied
- Will students risk delinquency and default for forgiveness even if they will still have a balance?



Loan Forgiveness

- \$10,000 of loan forgiveness per year, plus an additional \$10,000 if the borrower receives a Pell Grant
- Applies to Parent PLUS loans, too
- Driven by income
- Estimated 37,000 borrowers eligible to receive forgiveness. Over 100,000 applied
- Will students risk losing their eligibility and default on loans if they receive forgiveness even if they still have a balance?



1. Cohort default rate

“Do we really need to consider action since the student loan pause has been extended and because of Fresh Start? This won't impact our CDR for years.”



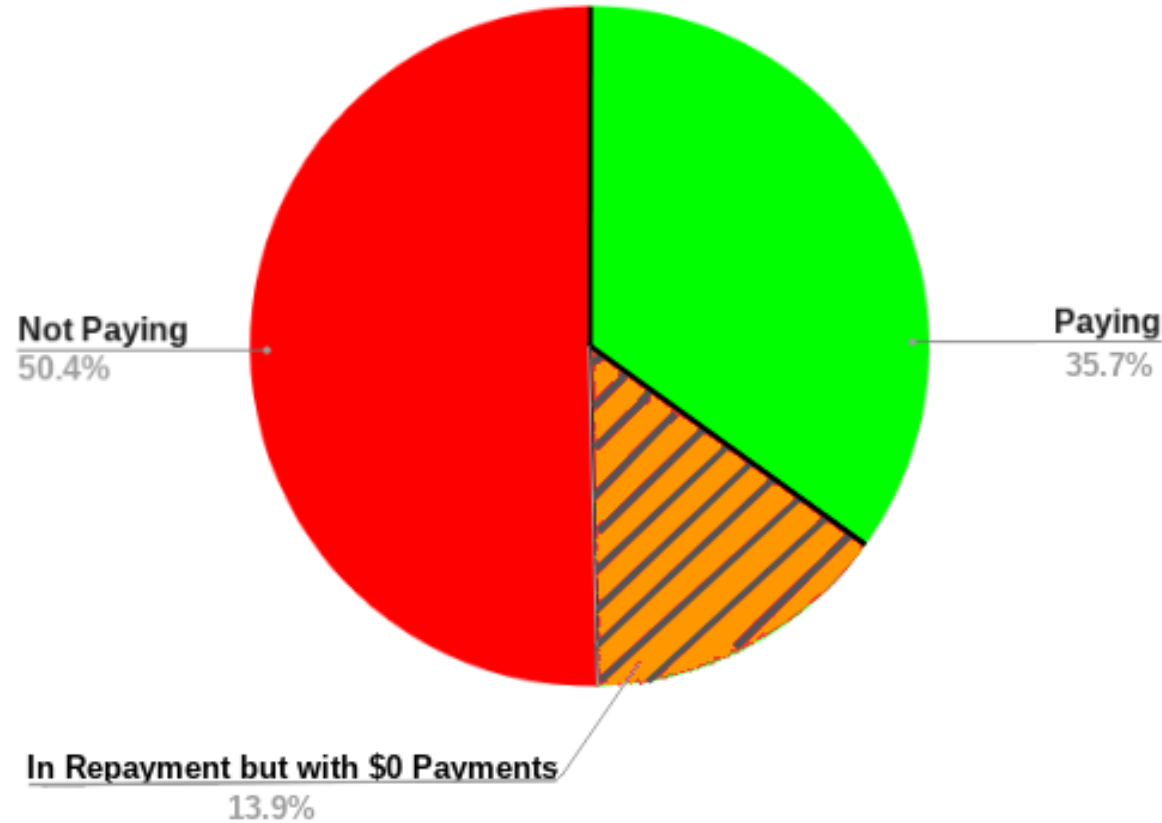
The False Positive



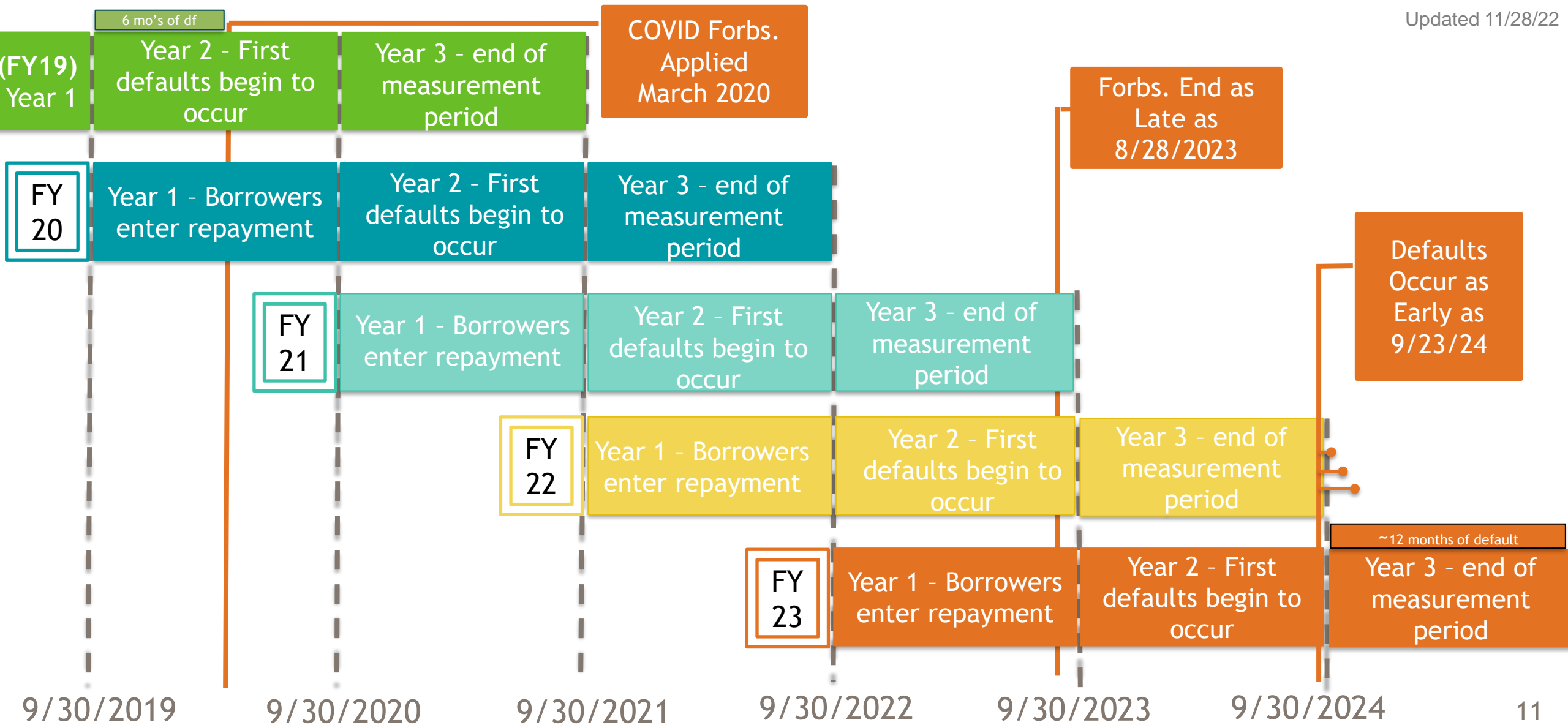
Prior to pandemic, 64.3% of borrowers were not making payments.

Taking into account deferment, grace and forbearances, it's 57%.

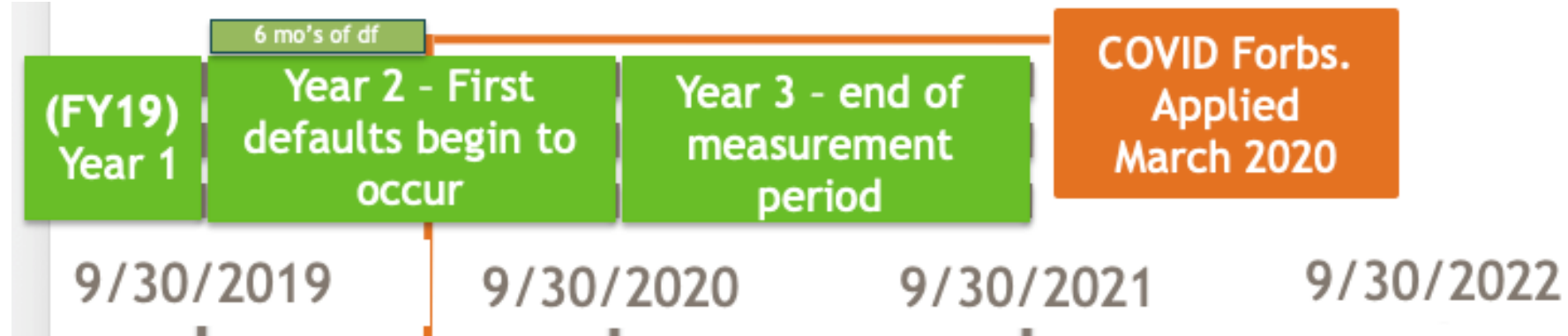
**Federal Student Loan Repayment Rate
4th Quarter, 2019**



