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Repaying your student loans

Repayment options for federal student loans

By Monica Steinisch

If you're one of the 44 million Americans with outstanding federal student loans, repayment is probably never far from mind. Fortunately, federal student loan borrowers have multiple repayment options, for now.

Recent or near graduates

The government gives borrowers a six-month grace period after they graduate or leave school to start repaying their debt. This is intended to allow recent students time to find a job and get their finances in order before having to juggle monthly bills, but interest will still accrue on most loans. Your first payment due date will be 30 to 45 days after your grace period ends.

The amount of your monthly payment will depend on the type of loans you have, the amount borrowed, your interest rate and the repayment plan you choose.

You can select a repayment plan during your grace period, or you'll be assigned one when your loan payments begin. But regardless of the plan you start out with, you can change repayment plans at any time, for free.

Visit the Federal Student Aid (FSA) website for an overview of all plans: *https://studentaid.ed.gov/sa/repay-loans/understand/plans*.

In repayment

The Standard Repayment Plan (*https://studentaid.ed.gov/sa/repay-loans/understand/plans/standard*), which calls for fixed monthly payments for up to 10 years (up to 30 years for Direct Consolidation Loans), is what borrowers start out with unless they select a different plan upfront. On this plan, your monthly payments may be higher than under other plans, but you'll pay less interest over the life of the loan.

The Graduated Repayment Plan (*http://bit.ly/2nUe4Af*) will cost you a bit more over the life of the loan, but it still gets you out of debt in 10 years (up to 30 years for Consolidation loans). This plan starts out with lower payments, which automatically increase every two years. The Graduated plan assumes that over time you will earn more money, making higher loan payments more affordable.

For at least the first two years, you'll be making interest-only or slightly greater payments. Your payments will increase rather significantly every two years in order to pay the balance off in the remaining repayment period. This plan may be more manageable for some, but it relies on continued salary increases, which is not always the reality. Before choosing a Graduated plan, ask the loan servicer for a repayment schedule and use a repayment calculator (*http://bit.ly/2jyReNw*) to study your payment increases over time.

> This *Consumer Action News* issue covers topics now being debated before Congress and at the U.S. Department of Education. There could be programmatic changes forthcoming. Check back for the latest updates.

The Extended Repayment Plan (*http://bit.ly/2C7eJBE*) could cost significantly more over the life of the loan because payments, which can be fixed or graduated, can continue for up to 25 years. This option is designed for borrowers with higher ($30,000+) loan balances.

Note: There are no fees charged to take advantage of any federal student loan repayment plan. So do it yourself—for free!

For borrowers who are struggling to pay their bills, there are four income-driven repayment (IDR) plans (*http://bit.ly/2BeQ1l1*).

While the prospect of payments based on income sounds ideal, an IDR plan is not always the best choice for every borrower, and not every loan type or borrower qualifies for every plan. If you opt for an income-driven plan, it will most likely cost you more in interest over the life of the loan, but it can make monthly payments manageable.

Use the Department of Education's (ED) online Repayment Estimator (*http://bit.ly/2C5seBz*) to compare your estimated monthly

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Private student loans
Troubled borrowers have fewer repayment or forgiveness options

By Ruth Susswein

While strapped federal student loan borrowers have repayment relief options and the potential for loan forgiveness, private student loan borrowers have few options when they are having trouble making payments. The U.S. government provides federal student loans, while private student loans are made by banks and other lenders.

There is no option for private student loan forgiveness, and private lenders don't offer income-based repayment plans. In fact, private lenders and loan servicers are under no obligation to offer borrowers more flexible repayment plans.

If you have private student loans and are struggling to make your monthly payments, contact your lender to see if it offers loan deferment or a temporary adjustment to payments for those in financial difficulty. You might find the details in the terms of your loan contract. Be prepared to explain why you need relief.

Relief options, if available, will vary by lender. Some private lenders may temporarily reduce your monthly payment to cover only the interest portion of your payment. While this may seem like a welcome reprieve, it means you are not paying down your debt. If your lender doesn't offer any reasonable options, refinancing through a new lender might be your best bet, *if* you're not delinquent on your loans. Once you're in default, negotiating a settlement might be your last resort.

