STUDENT AND MEDICAL DEBT

Understanding the Impact and Protections Available During the COVID-19 Pandemic

Hope Turbert, Esq.
Legal Services of the Hudson Valley
CARES ACT

- Coronavirus Aid, Relief, and Economic Security Act AKA CARES Act
- Passed March 19, 2020 in response to Coronavirus/COVID-19 pandemic
- Purpose: To provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic
- Provides economic aide for:
  - Individuals
  - Big Corporations
  - Small Businesses
  - State and local governments
  - Public health
  - Education
CARES ACT AND STUDENT LOANS

• Provides economic relief for borrowers with federal student loans *owned by the federal government*

• Freezes your loan in time – on September 30, 2020, your balance will be the same as it is today

• Your lender must be the federal government – only applies to federal loans that are federally held
CARES ACT PROTECTIONS FOR STUDENT LOANS

• 1. No federal student loan payments thru 9/30/2020 (retroactive to March 13, 2020)

• 2. No interest on your federal student loan payments during nonpayment; and

• 3. No garnishment of wages, Social Security and tax refunds for student loan debt collection for those in default.

• The period of nonpayment still counts towards loan forgiveness (for non-profit or rehabilitation programs)

• Lack of payments during this time not reported as missed payment w/ credit reporting bureau
TYPES OF STUDENT LOANS

- **Federal:** guaranteed by the US Department of Education
  - Some are eligible for CARES Act protections

- **State:** New York State does not currently issue loans, but does service some older loans through HESC
  - Not eligible for CARES Act protections
  - However, NYS has suspended collection of student debt referred to the Office of the Attorney General for collection through at least May 17, 2020. This benefits students that owe student debt due to State University of New York campuses

- **Private:** privately originated/serviced, treated like any other debt when it comes to collections, credit reporting, bankruptcy
  - Not eligible for CARES Act protections
TYPES OF FEDERAL STUDENT LOANS

- **FFELP** – Federal Family Education Loan Program
  - Issued by a bank or guarantee agency
  - If default, loan transferred to guarantee agency

- **Direct Loan**
  - Originated by US DOE, default remains w/ DOE
  - Two types of Direct Loans:
    - 1. **Stafford Loans** – no credit needed
      - Subsidized – needs based, government pays interest during deferment
      - Unsubsidized – not needs based, government does not pay interest during deferment
    - 2. **PLUS loans** – credit lightly considered. Amount based on school’s budget: tuition, room and board, transportation, computer/books, study abroad, etc
      - Parent plus – parent borrows money for bachelors or associates level students; upon graduation, parent still liable until paid off, no mechanism to transfer liability to the student
      - Graduate plus – graduate student borrows money; student is liable

- **Perkins Loan**
  - Originated by school, paid to school, school does collections if default
WHICH LOANS ARE ELIGIBLE FOR CARES ACT BENEFIT?

- All **Direct Loans** taken out since 2010, including direct parent plus loans and graduate plus loans
- Some FFELP loans – about 10%
- A handful of Perkins loans
  - If the US DOE bought back your FFEL or Perkins loan during the recession, the loan will qualify
- If unsure:
  - Login to studentaid.gov and see who your lender is
  - If Lender is Department of Education, your loan qualifies
  - If it has a bank name as lender, even if it is considered a federal loan, it does not qualify because it is not federally held.
STOPPING LOAN PAYMENTS

- Relief is automatic if your loan qualifies
- Give your servicer until mid-April to contact you
- Keep an eye on statements
- If automatic payment is automatically processed, can ask for a refund
- If you qualify for CARES relief but kept your job and can afford to continue paying, consider doing so. With 0% interest you will chip away at the principal faster during this time
- If working towards non-profit loan forgiveness, do not continue paying even if still working – you’ll be 6 months closer to loan forgiveness!
WHAT IF YOUR LOANS ARE NOT COVERED BY THE CARES ACT?

• Good news for New Yorkers!

• New York State reached an agreement with the largest student loan servicers in New York to obtain relief for student loan borrowers experiencing financial hardship due to COVID-19 who contact their private student loan servicer.

• Per Governor Cuomo: “The New York State Department of Financial Services will issue guidance that reflects and complements the State's agreement with the private student loan industry and that also directs regulated student loan servicers to quickly and appropriately implement the relief provided by the federal CARES Act for borrowers whose loans are federally owned. New York student loan borrowers should visit DFS' website for more information about available student loan relief.”
WHICH LOANS BENEFIT FROM NEW YORK’S AGREEMENT?

• Private loans

• Privately held FFELP loans

• Loan servicers who have agreed to this relief include:
  • Navient
  • Nelnet
  • PHEAA
  • MOHELA
  • And others

• This relief reportedly covers 90% of privately held loans in NYS
WHO QUALIFIES FOR RELIEF UNDER NEW YORK’S AGREEMENT?

- This agreement is only for borrowers who are experiencing hardship due to COVID-19

- Borrowers must contact servicers for relief; it is not automatic

- What constitutes a hardship due to COVID-19 and what sort of documentation is needed will likely vary by servicer
BORROWERS CAN REQUEST THE FOLLOWING RELIEF

- At least 90 days of forbearance relief for borrowers;
- No late fees during this period;
- No negative impact to your credit report;
- No student loan debt collection lawsuits for 90 days; and
- Help with enrolling in borrower assistance programs.
NYS RESOURCES

- https://www.dfs.ny.gov/press_releases/pr202004072


- https://www.dfs.ny.gov/industry_guidance/industry_letters/il20200407_student_loan_servicers

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If you have federal loans that do not qualify for CARES Act relief (or NYS relief) and you’ve recently lost work, you can apply for an income-based repayment plan if you’re not already on one, or recertify your income if you are. If you are not in default and your income has been significantly reduced, you could possibly qualify for $0 payment.

