The Good News!

- New loan forgiveness programs
- New Income-Based Repayment (IBR) option
A New Federal Loan Forgiveness Program

- Public Service Loan Forgiveness Program (PSLF)
Additional Programs for Prosecutors & Legal Aid Attorneys

Following federal programs are subject to annual federal budget appropriations for funding and awards to be made to eligible borrowers:

- John R. Justice Student Loan Repayment Program
- Civil Legal Assistance Attorney Student Loan Repayment Program

Visit Equal Justice Works at www.EqualJusticeWorks.org for more information about these two programs
Loan Forgiveness

Public Service Loan Forgiveness Program (PSLF)
Key Points

- DIRECT Loans only
- Full-time public service employment for 10 years
- IBR or ICR payment option
**PSLF**

**To apply for loan forgiveness:**

- Eligible DIRECT Loans cannot be in default, **AND**

- Must have worked full-time for 120 months* in **qualifying** public service position, **AND**

- Must have made 120 **qualifying** loan payments on DIRECT Loans during period of qualifying employment.

*Months do not need to be consecutive
Eligible Loans

Following loans are eligible for PSLF:

- Federal DIRECT Sub/Unsub Loans
- Federal DIRECT Grad PLUS Loans
- Federal DIRECT Consolidation Loans

Check your loans at: www.nslds.ed.gov

FFEL loans must be consolidated in the Federal Direct Loan Program at www.LeanConsolidation.ed.gov to be eligible for PSLF
To access, enter:

- SSN
- First two letters of last name
- Birthdate
- Dept. of Ed PIN
# FFEL vs. Direct

## Federal Family Education Loan Program (FFEL)
- Original lender was commercial entity
- FFEL loans can be sold to another entity
- FFEL loans must be consolidated in Direct Program to be eligible for Public Service Loan Forgiveness (PSLF)

## Federal Direct Loan Program (Direct)
- Original lender was U.S. Department of Education (ED)
- Direct loans currently cannot be sold
- Only Direct Loans are eligible for PSLF
Qualifying Employment

Must be FULL-TIME, paid employee of a:

- 501(c)(3) organization exempt from taxation under section 501(a) of the IRS Code of 1986, OR

- Government (federal, state, local, tribal) agency in U.S.

Full-time employment is defined as greater of:
- 30 hours/week, or
- Employer’s definition of full-time
Qualifying Payments

Payments must be made using:

- Income Based Repayment (IBR)
- Income Contingent Repayment (ICR)
- Standard Repayment (10-year fixed plan)

OR

- Amount paid each month must be no less than payment based on a 10-year loan period
# Potential Pros and Cons of PSLF

<table>
<thead>
<tr>
<th><strong>Pros</strong></th>
<th><strong>Cons</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increases financial feasibility of pursuing a public interest/public sector legal career if you have student loan debt</td>
<td>“All or nothing” benefit; you must put in full 10 years/120 months of qualifying public service employment/loan payments</td>
</tr>
<tr>
<td>Portion of eligible federal student loan debt may be forgiven</td>
<td>Only Direct Loan debt can be forgiven</td>
</tr>
<tr>
<td>Entitlement</td>
<td>Currently no process to confirm eligibility prior to completing 120 months of qualifying employment</td>
</tr>
</tbody>
</table>
Suggested Steps to Participate in PSLF

- Consolidate any FFEL program loans in the Federal Direct Loan Program at: www.LoanConsolidation.ed.gov
- Use IBR to repay your eligible loan(s)
- Make 120 payments (on-time) while employed full-time in qualifying public service position(s)
- Keep good records regarding all qualifying employment
- Submit “Employment Certification Form for PSLF” to loan servicer annually
- Apply for PSLF after 120 months of qualifying activity has been completed
NEW for PSLF!
Employment Certification Process

- Complete “Employment Certification for Public Service Loan Forgiveness” form annually OR whenever you change jobs
- Form is available at: www.studentaid.ed.gov/publicservice
- Submit completed form to FedLoan Servicing
- FedLoan Servicing will review and process form
- FedLoan Servicing will inform you regarding your current status toward meeting the PSLF requirements
- FedLoan Servicing will become your federal loan servicer if you are making progress toward qualifying for PSLF
Suggested Employment Records for PSLF

- Documentation that you worked full-time every month you made a qualifying payment on your Federal Direct Loan debt
- Documentation of what your employer(s) consider “full-time” employment
- Documentation that your employer(s) is/are an eligible employer
Repayment Option

Income-Based Repayment (IBR)
Income-Based Repayment

Important Questions to Answer

- Who can benefit?
- What loans are eligible?
- How do you qualify?
- How is payment calculated?
- What else do I need to know?
IBR
Who can benefit?