Forbearance

If you experience unexpected financial hardship, such as unemployment, your lender might allow you to suspend payments for a period, called forbearance.

If your lender offers forbearance, it is likely to be short-term (a few months), and your loan balance will

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> **Web bonus!**
> Find more online at *bit.ly/repaying_student_loans*:
> - Repayment pitfalls to avoid
> - Uncertain future for student loans and loan relief
> - In Navient case, CFPB protected student borrowers

Federal student loan forgiveness is limited

By Alegra Howard

Teachers, public servants, students who were defrauded by their schools, and permanently disabled borrowers have options when it comes to getting their federal student loans forgiven. Though it can be quite difficult to accomplish, when certain conditions are met, the government should erase the remainder of your federal student loan debt (and, in cases of proven fraud, refund what you've already paid).

Teachers/public service

If you're a teacher working in a low-income public elementary or secondary school, you can apply under the Teacher Loan Forgiveness Program (*http://bit.ly/2kr5jsD*) to have up to $17,500 in Direct or Stafford loans forgiven. You must have taken loans out after Oct. 1, 1998 and have worked full-time for five consecutive years.

If your federal student loan debt is more than $17,500, apply for Public Service Loan Forgiveness (PSLF) at the end of the five-year period. Loans forgiven through Teacher Forgiveness and PSLF are currently exempt from taxes.

If you're applying for PSLF, you need to:

1. Have a Federal Direct Loan

2. Be enrolled in an income-driven repayment plan (*http://bit.ly/2BeQ1l1*) (The plans are

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Repayment

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payments and see how much interest you'd pay with each income-driven plan.

Income-based plan

Under an Income-Based Repayment (IBR) Plan, your payment is capped at 10 percent of your discretionary income if you took your first loan out in July 2014 or later, or at 15 percent if you first borrowed before July 2014. (Discretionary income is the difference between your adjusted gross income and 150 percent of the annual poverty line for your family size in your state.) Based on the formula, some borrowers end up with a $0 payment. However, the Republican-controlled U.S. House of Representatives has proposed a sweeping higher education bill that aims to change IBR terms, including elimination of the $0 payment tier, and many federal loan repayment relief options and borrower protections.

If you have a subsidized loan and your income-based monthly payment is not enough to cover the interest that accrues, the government will pay the difference for the first three years, and your overall balance won't increase.

Any remaining loan balance is forgiven after 20 years of payments for students who first borrowed in or after July 2014, or 25 years for those who borrowed before July 2014.

To qualify for an IBR plan, you have to prove financial hardship, which essentially means the amount owed on your loans each year under the Standard Repayment Plan is more than 15 percent of your annual discretionary income.

Note: The IRS considers any forgiven loan balance taxable, which means you could end up paying income tax on the amount of debt that is forgiven.

PAYE Plan

Pay As You Earn (PAYE) caps monthly payments at 10 percent of your discretionary income and forgives any remaining balance after 20 years. PAYE also offers the same three-year government-subsidized interest benefit as IBR. To qualify for PAYE, you have to have been a new borrower as of October 2007 and received a Direct Loan disbursement on or after Oct. 1, 2011.

Like IBR, the PAYE Plan requires financial hardship, but in this case the annual amount due on your loans under the Standard Repayment Plan would have to exceed 10 (rather than 15) percent of your discretionary income.

REPAYE Plan

The newest plan, REPAYE, also sets payments at no more than 10 percent of income. You can qualify even if you can't prove financial hardship. Loan forgiveness happens at 20 years for undergraduate study, or 25 years for graduate study.

Unlike PAYE and IBR, REPAYE is available regardless of when eligible loans were taken out. It also offers an added benefit: In addition to covering all accrued interest that exceeds the monthly payment for the first three years, the government will continue to pay half of the excess interest on subsidized loans *after* the three years, and will pay half of the excess interest on unsubsidized loans over the entire loan period.

