Post-Pandemic Pandemonium!

Strategies to keep student loans from being your worst nightmare!

Making History

LIKE NEVER BEFORE…

- Student loans entered repayment after 3 ½ years of payment “pause”
- Inaccurate and confusing messages to borrowers and the public are exacerbating the challenges and false beliefs about responsibilities
- Biden’s “On Ramp” to Repayment Program with a year hold for reporting delinquencies and defaults gives an illusion that borrowers and schools don’t have to do anything for another year
- Repayment reality of HIGH delinquent rates: 40% of those reported
- The SAVE program is currently the REPAYE program renamed
- Negotiated Rulemaking for the new criteria in the SAVE program and for loan forgiveness DID NOT get consensus and will be effective July 1, 2025, *if* the rules are published by November 1, 2024
- Loan forgiveness anger with negative culture of “I’m not paying”

DANGER!

No Reporting
DOES NOT EQUAL
No Responsibility

Extraordinary Challenges

Borrowers and Schools Face Extraordinary Challenges after 3 ½ Years

- 3 years of graduates and drops who have never made a single payment and remember the highest risk of default are those who have never made their first payment (usually after 6 months).
- Understaffed federal servicers are causing long hold times and processing delays.
- Federal servicers were forced to transfer loans into a new software program during the re-entry and this process is not completed and has not gone smoothly.
- Millions of borrowers did not get timely billing and were placed on administrative forbearance.
- Federal servicer borrower "portals" are not stable so borrowers can't access their accounts or make payments.
- Payments are being rejected, leading to late fees and inflated interest charges.
- Schools are not getting status reports or data from some servicers so delinquencies are not identified.
- The SAVE Repayment Plan lowers payments for some and increases payments for others.
- 65% of borrowers took on additional debt during the pause – this will go higher during the On Ramp.
- Skip rates are high because so many borrowers moved during the pandemic and over half of the student loans were transferred to new servicers.
- The Fresh Start Program benefits focus on defaulted borrowers and are not well defined. For example, it is not clear if the defaulted loans must be fully rehabilitated before September 30, 2024.

Extraordinary Challenges, *continued*

Servicer Challenges

- New loan servicers with little to no experience replaced those with experience
  - EdFinancial won't be providing data to schools or default management companies until at least January 2024 because they are implementing a new system
- Over half of the student loans were transferred during the pause leading to communications challenges and lack of existing relationships
- Many borrowers relocated during the pause so servicers do not have current contact information which will lead to high skip rates
- New repayment plans and changes to existing programs are new to all servicers
- Federal servicers staffing is not consistent with the volume and their compensation is being withheld
  - The SAVE application was designed to reduce calls and requests for assistance with servicers; however, it created greater confusion for borrowers
  - Call hold times are excessive if the borrower ever gets someone on the phone
- ALL automated payments were removed during the pause

Extraordinary challenges and no immediate solutions will lead to long-term disastrous consequences for borrowers and schools!

Student Loan Forgiveness

August 24, 2022 Biden-Harris Loan Forgiveness

- **Broad loan forgiveness** based solely on current income and many still believe it happened or is going to happen. Many borrowers are angry and making poor personal decisions.
- **Supreme Court ruling on June 30, 2023,** struck down mass student loan forgiveness.
- **The Administration was told they have authority under the Higher Education Act of 1965** to define loan forgiveness through Negotiated Rulemaking that did not go well.

Existing Student Loan Forgiveness

- **Income-based repayment (IBR) loan forgiveness** after 20 to 25 years of repayment.
  - Recalculated months of non-payment to count toward the time toward loan forgiveness.
  - Many have higher loan debt at the time of forgiveness than when they left school.
  - Borrowers will receive a 1099 for taxes owed on the amount forgiven.
- **Temporary Total Disability and Public Service loan forgiveness.**
- **Borrower Defense to Repayment** for borrowers currently or recently attended closed schools or were "misled" by their schools. **This options is being abused and borrowers are being misled and may face severe consequences in the future.**

Saving on a Valuable Education (SAVE) Repayment Plan

The SAVE Repayment Plan Currently Includes the Following:

- If borrower is already in the Revised Pay as You Earn (REPAYE) plan, the loans will automatically be replaced with the SAVE plan.
- Income Based Repayment (IBR) plan loans are not included.
- Payment amount is based on discretionary income and defined between the adjusted gross income (AGI) and 225% of the U.S. Department of Health and Human Services Poverty Guideline for your family size.
- No payments will be owed if the borrower is single and earning $32,800 or less or a family of four earning less than $67,500. Borrowers making more than these amounts may save at least $1,000 per year compared to the current IDR plan although we have not experienced this situation to date.
- Accrued and unpaid interest will not be charged or capitalized (questionable authority to do this and likely must go through Negotiated Rulemaking)
- Borrowers can authorize access to income tax information for automated annual certification.