Source: Dept of Education

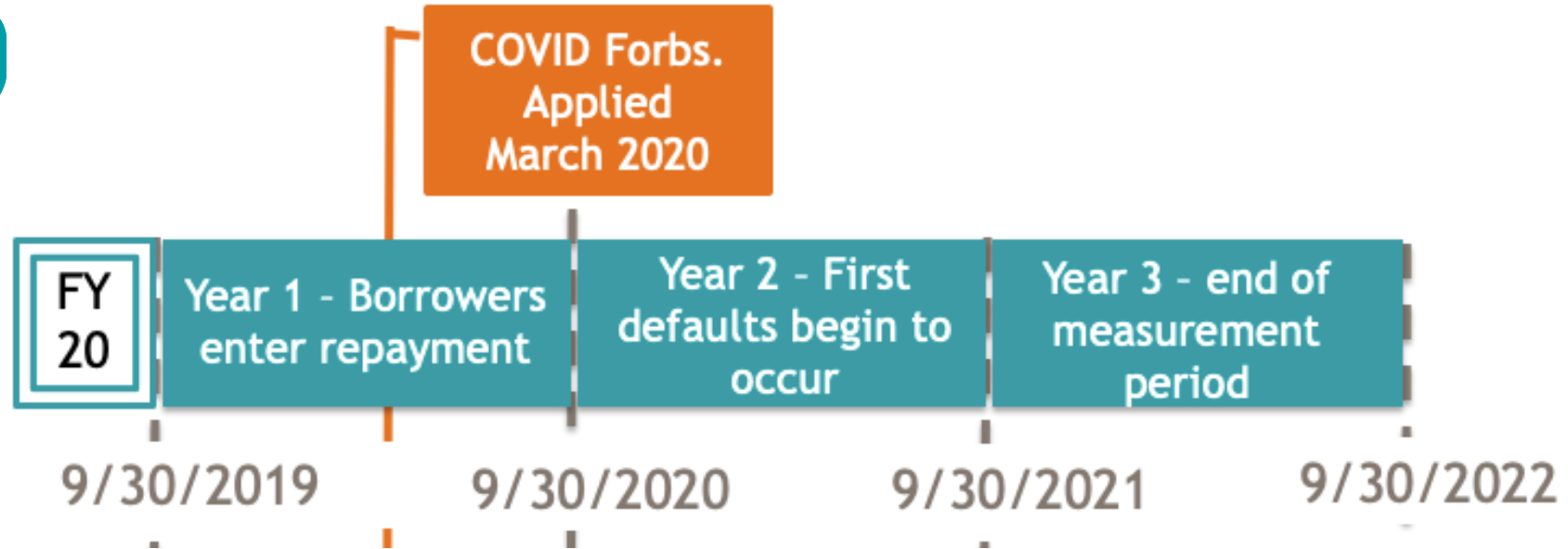


FY19



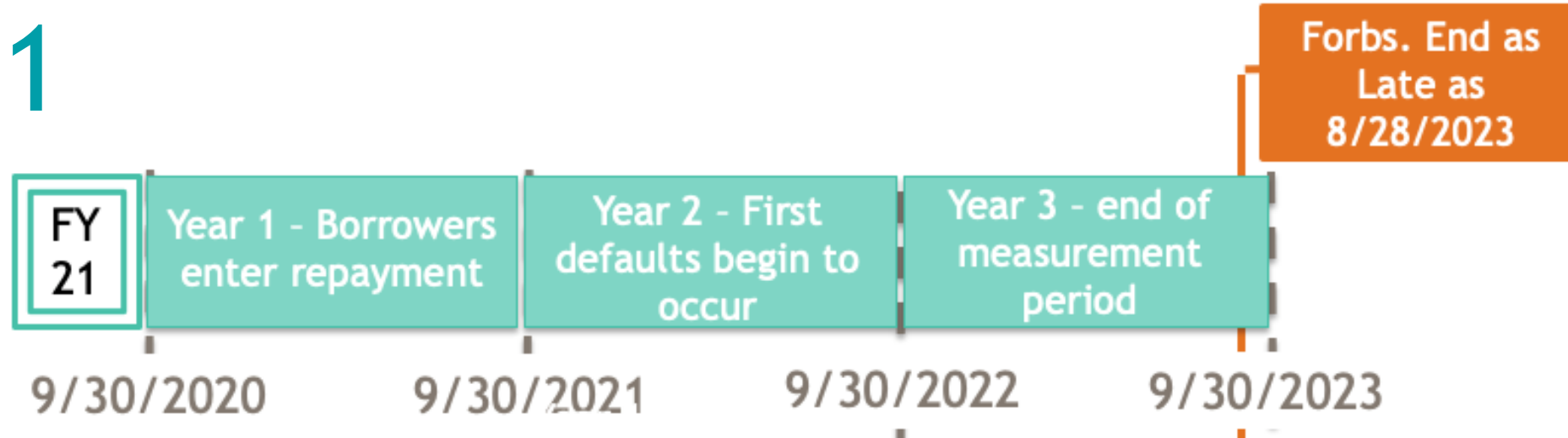
- Due to the suspension of payments on loans being extended multiple times, the window of opportunity to default never re-opened before the close of this cohort 09/30/2021. This results in a lower than normal CDR for the majority of schools. This should be reflected in your most recently published CDRs for FY19
- FY19, there was only a 6-month window where defaults occurred, compared to the 24 months we normally experience in a 3YR cohort.