Income-contingent plan

Under an Income-Contingent Repayment (ICR) Plan, qualifying borrowers pay the lesser of 20 percent of discretionary income or what they would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to income. There's no payment cap, no financial hardship requirement, and no interest benefit—if your monthly payment doesn't cover what accrues, it's added to your loan balance (capitalized) annually until the balance is 10 percent greater than it was when the loan entered repayment. Any outstanding balance is forgiven after 25 years of qualifying repayment. This is the one IDR plan that accepts consolidated parent PLUS loans.

To apply, recertify or switch to a different income-driven repayment plan, visit the ED's Income-Driven Repayment (IDR) Plan Request page (*https://studentloans.gov/myDirectLoan/ibrInstructions.action)*.

If you work full-time for a qualifying government or non-profit employer, you might qualify for loan forgiveness in 10 years—instead of 20 or 25—through the Public Service Loan Forgiveness Program (*https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service*).

Annual renewal

In order to retain your income-driven repayment plan, you must "recertify" your income and family size with your servicer every year. If there are changes to your situation, your monthly payment can increase or decrease. You have to recertify even if you don't have changes to report. You're not required to report changes (such as increased income) *before* your annual certification date, but if your situation changes for the worse, you can reapply at any time, asking the servicer to recalculate your payment immediately.

Recertification requires proof of income—typically a tax return, which the IRS may be able to "push" electronically to your loan servicer. You should get a recertification reminder from your servicer. But, given the consequences for missing the deadline—increased payments, etc.—you should set up a foolproof reminder.

Deferment & forbearance

Deferment and forbearance allow you to stop or reduce your federal student loan payments temporarily. These payment pauses are granted for many reasons, ranging from serving in the military or enrolling in a training program to being unemployed or having overwhelming medical expenses.

Borrowers in deferment may not need to pay interest during the deferment period, depending on the type of federal loan. Find out more at *https://studentaid.ed.gov/sa/repay-loans/deferment-forbearance*. Borrowers who have been granted forbearance still must pay interest regardless of loan type. Loan interest can be paid as it accrues, or it can be capitalized.

If you want a deferment or forbearance, you'll need to apply through your loan servicer. Suspending or reducing payments can help you avoid default.

Borrowers in default

The consequences of defaulting on your student loans are serious and include losing access to all flexible income-driven repayment plans and most forms of credit.

The two main ways to get out of default are loan consolidation and loan rehabilitation. A Direct Consolidation Loan (*https://studentaid.ed.gov/sa/repay-loans/consolidation*) allows you to combine multiple federal loans into one loan and pay it off over 30 years. This could simplify, and even lower, your monthly payments. You may also resume eligibility for an income-driven repayment plan.

But there are drawbacks too. You will pay more in interest over the extended life of the loan. You might lose rebates and interest rate discounts, and you may also lose credit for any previous payments made that counted toward loan forgiveness.

Unless you make three consecutive monthly payments on your defaulted loan(s) before consolidating, you will limit your repayment plan choices. You can apply for a Direct Consolidation Loan through StudentLoans.gov (*https://studentloans.gov/myDirectLoan/consolidationRedirect.action*), or get answers to your questions at 800-557-7392.

Loan rehabilitation is a longer process but offers some benefits over consolidation. Loan rehabilitation removes the default from your credit history and stops wage garnishment. You'll also regain eligibility for loan deferment, forgiveness, forbearance, federal student aid and a choice of repayment plans.

To rehabilitate your loans, you have to contact your servicer and agree in writing to make nine "reasonable and affordable" monthly payments for nine consecutive months. A "reasonable" payment equals 15 percent of your annual discretionary income divided by 12. You can request a lower payment by documenting your income and expenses. Once you have made the nine payments, your loans will no longer be in default. (Requirements for some loan types might be different.)

Find a rundown of consolidation and rehabilitation requirements at *https://studentaid.ed.gov/sa/repay-loans/default/get-out*.

As you wend your way through the many options for managing your federal student loans, consider yourself fortunate: Borrowers of private student loans don't have nearly as much flexibility or assistance *(see article on page 1)*. ■

Help protect these rules!

Use Consumer Action's free Take Action! Center (*bit.ly/email-Congress*) to email your elected officials.