All other criteria promised must go through the rulemaking process!


As borrowers look for answers, many feel that opportunities are passing them by.

Repayment Reality

Existing loan terms cannot be changed without legislation or regulatory changes in addition to the borrower's consent.

- Original loan balance of $12,000 or less
  - Minimum payments are calculated at 5% of discretionary income (promised beginning July 2024 however July 2025 is mandated in the master calendar statute)
  - Unpaid interest is NOT capitalized or added to the principal balance of the loan
  - Loan forgiveness occurs after 10 years of repayment
- No tax consequences for the amount of loan forgiven
- Removes the need for a spouse to cosign

Interest-only payments are 100% profit to the government and provide no debt relief for borrowers.

The IDR repayment schedules are often calculated with interest-only or negative amortization where the unpaid interest is greater than the payment. Many borrowers have the same or higher balance when the loans qualify for loan forgiveness and are left with unrealistic tax consequences.

New regulations will go into effect July 1, 2025 or later – possibly post-default!

Negotiated Rulemaking

Timeline for the Student Loan Relief Negotiated Rulemaking

- **AUG 31, 2023.** ED announced the Student Loan Relief Committee for negotiated rulemaking.
- **Negotiations Schedule:**
  - **OCT 10-11, 2023.** Session 1 of negotiations.
  - **NOV 6-7, 2023.** Session 2 of negotiations.
  - **DEC 11-12, 2023.** Session 3 of negotiations.
  - Non-federal negotiators have asked for another session because consensus was not reached. ED has not granted.
- **Early to middle of 2024.** ED publishes draft regulations in the NPRM regardless of the outcome to reach consensus.
- **Minimum of 30 days for public comments.** A record number of comments is expected that speak in support and against these rules.
- **Analysis of public comments.** Depending on the number of comments, this can be a lengthy process.
- **ED can change draft regulations.** Based on comments, ED can change draft regulations that were agreed upon in consensus.
- **NOV 1, 2024.** Regulations must be published on or before this date to go into effect on July 1, 2025. If the final regulations are not published by this deadline, it will be another year before they go into effect, or they may not be published at all.
- **JUL 1, 2025.** Final regulations published by the end of the prior master calendar go into effect.

The Fresh Start Program

The Fresh Start Program put forth on April 6, 2022, primarily helps defaulters get "a fresh start" *for one year after the payment pause ends*.

- **Stops Collections**
  - Tax refunds (and child tax credits) will not be withheld
  - Wages will not be garnished
  - Social Security payments (including disability benefits) will not be withheld
  - Collection calls will not be made
- **Stops reporting default status** to the government credit reporting system
- **Removed the default status from the borrower's credit record for a period of one year.** If the loan is not rehabilitated within that year, the information is replaced in the borrower's credit record. *This could encourage unqualified credit approval and over-borrowing.*
- **Restores the ability to rehabilitate defaulted loans** if the borrower failed at their first attempt to rehabilitate
- **If new federal student aid is taken before Fresh Start ends**, then:
  - Transfers defaulted loans from collections (either ED or guarantee agency) to a loan servicer
  - Change status from default to repayment
  - Remove the record of default on your credit report

Fresh Start primarily helps **DEFAULTERS** for one year

The Fresh Start Program, *continued*

The promise to "transfer" the defaulted loans into the FDSL program through consolidation was abruptly stopped on Sept 29, 2022, when ED announced they would not accept any more applications.