Can also call your lender and ask for forbearance due to economic hardship.

Can try consolidating CARES ineligible FFEL or Perkins loans in order to covert them into eligible loans.
  • CAUTION: could have implications if you were working toward loan forgiveness by resetting the clock.

For private loans, call your lender, most are being flexible.
If you had to leave campus and are now learning remotely, you may be able to get some of your money back.

Most schools are reimbursing students for some of their non-tuition costs, such as housing, meals and facility fees.

Unlikely to receive a tuition discount if your college switches to online learning.

Schools will likely offer a credit to use for a future payment to the school or a direct refund, and it all depends on the school’s policy and whether the student will graduate or return next year.
• Current students who receive refunds can keep refunds from unused loans, but it’s still borrowed money you have to repay later, with interest

• Consider returning those funds to your lender, especially if you have an unsubsidized federal loan, PLUS loan or a private loan, which all accrue interest while you’re in school

• Remember that you WILL be paying this money back some day. If you do keep your refunds, consider setting the monies aside for next year
CLOSED COLLEGES

• If your college closed completely (no remote learning), ask for a refund for all pro-rated costs, including tuition

• If remote learning, ask for refund for non-tuition payments

• Some schools are not offering refunds for non-tuition costs – work directly with your school to find out

• Some schools may allow students to continue living in dorms if they have no other options, such as low income or homeless students. Work directly w/ the school.
If your school or employer closes and you lose your federal work-study job, you may be eligible to receive multiple payments or a one-time grant for the remaining period you were supposed to work.

The amount you receive will be based on your award amount rather than hours worked.

Contact your college to find out how they are carrying out this policy.
EMERGENCY AID FOR COLLEGE STUDENTS

- Colleges may have emergency funds already available

- CARES Act provides $7 billion in funds to colleges specifically designated for emergency financial aid

- The CARES Act also mandates that schools can use Supplemental Education Opportunity Grant funds to provide emergency aid to students experiencing a qualifying emergency due to COVID-19
  - This could include emergency grants, loans, scholarships or vouchers to cover expenses related to schooling and housing

- Some colleges may offer an emergency fund for students who need help with travel or storage expenses in order to leave campus
CHANGING LOAN LIMITS AND FINANCIAL AID

- For those who don’t complete college this semester, the CARES Act calls for colleges to waive lifetime limits on certain aid, including Pell Grants. That means any federal direct loan or Pell Grant money you used for school this semester won’t count toward your lifetime limit for either aid type.

- You can request more financial aid. Even if you have already filed the Free Application for Federal Student Aid, you can appeal your award. If your family’s finances have changed due to events like job loss or medical expenses from this virus, you should look into an increased award.

  - To update the FAFSA, sign in to fasfa.ed.gov and click on “Make FAFSA Correction.” Deadline to make changes is June 30, 2020 for the 2019-2020 school year.
  - To update your FAFSA for 2020-21 you have until June 30, 2021.
All schools in the SUNY system are required to utilize remote learning through the rest of the semester.

SUNY administrators have authorized institutions to credit students for the unused portions of room, board, meal plans and campus fees.

Campuses are also encouraged to consider creating student accounts to accommodate the exchanges of these funds and/or credits.

Some schools will put credit into a bank to be applied to next semester for returning students.

Graduating students should apply for refunds.
NEW YORK MEDICAL DEBT

- The federal response to COVID-19 does not address collection of medical debt

- New York State is suspending all collection of medical debt that has been referred to the Office of the Attorney General for collections through at least May 17, 2020
  - This only applies to patients that owe medical debt due to the five state hospitals and the five state veterans' homes
  - Interest and collection fees will not accrue

- If your medical debt is private, it is still subject to collection
Consumer protection groups and activists are constantly advocating for protections for consumers who owe debt during the COVID-19 pandemic.

The information is changing constantly.

Advice: contact your creditor, see if they are willing to work with you on payment plans. If your debt is referred to collections and you are unable to pay, it is likely the collections agency will be unable to file a collections lawsuit in NYS courts at this time, as filings are limited to essential matters.
The White House has promised no surprise medical bills related to coronavirus testing and treatment, and this would apply to hospitals accepting funding from the emergency relief bills.

The prohibition on surprise billing will protect patients covered by government programs, employer plans or self-purchased insurance.

Hospitals that accept the grants will have to certify that they won't try to collect more money than the patient would have otherwise owed if the medical attention had been provided in network.

There is no clarity on how uninsured coronavirus patients will be treated.
HEALTH INSURANCE IN NYS

- Deferral of insurance payment premiums: per the DFS “Regulations will be issued in the near future allowing consumers and small businesses experiencing financial hardship due to COVID-19 to defer paying health insurance premiums through June 1, 2020. Details will be available once the regulation has been issued.”

- Telehealth services are encouraged with waived copays

- NY State of Health insurance exchange special enrollment period:
  - DFS: “The special enrollment period for uninsured New Yorkers is open until May 15, 2020. If you lost employer coverage, you must apply within 60 days of losing coverage. Because of a loss of income, New Yorkers may also be eligible for Medicaid, the Essential Plan, subsidized Qualified Health Plans or Child Health Plus.”

- New York is saying testing and diagnosis will be covered with no copay or deductible. Patients still responsible for cost of treatment
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