Student loan repayment resources to know about

FSA Repayment Estimator

Use the Department of Education's Federal Student Aid (FSA) Repayment Estimator tool to evaluate your federal loan repayment options. You can compare estimated monthly payments and total repayment costs based on your debt load, income, family size and repayment plan. These estimates will not include private loans, or certain federal loans that are not eligible for restructuring. *https://studentloans.gov/myDirectLoan/repaymentEstimator.action*

Note: Borrowers who are already in default may be eligible to consolidate overdue loans and become eligible to access an income-driven repayment (IDR) plan. *http://www.studentloanborrowerassistance.org/collections/federal-loans/default-and-delinquency/*.

Repayment chart

Check out IBRinfo.org, from the Institute for College Access & Success (TICAS), for a chart detailing the income-driven repayment plans for federal loans. *http://www.ibrinfo.org*

Also visit the overview of federal repayment plans for Direct Loans and Federal Family Education Loans (FFEL). *https://studentaid.ed.gov/sa/repay-loans/understand/plans*

Private loan repayment calculators

Online personal finance site NerdWallet.com offers a realistic look at who qualifies for private lender refinancing. See NerdWallet's example for Citizens Bank. *https://nerd.me/2nPpIfM*

Compare private lenders' refinancing plans using NerdWallet's comparison tool. Plug in the estimated repayment amounts and see which loan is most cost effective. *https://www.nerdwallet.com/refinancing-student-loans*

The website StudentLoanHero.com offers a variety of calculators, including one to investigate student loan refinance options. *https://studentloanhero.com/calculators/student-loan-refinancing-calculator/*

Legal help for borrowers in default

Borrowers who have defaulted on their loans can seek out a lawyer who specializes in student loans using NACA's (National Association of Consumer Advocates) Find an Attorney listings. *http://bit.ly/2nTUHar*

File a student loan complaint

For both federal and private student loans, complain to the Consumer Financial Protection Bureau's:

- Consumer Response (complaint) unit. *https://www.consumerfinance.gov/complaint/*
- Student Loan Ombudsman. *students@cfpb.gov*

For federal student loans, also file a complaint with the Department of Education's Office of Federal Student Aid. *https://feedback.studentaid.ed.gov/*

If your federal loan complaint remains unresolved, contact the Department of Education's Federal Student Aid Ombudsman Group. *https://studentaid.ed.gov/sa/repay-loans/disputes/prepare*

Protect Public Service Loan Forgiveness

Student loan borrower advocates at Student Debt Crisis, One Wisconsin Institute, and Higher Ed, Not Debt created this website to help support and explain this benefit for those in the public sector who may be eligible for debt relief. *http://protectpslf.org/*

Debt collection help

Borrowers hounded by debt collectors can personalize the Consumer Financial Protection Bureau's sample letters to request that collectors stop calling, verify the debt or dispute a debt. *https://www.consumerfinance.gov/consumer-tools/debt-collection*

You'll also find tips on how to negotiate a settlement with a debt collector. *http://bit.ly/2iWH5pU* ■

Private loans

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continue to grow as interest accrues. Ultimately, this will make loan repayment more costly. Some private lenders also charge a fee when they defer payments.

Lenders like Social Finance (SoFi) may approve a three-month pause if you are in graduate school, are a servicemember on active duty, are unemployed or are undergoing rehab for a disability. Borrowers can reapply to extend the forbearance for up to 12 months over the life of loan. Loans in forbearance are reported as such to credit bureaus, which may have a negative effect on your credit. If unemployed, borrowers must agree to enroll in career counseling.

You can make interest-only payments during the forbearance period to avoid an increased balance.

Borrowers who work with LendKey may be eligible for up to 18 months of forbearance if unemployed. CommonBond might allow you to postpone payments for up to 24 months over the life of a loan.

To protect any repayment options that might exist, act before you are in default. The definition of default varies by lender, so look at your contract to see how your lender defines it. Your loan might go into default when it's three months past due, or as soon as you miss your first payment. Or, if you default on another loan, you could be automatically in default on this one too.