Additional benefits of the Fresh Start Program include:

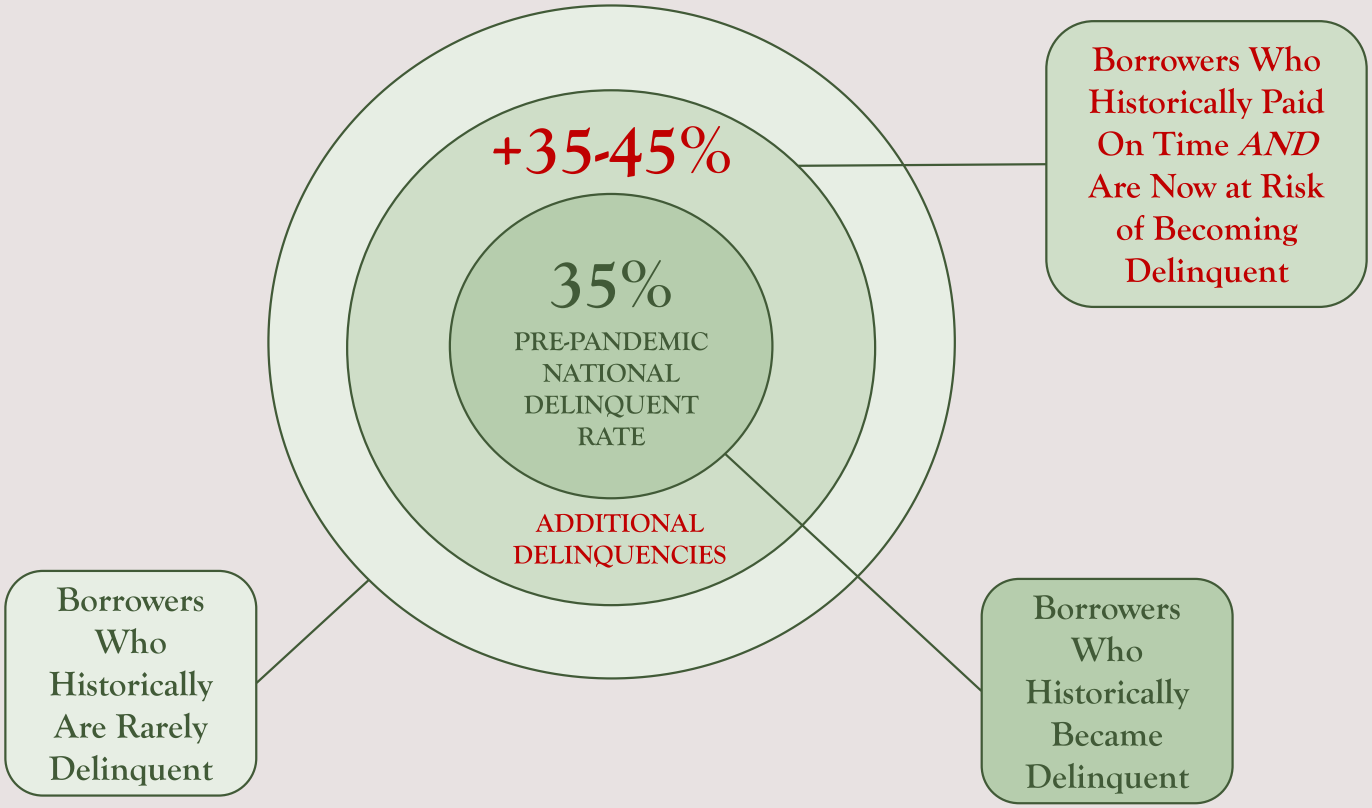
- **If the loan defaulted during the payment pause** (technically defined as 361 days past due), it will be taken out of default when the loans enter repayment at the end of the payment pause.
- **Benefits that will be accessible and already exist for non-defaulted borrowers** include:
  - Income-Driven Repayment (IDR) plans
  - Forbearance
  - Deferment
- **Default rehabilitation options** already exist and include:
  - Pay balance in full
  - Make 9 on-time payments within 10 months
  - Consolidate into the FDSL loan program

If the borrower does not rehabilitate the defaulted loan current before October 1, 2024, the loans may go back to default status.

POST PANDEMIC PANDEMONIUM

How does this affect your schools, your borrowers, and your cohort default rates?