FY20



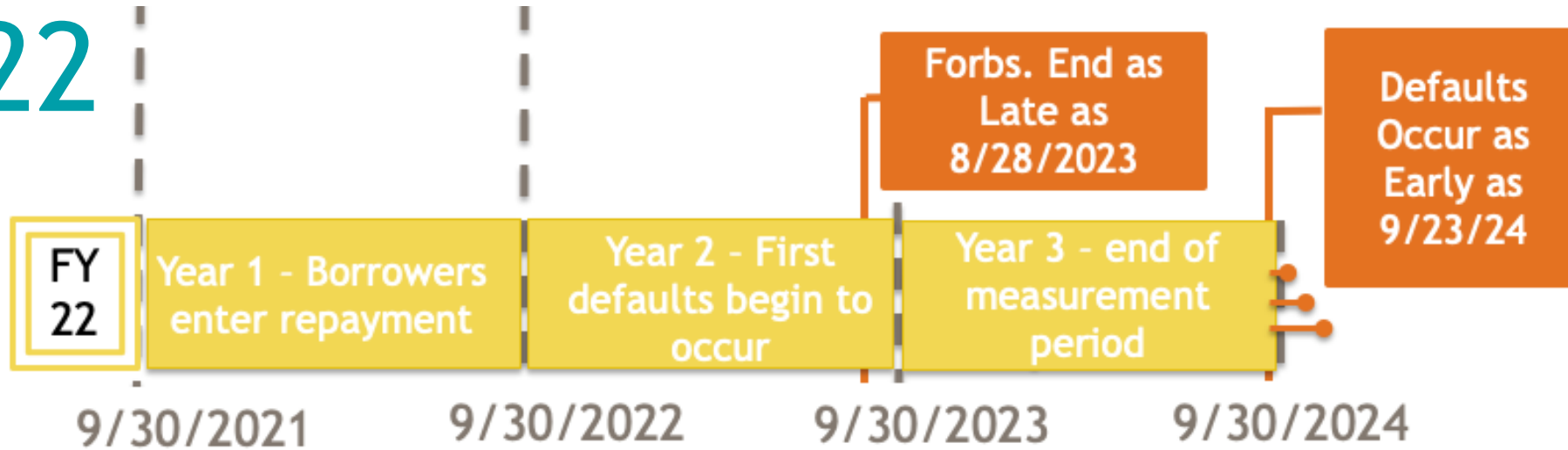
- Forbearance applied in the middle of FY20's first year. During the first year of a cohort, defaults do not occur because students have not experienced a year's worth of being delinquent in order to reach that default status.
- Window for defaults to occur never opened up
- Students MAY end up defaulting but it'll be outside of FY20's 3 YR calculation
- This results in a 0% CDR unless the department changes the calculation in some sort of way.