With most student loans, once you are in default, the full loan balance becomes due and your credit report will reflect the default as a negative for the next seven years.

Refinancing

While not all borrowers are eligible, you might be able to refinance your private student loan debt. Whether you are eligible will depend on your credit score, which generally must be higher than 660; your debt-to-income ratio, which generally can't exceed 40-45 percent; whether you have a steady income; and the type of degree you earned.

If you are considering refinancing, look for a lower interest rate and compare rates at several lenders. You can get a free rate estimate online before applying. Rate quotes will not hurt your credit score. Gather the details of your private loans, including account numbers, rates and loan balances, and have solid numbers ready about your income and monthly spending.

Important: Do not combine federal loans in a refinancing package. If you include federal student loans, you will forfeit any loan forgiveness and income-driven repayment plans that are available only on federal loans. *(See page 1.)*

Top six refi options

We looked at the top six refinance lenders. All offer a .25% rate reduction for automatic payments (autopay); unemployment protection (short-term forbearance or deferment); and five- to 20-year repayment terms. They all claim significant savings ($15,000-$25,000 over the life of the loan) and do not charge origination or application fees. None will accept borrowers who currently are delinquent. As of Nov. 22, we found these rates and terms:

SoFi: Interest rates of 2.815%-6.74% (variable); 3.350%-7.125% (fixed). SoFi is the largest student loan refinance lender. According to NerdWallet, the average approved SoFi borrower has a credit score of 766 and a high income ($130,000), so this option will not be available to many.

CommonBond: Interest rates of 2.81%-6.74% (variable); 3.35%-7.12% (fixed).

This lender also offers a hybrid loan (five years fixed, five years variable). For each loan it makes, it funds tuition for a child in the developing world through its non-profit Pencils of Promise.

LendKey: Interest rates of 2.58%-6.31% (variable); 3.15%-7.26% (fixed). LendKey partners with community banks and credit unions. Borrowers must live in the lender's region. LendKey offers a rate reduction if you add a co-signer, and will release the co-signer after 12 on-time payments, but we advise caution, as a lot can change in a year. LendKey's interest-only repayment option for the first four years might seem attractive, but you'll still owe the same amount you borrowed after four years.

Laurel Road: Interest rates of 2.99%-6.42% (variable); 3.95%-6.99% (fixed).

Earnest: Interest rates of 2.57%-6.28% (variable); 3.35%-6.39% (fixed). Available only in 44 states. Check eligibility criteria online (*https://www.earnest.com/eligibility*).

Citizens Bank: Interest rates of 2.79%-8.14% (variable); 3.35%-8.33% (fixed). A .25% discount is also offered if you have another (qualifying) account with Citizens.

Loan defaults

Defaulting on a student loan ruins your credit, but at that point you may be eligible for repayment terms available only to those in collections.

Before risking default, know the consequences. In 19 states, you can lose your professional license for defaulting on student loan debt. According to the *New York Times* (*http://nyti.ms/2BFCbIX*), nurses, lawyers, real estate brokers and others have had their licenses suspended or revoked.

If you default on your private student loan, the lender, and likely a debt collector, will hound you. The lender probably will sue you and may get a default judgment, which could lead to a salary garnishment order issued by the court for as much as 25 percent of your wages. In addition, the court order may allow lenders to seize your tax refund, grab money you deposit in your bank accounts and place a lien on property you own (car, home, etc.). Garnishment is allowed in all states except North Carolina, Pennsylvania, South Carolina and Texas.

Settling a debt

You can try to settle with a lender or debt collector for a smaller amount than is owed, or negotiate a repayment plan.

Important: Settle while the debt is in collections, but before the suit goes to court. Lenders and collectors have no incentive to negotiate once they win a judgment and have authority to garnish your funds.

A lump sum settlement might be accepted if you have money available to you from a non-co-signer, such as a relative who's offered to lend you money to pay off the loan. Prior to court, some private lenders, like Navient and Great Lakes, will, reportedly, sometimes accept a settlement for far less than the total amount due, which could be a lump sum of somewhat more than 50 percent of the debt, fees and interest owed.