Risks and Challenges with HIGH delinquent rates



We anticipated that delinquent rates would at least DOUBLE when student loans re-entered repayment in September 2023 **and they did!**

RISK Priorities for Schools

Using the FY2017 cohort default rate data (the last full CDR before the payment pause)

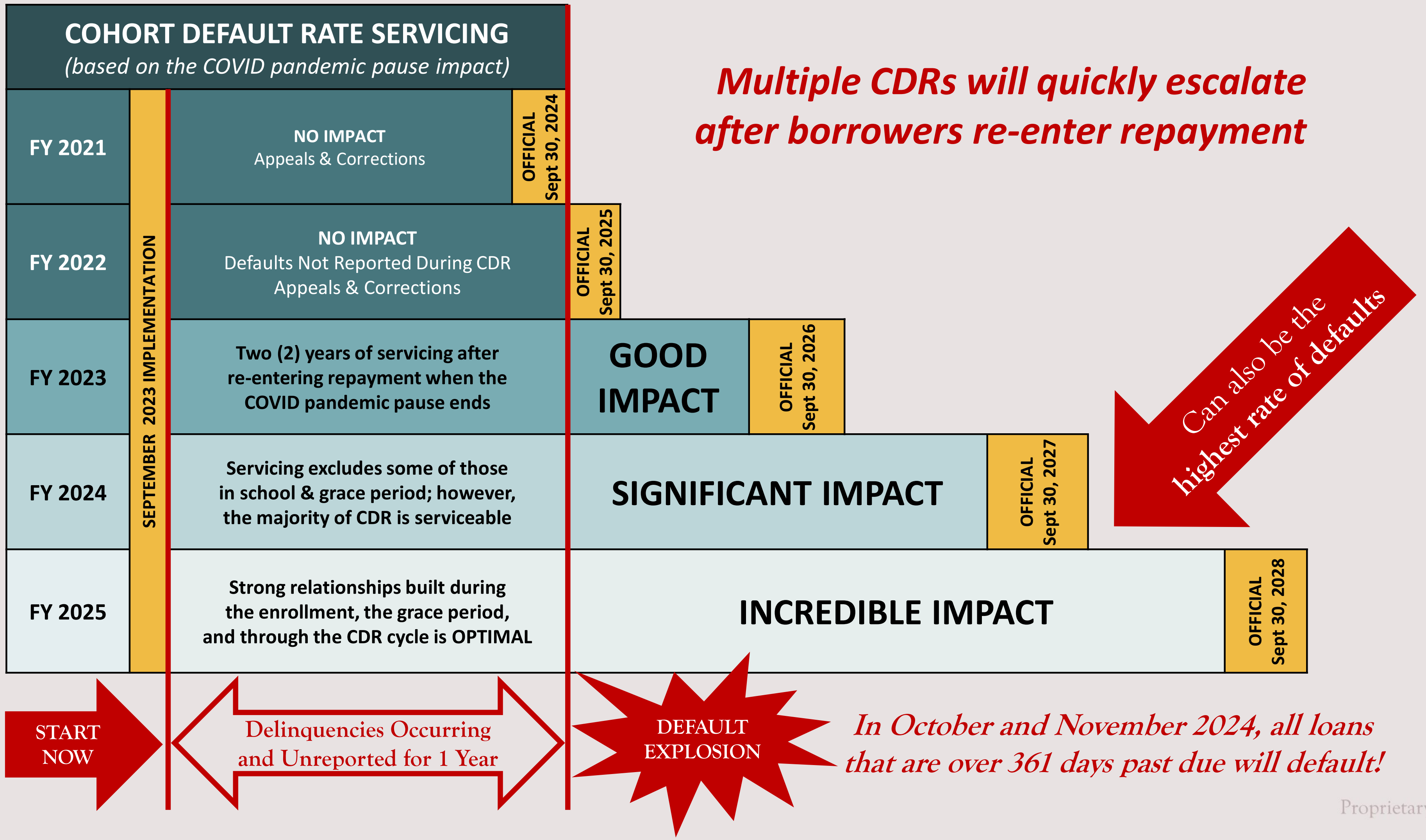
1. **EXTREME RISK of losing Title IV Eligibility:** CDRs 30% and higher
2. **HIGH RISK of losing Title IV Eligibility:** CDRs 20% and higher
3. **MODERATE RISK of losing Title IV Eligibility:** CDRs from 15-19.95%
4. **RISK OF CASH FLOW CHALLENGES:** CDRs from 7.5-15%
   a. Loss of waiver of the 30-day delayed certification for first-time borrowers
   b. Loss of waiver of the multiple disbursement requirement

