

Karen Bauer

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STUDENT DEBT: MY CLIENTS AND ME

Wednesday, June 23, 2020

About me

First-generation college-grad

Went to law school at age 35

No help from parents to finance any of my education

Obtained limited scholarship funding in law school

- Degrees:
 - MATC: 1997
 - UW- Milwaukee: 2004
 - ✦ Started this degree in 1990, and dropped out 3 times for financial reasons.
 - ✦ I couldn't be considered independent until I was 23 so I couldn't get financial aid.
 - UW – Madison: 2009
- Debt at graduation from law school = \$129,000
- Debt today = \$160,100

Timeline

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- Consolidated my loans in October 2009
- Started paying when I started working at Judicare in Wausau in December 2009
- Thought I would get PSLF in December 2019
- **WRONG!**
- I needed 120 payments and wasn't eligible to apply until May 2020.
- Missing 6 payments
 - 3 of those were administrative forbearances on my account.
 - 3 of them are payments made before issuance of the ECF that are now too late to document using bank statements.

What happened?

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- The Employment Certification Form tells you which payments count toward PSLF
- ECF issued by DOE in Jan. 2012
- Like many borrowers, by the time I finally submitted an ECF and got a response, I was 3 years into repayment. The response was wrong.
- I had to fight to get my loan servicer to properly credit my payments, even going to my Congressional delegation for help.
 - I had to give up on 3 of them, because of lack of documentation on my end. I did get 3 administrative forbearances removed though.

My PSLF Application

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- I had to apply three different times. The first two times they rejected my applications based on “technicalities”
- On June 14, I found out that my payments in April and May weren’t counted because of the special COVID forbearance – they had to enter them manually.
- They never sent me anything about this. I had to call 3 times to get an answer about what was going on. This has repeatedly been an issue.

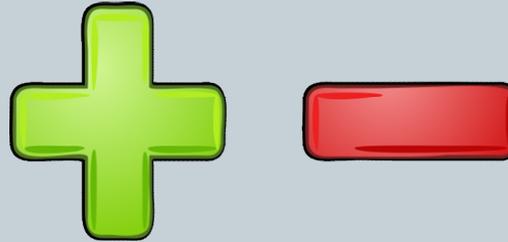
Summary: PSLF Problems

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- My experience was more seamless than most!
- The issue with the admin forbearances has been fixed now (or this is what I have been told)
- Many borrowers with payments made from 2007 – January 2012 (before the ECF form was out) have issues with missing payments and cannot prove they paid because they don't have bank records going back that far.
- Employees of servicers vary widely in competence, and communications via mail are confusing.

Because of my loans/public service career:

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- + Education
- + Love my work
- Bought home late in life
- Low financial security (savings).
- Lost \$\$\$ in tax deductions
- Risk adverse in career

My clients

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- All of my clients are below 125% of federal poverty level.
- Many receive Social Security income because they are elderly or disabled. (Never told about TPD discharge)
- 80% are African-American/Latinx.
- Victims of predatory for-profit colleges.
- Many receive forbearances when IDR would be more beneficial long-term.
- Many are in default.
 - Wage garnishments and
 - Tax refund seizures

What my clients tell me

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- Encouraged to do forbearance when they couldn't pay.
 - Why? Faster for servicer to get them off the phone.
- They don't understand the mailings from servicers.
- When they go into default, it is impossible to get out.
 - Options to get out aren't explained well and requirements are onerous
- They thought they were doing something that would benefit them by enrolling in school.
 - Their degrees were useless because the schools over-promised.
- Why didn't the servicer give them info about programs that would actually help them?

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- **For me (1989 to 1994)**
 - Provide state-funded program for true independent students like I was. If I had financial aid back then, I might have finished my degree in 4 or 5 years – not 14. I also would have had better grades – working 2-3 jobs and attending school full-time doesn't lead to academic excellence.
- **For me (2009 – 2020)**
 - Provide incremental public service loan forgiveness for those of us working toward a better Wisconsin.
 - Being unable to change jobs because of my debt load meant missed opportunities.

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- **For my clients in general**
 - Better oversight of for-profit colleges, with outside loan counselors to help them make decisions about borrowing that match their career prospects.
- **For my disabled clients**
 - Send out mailings to state residents who receive SSI/SSDi due to disability so they can obtain Total and Permanent Disability discharges of their debt.
- **For every Wisconsinite**
 - Have a State Ombudsman's office to provide help to the borrowers who have complex situations or fund legal services lawyers to do this work.

QUESTIONS?

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- Feel free to ask me anything. I mean that.
- I will provide more facts and figures about why I felt “stuck” in my career due to my student loan debt and expected loan forgiveness. Those will be sent later.