FY21



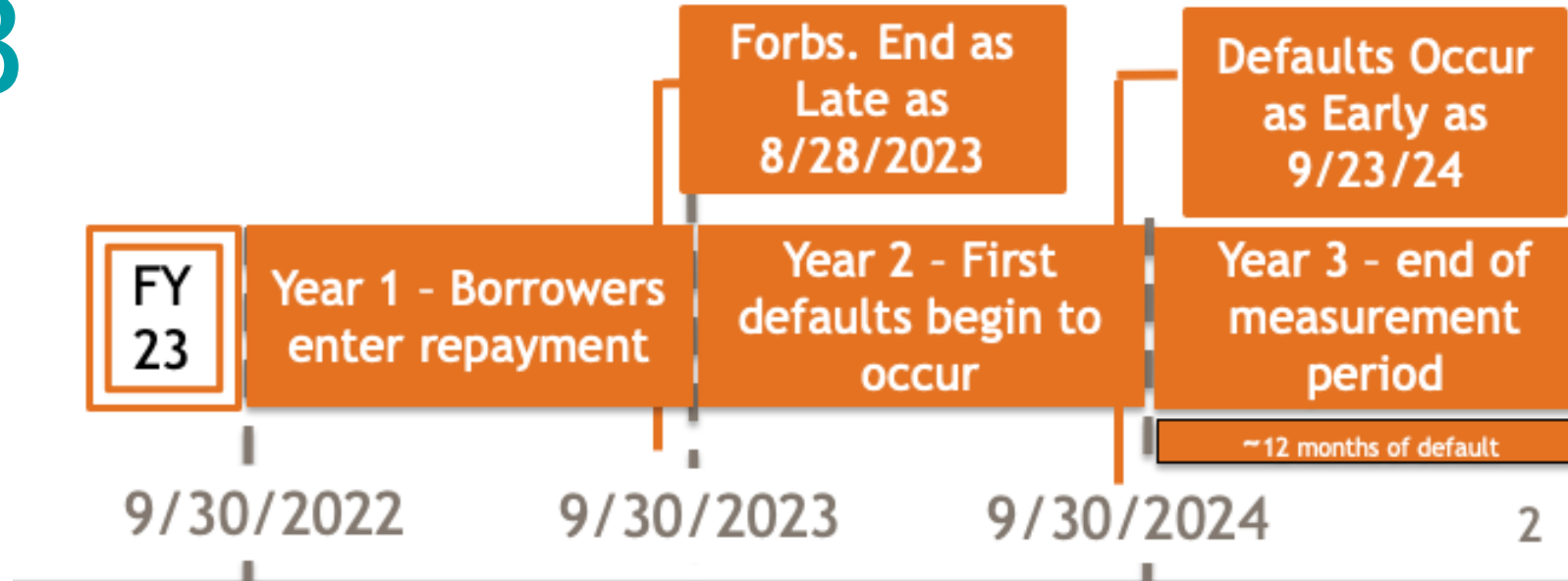
- Forbearance was applied in the middle of FY21's first year. During the first year of a cohort, defaults do not occur because students have not experienced a year's worth of being delinquent in order to reach that default status.
- Window for defaults to occur never opened up
- Students MAY end up defaulting but it'll be outside of FY20's 3 YR calculation
- This results in a 0% CDR unless the department changes the calculation in some sort of way.

FY22



- If we assume the forbearance ends June 30, 2023, payments will be due 60 days later - that means will go out 8/28/23 with a payment due date at 09/27/2023.
- If we take this date and start the clock on 360 days of delinquency until default, the first possible date in this scenario for defaults to occur would be 09/27/24
- Note: when forbearances are lifted, everyone will be resuming repayment AT THE SAME TIME. The students that belong to FY22 specifically, have never had to take any sort of payment action on their loans before.

FY 23



- Finally, let's talk about FY 23. We are still anticipating this cohort to be impacted significantly because like FY22, students belonging to FY23 would have departed from your institution during the pandemic. As seen on this timeline, there will be an ~12-month window where defaults can occur. We are anticipating a large group of students to behave similarly as just discussed in FY22 – cycle through delinquency together and default right when that default window opens up – but the added challenge that we have with this cohort is that the window for additional defaults to occur is MUCH longer.

Call to action

- Outreach, inform, clarify, demystify
- Talk to your administration now
- The more informed students are, the more likely they can manage their debt, which impacts your CDR, student success, and retention



2. Students aren't prepared for this

According to a survey by studentdebtcrisis.org (Nov. 2021), 89% of students aren't financially secure enough to resume payments. 21% believe they will never be financially secure to repay their student loans



45% say their financial wellness is currently poor/very poor vs. 25% said this was the case prior to the pandemic

3. Students are also confused



- Who is my servicer now?
- What do I need to do?
- Loan forgiveness expectations
- Which loans are impacted?
- How? When? Who? Where? Help!

Is Change Afoot?

- Five Year Cohort Window
- Program cohort rates
- Repayment rates
- Gainful Employment
 - “Low Financial Value” programs?
- Hybrid Solution
- Debt-to-discretionary earnings
 - Earnings net of expected debt payments



Thank
you

Greg Kerr
ECMC Solutions
gkerr@ecmc.org
503-334-5024