SCHOOL SECTOR	TOTAL # SCHOOLS	# SCHOOLS IN JEOPARDY	% SCHOOLS AFFECTED	TOTAL BORROWERS	HIGH RISK OF LOSING TITLE IV ELIGIBILITY				MODERATE RISK OF LOSS		RISK WITH CASH FLOW	
					30% & OVER		20-29.95%		15-19.95%		7.5-15%	
					# Schools	# Borrowers	# Schools	# Borrowers	# Schools	# Borrowers	# Schools	# Borrowers
TOTALS	**4,670**	**2,390**	**2**	**1,931,366**	**72**	**6,502**	**391**	**165,226**	**614**	**454,744**	**1,313**	**1,304,894**
PUBLIC	1,552	1,118	72%	1,141,374	4	768	119	73,264	332	290,350	663	776,992
PRIVATE	1,481	265	18%	305,441	11	1,861	52	19,950	66	39,351	136	244,279
PROPRIETARY	1,361	946	70%	482,925	53	3,800	213	71,869	212	124,884	468	282,372
FOREIGN	276	61	22%	1,626	4	73	7	143	4	159	46	1,251

*Nearly **HALF of ALL eligible schools** are in jeopardy of facing adverse consequences.*

Relevant Cohort Default Rates (CDR) Defined

CDR FY	Last Dates of Attendance	Dates Student Loans Entered Repayment	Dates of Default Counted Against Schools	Official Cohort Default Rate (Release-By Date)
FY 2021	03/30/2020 - 03/29/2021	10/01/2020 - 09/30/2021	10/01/2020 - 09/30/2023 *Not reported before 9/30/2024*	9/30/2024
FY 2022	03/30/2021 - 03/29/2022	10/01/2021 - 09/30/2023	10/01/2021 - 09/30/2024 *Not reported before 9/30/2024*	9/30/2025
FY 2023	03/30/2022 - 03/29/2023	10/01/2022 - 09/30/2023	10/01/2022 - 09/30/2025	9/30/2026
FY 2024	03/30/2023 - 03/29/2024	10/01/2023 - 09/30/2024	10/01/2023 - 09/30/2026	9/30/2027
FY 2025	03/30/2024 - 03/29/2025	10/01/2024 - 09/30/2025	10/01/2024 - 09/30/2027	9/30/2028

