



Important Upcoming Deadlines and PSLF Updates

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To: All PSLF Peace of Mind Clients

From: The Institute of Student Loan Advisors (TISLA)

Subject: Important Reminders and Updates Regarding PSLF

Last night the federal courts in Kansas and Missouri blocked, at least temporarily, certain provisions of the SAVE plan, a repayment plan many borrowers pursuing PSLF use. We are sending you this memo to ensure you are aware of this and a few more upcoming deadlines.

Court Ruling

The rulings have not blocked the SAVE plan in its entirety. It has blocked the regulatory change due to take effect this coming July 1st that would lower the calculation on the portion of a borrower's loans that are/were undergraduate Stafford loans from the current 10% of discretionary income to 5%. The rulings also temporarily block loan forgiveness under the SAVE plan. **These rulings do NOT block PSLF forgiveness.** They also do not block the one-time IDR adjustment discussed later in this memo.

This is a temporary order until the courts finish their proceedings. It is unclear how long that will take

If your payment has already been lowered to the 5% we expect it will revert back to the 10% during this time.

You can read about the SAVE plan [here](#) and [here](#). You can read about the court proceedings [here](#)

Deadline to Apply for the PAYE and ICR plans

A regulatory change effective July 1 2024 will sunset the PAYE plan and with the exception of consolidated Parent Plus borrowers, income contingent repayment. Also note that starting July 1, if you are on SAVE for at least sixty months (clock starts July 1), you will no longer have access to “new” IBR.

Who is currently eligible for PAYE?

Only Direct Loan borrowers not in default with no loans taken out prior to October 1, 2007 and who have at least one disbursement (which could be a consolidation loan) on or after October 1, 2011 are eligible for this plan. Note if first entering the plan your income must be such that your payment under paye would not be higher than it would be under a ten year standard/level plan. PP loans are only eligible if they meet the above criteria and are double consolidated.

Who is currently eligible for ICR?

All non-defaulted Direct Loan borrowers are eligible for ICR regardless of income and loan balance. PP borrowers must consolidate to access the plan (but no need to double consolidate)

Who should consider ICR or PAYE?

The PAYE plan forgives the balance of your loans after 20 years on the plan regardless of loan type. SAVE forgives at 25 years if you have even a dollar of graduate school debt or double consolidated PP loans. PAYE caps the payment at no more than you would pay under a ten year standard/level plan regardless of how high your income goes. SAVE has no such cap. Therefore borrowers with graduate school debt and/or whose income is high or anticipated to rise may want to consider switching to PAYE to get the assurance of the capped payment amount and/or the 20 versus the 25 year forgiveness.

ICR caps the payment at no more than what would be paid under a 12 year term, minus a percentage related to income. ICR has a 25 year forgiveness. Borrowers close to either PSLF or IDR forgiveness whose income is high compared to their loan balance should consider ICR as in that scenario, it can often be the lowest IDR/PSLF qualifying payment.

How do i know if i should switch?

It's time to math! Use the loan simulator tool <https://studentaid.gov/loan-simulator/> and see what your payment would be under SAVE, PAYE and ICR. Determine how long you have before forgiveness under PSLF, if applicable, or the IDR plans. You may not know exactly but you should have a ballpark idea in your head how long you've been making payments. Multiply the payment amount in the calculator by how many months you have left until forgiveness. You likely want the plan that results in the lowest amount.

It may be that paye has a higher monthly payment for you, but because the forgiveness is five years sooner, and therefore 60 monthly payments less, that paye is the cheaper option over time.

If i go on paye or ICR now can i switch back to another plan such as SAVE?

Yes – but if you do you will never be able to get back on paye or ICR. You also must be sure to recertify your income annually to stay on those plans.

What if I apply today for these plans and they aren't processed by July 1?

You will still have been considered to have met the deadline as long as the application was completed and processed eventually.

Why are they sunsetting these plans?

To simplify the options for borrowers and to avoid a loophole where a borrower gets a lower monthly payment on SAVE and then in year 19 flips over to the shorter forgiveness programs of paye and new ibr. Note that PP borrowers will not be barred from ICR at any point as long as the loans are consolidated (do not need to be double consolidated for ICR)

More information about these plans. <https://studentaid.gov/manage-loans/repayment/plans/income-driven#eligibility>

Example: Borrower has been paying for 15 years Borrower owes \$100K – income of \$120K SAVE payment is \$727 ICR is \$1275 PAYE is \$818

Borrower should consider PAYE. While the payment is higher it will never get above \$1085 no matter how high their income goes and therefore their total left out of pocket before the 20 year forgiveness at

most will be \$65,100. If they stay on the currently lower monthly SAVE they will pay back at least \$87,240 before forgiveness at the 25 year forgiveness.

This is just an example – results are very borrower specific.

PSLF Processing Pause and Transfer

The ED has been working for several years to transition all borrower-facing servicing transactions to a centralized website and call center rather than the current system of individual servicer phone numbers and account processing. As part of this transition, all PSLF paperwork and forgiveness processing is being transitioned to the ED website, www.studentaid.gov in the coming months. This website will be where you will be able to see your PSLF counts. During the transition, no PSLF forms or forgiveness will be processed. If you are due for forgiveness during this period, you can continue to pay and expect a refund of those payments if they bring you over the 120 needed for PSLF forgiveness.

PSLF processing will pause on May 1, 2024, and resume in July 2024. We recommend borrowers screenshot and/or print their current PSLF counts on the MOHELA site prior to that date and maintain them for your records. You can read about the pause [here](#).

Your loan servicer will not change, nor will your requirement to make payments. The only thing that will change as a result of this transition is where you go to see your PSLF counts and who is processing those counts in the background. Going forward, MOHELA will not be the only servicer your loans can be administered by to pursue PSLF as the management of this program will be centralized.

Questions?

Still have questions? Remember that as a PSLF Peace of Mind client you have direct access to TISLA via a dedicated email channel as well as by booking a phone call. See your employers internal PSLF page for access to those channels.

Sincerely,

Betsy Mayotte

President

The Institute of Student Loan Advisors