

Background: Recommendation to forgive outstanding NEYM Student Loans

By Frederick Martin, Accounts Manager, 2/7/2020

New England Yearly Meeting currently has twelve student loans outstanding (receivable) in the Student Loan Fund, all of them dating from earlier than 2010, most before 2008. The balances of the twelve range from less than \$1,000 up to \$13,100, most in the \$3,000-\$5,000 range, while the total amount due to NEYM is \$49,493 as of the end of FY19, shown on our balance sheet in 1200 Accounts Receivable (and as most of the equity remaining in 3755 Student Loan Revolving Account).

Although a few of the loan recipients are still paying regularly or have communicated about paying in the past few years, most have not paid or communicated since 2014 or before. The working group that Permanent Board appointed around 2013 (PB minute 13-117) contacted many of them but did not keep up contact afterwards. The number of people whose contact information is outdated has probably grown since then. Members of the working group recommended forgiving several of the loans, which was not done; see also the 5/3/2014 report "Recommendation from Student Aid Revisioning Committee" which recommended forgiving all borrowers. However, in 2015, Permanent Board decided not to forgive the loans: see PB minute 2015-30.

From the financial perspective within NEYM, some of these loans are clearly uncollectible, meaning it's not a good reflection of reality to keep them on our balance sheet as an asset; while some others are not collectible without devoting more effort and resources to communication. Even collecting from the people who are currently paying requires time spent in bookkeeping and reporting. There are also issues of fairness, integrity and justice to consider in a situation with uneven communication. I would personally urge Friends to bear in mind that forgiving the loans of people who have severed contact with us, while retaining the loans of people who stay in contact with us and pay in good faith, is not an equitable situation.

There are potential tax consequences for individuals; however, it is fairly clear that NEYM does not have any need or requirement to file tax reports about forgiven loans, because New England Yearly Meeting is not an "organization whose significant trade or business is the lending of money, such as a finance company or a credit card company." (IRS Form 1099-C Instructions)

Possible courses of action:

- Keep all the loans on the books, and make a clear plan renewing efforts to contact borrowers. According to PB 2015-30 any payments received would go into the general operating fund.
- Forgive all the loans, and send letters to the borrowers notifying them.