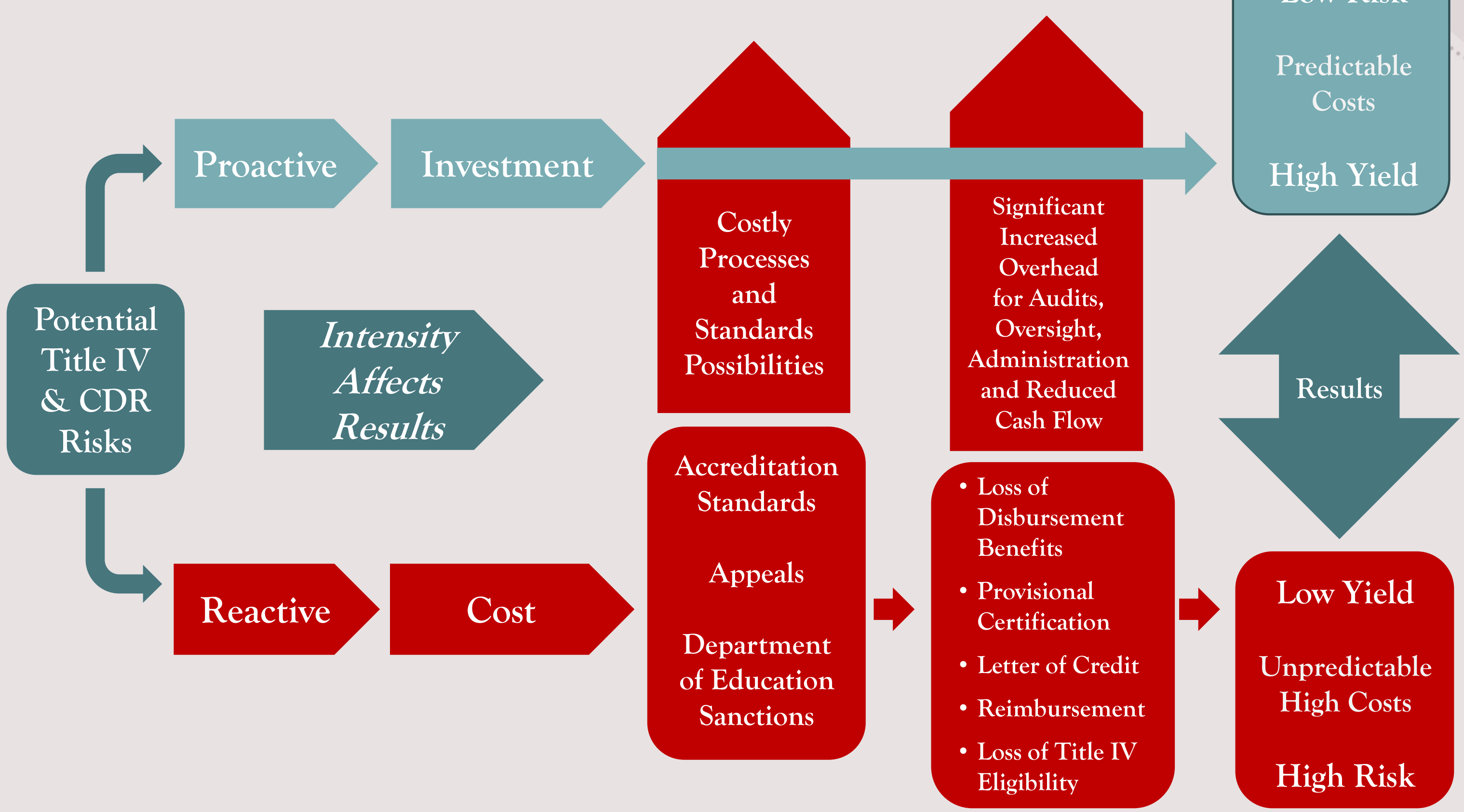

COHORT DEFAULT RATE SERVICING
(based on the COVID pandemic pause impact)
Multiple CDRs will quickly escalate after borrowers re-enter repayment
SEPTEMBER 2023 IMPLEMENTATION
FY 2021
NO IMPACT
Appeals & Corrections
OFFICIAL Sept 30, 2024
FY 2022
NO IMPACT
Defaults Not Reported During CDR
Appeals & Corrections
OFFICIAL Sept 30, 2025
FY 2023
Two (2) years of servicing after re-entering repayment when the COVID pandemic pause ends
GOOD IMPACT
OFFICIAL Sept 30, 2026
FY 2024
Servicing excludes some of those in school & grace period; however, the majority of CDR is serviceable
SIGNIFICANT IMPACT
OFFICIAL Sept 30, 2027
Can also be the highest rate of defaults
FY 2025
Strong relationships built during the enrollment, the grace period, and through the CDR cycle is OPTIMAL
INCREDIBLE IMPACT
OFFICIAL Sept 30, 2028
START NOW
Delinquencies Occurring and Unreported for 1 Year
DEFAULT EXPLOSION
In October and November 2024, all loans that are over 361 days past due will default!
Proprietary

What This Means for Schools

- RISK of unmanageable default prevention tasks and mandated default management plans
- RISK of unrealistic call volume for on-campus staff as a result of calls from borrowers seeking advice and assistance
- RISK of losing disbursement benefits that enhance cash flow for schools with 3 consecutive CDR rates under 15%
- RISK of high default rates leading to loss of Title IV eligibility for both Pell Grants and Federal Direct Student Loans
- RISK of low repayment rates with administrative and financial consequences
- RISK of audits triggered by quickly escalating cohort default rates after having low rates created by the student loan pause
- RISK of Limit, Suspend and Terminate (LS&T) based on administrative capabilities
- RISK of school closures and associated costs thereof