If you negotiate a settlement that is accepted by the collector, get the agreement in writing. In the case of multiple loans with the same lender, make sure all loans in the settlement agreement are specifically listed by account number and amount. Also know that the forgiven amount can be listed on your credit report and you could owe taxes on that amount. However, if your total liabilities exceed your total assets when you file your tax return, you may be able to avoid paying taxes on forgiven debt. Learn more about "insolvency" at the IRS (*http://bit.ly/2jTcdXU*).

Tip: Ask the lender to report the debt to the credit bureaus as "paid in full" instead of "settled." Have an attorney with student loan experience review the deal. Look for an attorney at the National Association of Consumer Advocates (*http://bit.ly/2nV9otW*). ■

Forgiveness

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REPAYE, PAYE, IBR or ICR.)

3. Work full-time for an eligible public service employer (*https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service*)

4. Make 120 on-time payments (They don't have to be in a row.)

If you are a public servant and *don't* have Direct Loans, you can make qualifying payments toward PSLF by transferring your loans into a Direct Consolidation Loan (*https://studentaid.ed.gov/sa/repay-loans/consolidation#how-apply*). To learn which type of federal student loans you have, ask your servicer or log in to your Federal Student Loan account (*https://studentaid.ed.gov/*). The loan should have the word "Direct" in the name.

To qualify: You must also be working full-time for an eligible employer at the time you apply and receive loan forgiveness. Eligible employers include the U.S. government, the Peace Corps, and non-profit organizations that provide certain public services.

To verify that your job qualifies for loan forgiveness, you can file an employment certification form with the U.S. Department of Education (*http://bit.ly/2C74blV*) every time you switch public service employers. However, you are not required to submit the certification form until you officially apply for loan forgiveness. However, once you submit the certification form, your loan will be transferred from your current servicer to FedLoan.

Keep good records: It's important to have your employer fill out and sign sections 3 and 4 of the employer certification form prior to your switching public service jobs. Store the signed form safely even if you don't submit it to the Department until you officially apply for PSLF (*http://bit.ly/2BHrOob*).

Keep evidence of timely payments: Save online payment confirmations or paper receipts showing the dates and amounts you paid your 120 on-time monthly payments. "On-time" means received by the servicer no later than 15 days after the due date.

Perkins public service loan forgiveness: Full-time public servants with Federal Perkins Loans, including teachers, firefighters, law enforcement and corrections officers, nurses, medical technicians, attorneys and those who served in the U.S. military, also may apply to have 70-100 percent of their Perkins Loans forgiven. The forgiveness level depends on your years of service. To see if you qualify, check out this discharge summary chart (*https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/charts*).

Military benefits: Servicemembers are advised to apply for income-driven repayment plans and PSLF loan forgiveness instead of deferring student loan payments and racking up extra interest. Also, active duty military members are eligible for interest rate reductions on private student loans (and other loans) under the Servicemembers Civil Relief Act (SCRA) (*https://www.justice.gov/servicemembers/servicemembers-civil-relief-act-scra*).

Note: As we go to publication, Congress is deliberating over eliminating Public Service Loan Forgiveness. If PSLF is eliminated, only borrowers with loans finalized prior to July 2018 would be eligible for forgiveness under the program.

Forgiveness by discharge

Disability discharge: A total and permanent disability (TPD) discharge relieves you from repaying your Federal Direct Loans, Federal Family Education Loans (FFEL), Federal Perkins Loans or a TEACH Grant if you can prove that you are unable to work because of an injury or illness from which you are not expected to recover. You may qualify for a TPD discharge if you already receive Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) benefits, the U.S. Veterans Administration has determined that you are unemployable, or a doctor certifies that you're unable to work for longer than five years.

You can start the TPD application process here (*https://disabilitydischarge.com/*).

Borrowers approved for a student loan disability discharge will be monitored for three years and will need to submit supplemental health and income documentation to prove they are still eligible for discharge. Red flags that may put your disability discharge at risk include taking out new student loans during the three-year period and changes to your SSI status.