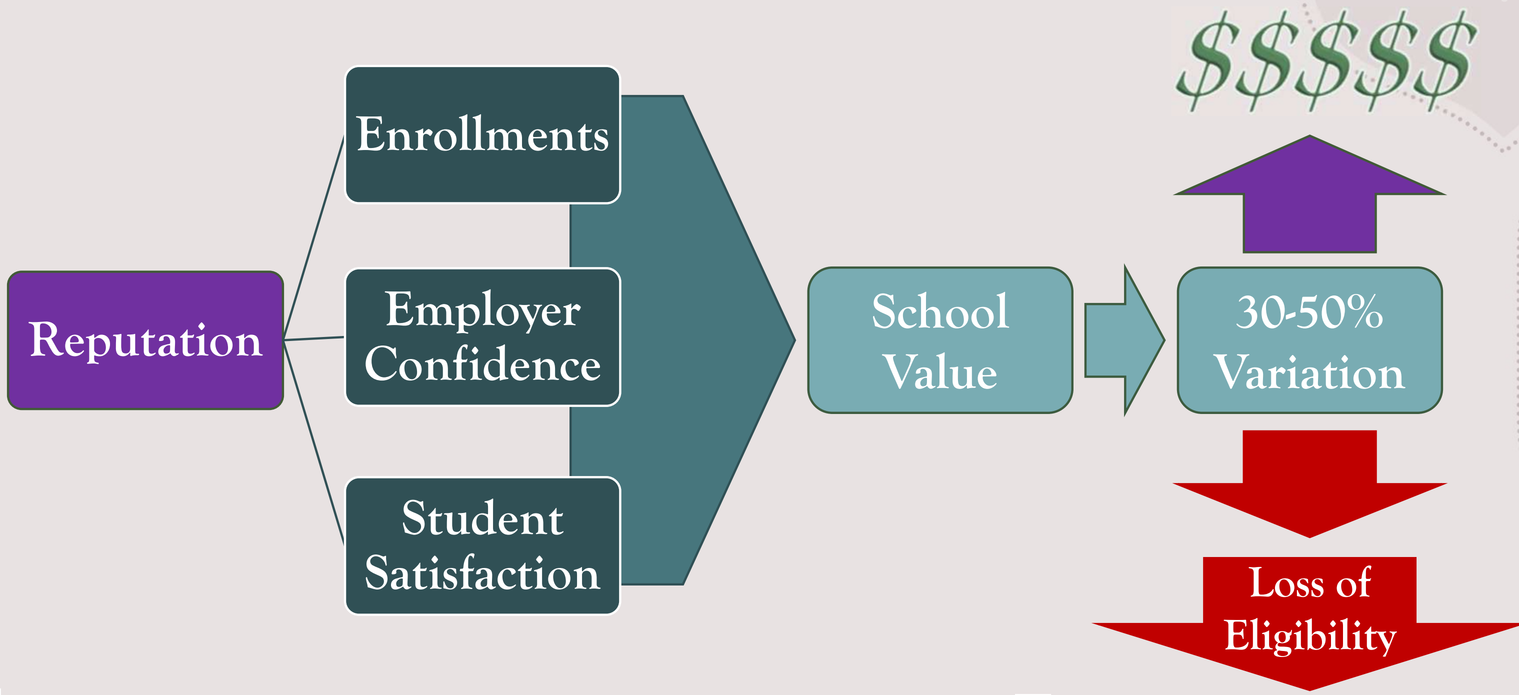
Nearly **HALF of ALL eligible schools and millions of borrowers** are in jeopardy of facing some type of adverse consequences.

Do you know your POTENTIAL Title IV Eligibility RISK?



What do you have to GAIN?

EVERYTHING!



What do you have to LOSE?

EVERYTHING!

$0.00

There is no one MIRACLE for SUCCESSFUL default PREVENTION

PROACTIVE default prevention
is an INVESTMENT

REACTIVE default prevention
is a CONSEQUENCE

YOUR SCHOOL'S FINANCIAL FUTURE DEPENDS ON EFFECTIVE DEFAULT PREVENTION


Restarting student loan payments IS messy and can put your students and school in jeopardy!
f u t u r e
ACT NOW to insure your school's future Title IV participation!

Avoid a post-pandemic pandemonium at your institution!

The covid pause has created problems that will make default prevention more complicated than it has ever been.

Schools and students are more vulnerable because inflation will make it difficult for borrowers to make timely payments. If borrowers do not pay, schools risk closure.

Ensure your future by partnering with the Champions of default prevention!

Champions Companies' Solutions

www.ChampionsCompanies.com solutions@ChampionsCompanies.com

Avoid a post-pandemic pandemonium in your life! Let our experts find the best solutions for avoiding student loan defaults. Your future depends on it!

Champion Col-EDGE Solutions (est. 1989) gives colleges an ***edge*** over competitors with proven full-service student loan default prevention solutions that enhance quality education experiences.

Champion Empowerment Institute (est. 2013) offers foundational concepts and education about finances, budgeting and life skills to empower students to make wise decisions and develop financial freedom.

Call 800.761.7376 *today* to discuss your best solutions!

Biography of Mary Lyn Hammer

Ms. Mary Lyn Hammer's belief that education is the vehicle for making dreams come true has led her in a passionate fight, beginning in 1987, rectifying problems in the higher education industry to insure future participation for all students.

During her career in higher education, Ms. Hammer has touched more than 3 million students' lives through her companies and a nation of students through her advocacy work in higher education.
Ms. Hammer has worked closely with Congressional Representatives and key staff at the U.S. Department of Education on many issues over her 33+ year career in the higher education industry to insure program integrity and access to low-income students.

Ms. Hammer's experience specific to the contents of this evidence include the following:

- **1988-1989** Ms. Hammer turned evidence over to Congress and the U.S. Department of Education (USDOE) and testified numerous times regarding a student lending corruption ring in California that put several companies out of business and cost the government an estimated $750 million to rectify.
- **1989** Her innovative "Hands On" Default Management Program was recognized by the USDOE for its remarkable results and was used as the basis for default management in what became known as "Appendix D". Ms. Hammer was active in aiding the USDOE in drafting this regulatory language for default management that was mandatory for high default rate schools from 1989 until 1996 and still exists today in rewritten regulations under "Subpart M" and "Subpart N".
- **1990-1993** As part of several laws affecting higher education and cohort default rates, Ms. Hammer helped draft statutory and regulatory language for cohort default rate (CDR) appeals.
- **1993-1995** She helped draft the Cohort Default Rate Guide and several revisions over the years.
- **1994-1998** Ms. Hammer worked with Congressional members on school-based loan issues and cohort default rate matters that became statutory language in the 1998 reauthorization of the Higher Education Act of 1965.
- **1999** She served as an alternate negotiator for school-based loan issues in the 1999 Negotiated Rulemaking.
- **2000** She served as a primary negotiator for school-based loan issues in the 2000 Negotiated Rulemaking. The original default management regulations under "Appendix D" were rewritten into "Subpart M" in addition to other loan issues.
- **2002-2008** Ms. Hammer worked with Congressional members on school-based loan issues and cohort default rate matters. Although she was opposed to increasing the cohort default rate (CDR) definition, she was instrumental in correcting what was originally written as a 4-year CDR definition to a 3-year CDR definition and helped draft the increased threshold and appeal rights for sanctions under the new definition.
- **2009** She served as a primary negotiator for Loan Issues - Team 2 and provided expert witness testimony for Team 1 Loan Issues. Default management regulations were written into "Subpart N" for the 3-year CDR definition along with conforming language for appeals in addition to other loan issues.
- **1988 to Date** Ms. Hammer has testified many times at Congressional and USDOE hearings and has worked closely with Congressional members, education committee professional staff, and key staff at the USDOE on many issues during her career in higher education to insure program integrity and access to quality higher education for at-risk students. Why? Because Mary Lyn Hammer was an at-risk student herself.
- **2014-2019** Ms. Hammer turned evidence about corruption in data and reporting for higher education institutions and sectors. As of July 1, 2019, 982 pages of harmful "gainful employment" federal regulations were removed from the Federal Register based on her work.

Ms. Hammer is the Owner, Founder, President and CEO of Champion College Services, Inc. Champion offers default prevention for Federal and private student loans, job placement verification, skip tracing, consulting services, and custom surveys for students, alumni, and employers. She specializes in staff training, program development, and default prevention operations. She has participated in training sessions and workshops for numerous state, provincial, regional, national, and private associations in both the U.S. and Canada in a continued effort to share her experiences and knowledge.

Her accomplishments include numerous state, regional, and national awards and recognitions over the years in both the higher education industry and in professional business arenas. Ms. Hammer has served on as a board member for numerous education associations, coalitions and groups. She has had hundreds of articles published in numerous higher education magazines over the years. She is an avid supporter of the Imagine America Foundation, a provider of need-based college scholarships. She currently serves on the Board of Directors for Champion for Success, the Advisory Board for Fintech, and as a Steering Committee Member for (Arizona) Governor Ducey's Achieve60AZ initiative.