Remember that TPD debt relief comes with tax liability. If more than $600 of debt is forgiven, it must be reported on your income tax return. But Congress is now considering eliminating this tax burden for those with permanent disabilities and those who have died.

If you are insolvent—your liabilities exceed your assets—when the debt is cancelled, you may be able to avoid the tax bill. Speak with a certified tax preparer to learn more.

Wronged borrowers

False certification: Borrowers whose school or program has wronged them have a few options for debt relief and may have the right to be reimbursed for previous amounts paid on their loans. Borrowers may be eligible for Federal Direct Loan or FFEL discharge under False Certification relief if their school or training program forged their name on loan documents, deemed them eligible to receive loans that they didn't meet the requirements for or were approved to train for an occupation they were disqualified from (for physical, age, criminal background or other reasons). Victims of identity theft who had student loans taken out in their names by imposters can also have loans discharged under False Certification. To apply for False Certification debt relief, contact your loan servicer.

Defrauded student loan relief: Borrower Defense to Repayment may be an option for students who believe their school violated state laws or defrauded them, although federal legislation's been proposed to restrict this avenue.

Active duty military members are eligible for interest rate reductions on private student loans under the Servicemembers Civil Relief Act (SCRA).

This rule applies to debts owed to fraudulent for-profit schools that used deceptive recruitment practices and faked their job placement rates (like the now defunct Corinthian Colleges).

If you suspect your school has engaged in fraudulent practices, it's important to keep records from your time in the program, including recruiting materials, any documents you signed, emails with college staff, class assignments and your financial records.

At press time, the Trump administration had halted reviews of applications for Borrower Defense to Repayment, and is taking public comments on a plan to delay the regulation (*http://wapo.st/2ktKsVI*).

This leaves tens of thousands of borrowers in financial limbo. Their plight was recognized in late December when the U.S. Education Department's inspector general issued a report saying there is no excuse for failing to clear the backlog of claims. The Department responded that release of approved claims was "imminent."

The uncertainty should not stop you from filing an application for Borrower Defense to Repayment, particularly if you've attended a school that has already been found guilty of wrongdoing.

Once the Department of Education receives your application, your loans will be placed in forbearance while your case is reviewed (forbearance allows you to postpone or reduce payments temporarily). Even though you won't have to make monthly loan payments during forbearance, interest on the loans still accrues.

Continue to make monthly loan payments until your loan servicer confirms that your loans are officially in forbearance, otherwise you'll be considered delinquent on your loans and this will damage your credit history and credit score.

If your application is approved, 100 percent of your remaining student debt should be forgiven. If you have Direct Loans (only), you will receive reimbursement for the money you've already paid toward the fraudulent debt. If your application is denied, your loans will be removed from forbearance and you'll be responsible for continuing to repay the debt, including any interest incurred during the forbearance period.

Closed school discharge: If your school abruptly closes while you're enrolled, file for a Closed School Discharge to wipe out your Direct, FFEL or Federal Perkins loans.

To qualify, you must have been enrolled within 120 days of the school closing, you must not be eligible to graduate, or you must not have completed a comparable program ("teach-out") at another school or transferred credits elsewhere.

Contact your loan servicer to apply for Closed School debt relief. You'll need to submit your academic transcripts with the application, which might be difficult if your school is not operating. Contact your state Department of Education or your state's attorney general for help in tracking down your transcripts.

Bankruptcy

Discharging any student loans in bankruptcy is very difficult. To be successful, you must show that repaying the debt will impose "undue hardship," though it's up to the court to decide what this vague standard means.

To prove hardship, debtors should be able to demonstrate that:

1) Current income and living expenses don't allow the debtor to maintain a minimal standard of living while repaying the loans;

2) There's proof these conditions will continue; and

3) The debtor has made a good faith effort to pay down the debt in the past.

If you would like to attempt to discharge your student loans in bankruptcy, you will need to hire a lawyer who specializes in student lending. The National Association of Consumer Advocates website (*http://bit.ly/2nV9otW*) is a good place to start your search.

Seeking loan forgiveness is stressful and challenging, but it could save you thousands and prevent many years of financial hardship. ■