Borrowers:

- Needing more affordable payments
- With high loan debt relative to income
- Pursuing public service career
IBR

What loans are eligible?

- Federal Stafford Loans
- Federal Direct Loans
- Federal Grad PLUS Loans
- Federal Consolidation Loans
  (cannot include payoff of a Parent PLUS Loan)
To enter IBR, you must have:

PARTIAL FINANCIAL HARDSHIP (PFH)
Partial Financial Hardship
A Technical Definition

“You have a partial financial hardship if the monthly amount you would be required to pay on your IBR-eligible loans under a Standard Repayment Plan with a 10-year repayment period (based on the greater of the amount you owed on those loans when they initially entered repayment or the amount you owe when you request IBR) is higher than the monthly amount you would be required to repay under IBR.” (U.S. Department of Education, IBR Program Q&As, February 7, 2011)
A simpler view ...

Partial financial hardship exists when:

Standard 10-year payment $$$$$$ > IBR payment $$
PFH generally exists when:

Total eligible debt at start of repayment 

exceeds 

Household AGI
## Sample AGI Thresholds to Qualify for IBR in 2011

<table>
<thead>
<tr>
<th>Stafford Loan Debt</th>
<th>Household AGI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HH size = 1</td>
</tr>
<tr>
<td>$10,000</td>
<td>$25,541</td>
</tr>
<tr>
<td>$15,000</td>
<td>$30,145</td>
</tr>
<tr>
<td>$20,000</td>
<td>$34,748</td>
</tr>
<tr>
<td>$25,000</td>
<td>$39,351</td>
</tr>
<tr>
<td>$30,000</td>
<td>$43,954</td>
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<tr>
<td>$50,000</td>
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<td>$75,000</td>
<td>$85,383</td>
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<tr>
<td>$100,000</td>
<td>$108,399</td>
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<tr>
<td>$150,000</td>
<td>$154,431</td>
</tr>
<tr>
<td>$200,000</td>
<td>$200,464</td>
</tr>
</tbody>
</table>

Assumptions: Interest rate = 6.8% and borrower resides in 48 contiguous states
When PFH exists, IBR payment is based on:

- Household AGI
- Household size
- HHS Poverty Guidelines
IBR

“Household AGI”

- Your AGI
- Spouse’s AGI, only if joint federal tax return was filed

NOTE: Household’s eligible debt in PFH determination will include spouse’s eligible debt, if spouse’s AGI is included
IBR

“Household Size”

- You
- Spouse
- Dependent children in household
- Other dependents in household who receive $\geq 50\%$ support from you
Annual amount paid in IBR is 15% of “disposable income”

- **Household AGI**
  - “Disposable” Income
    - **Annual IBR payment**
      - (15% of disposable income)
    - **Remainder of “disposable” income**
    - **AGI protected to cover basic needs**
      - (150% of poverty line)
## Sample IBR Payments

<table>
<thead>
<tr>
<th>Household AGI</th>
<th>2011 Monthly PFH Payment in 48 states</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HH Size = 1</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
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<tr>
<td>$10,000</td>
<td>$0</td>
</tr>
<tr>
<td>$20,000</td>
<td>$46</td>
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<tr>
<td>$30,000</td>
<td>$171</td>
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<tr>
<td>$40,000</td>
<td>$296</td>
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<tr>
<td>$50,000</td>
<td>$421</td>
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<tr>
<td>$60,000</td>
<td>$546</td>
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<tr>
<td>$70,000</td>
<td>$671</td>
</tr>
<tr>
<td>$80,000</td>
<td>$796</td>
</tr>
<tr>
<td>$90,000</td>
<td>$921</td>
</tr>
<tr>
<td>$100,000</td>
<td>$1,046</td>
</tr>
</tbody>
</table>
## Sample IBR Payments, cont.

<table>
<thead>
<tr>
<th>Household AGI</th>
<th>2011 Monthly PFH Payment in 48 states</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HH Size = 1</td>
</tr>
<tr>
<td>$100,000</td>
<td>$1,046</td>
</tr>
<tr>
<td>$110,000</td>
<td>$1,171</td>
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<tr>
<td>$120,000</td>
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<tr>
<td>$130,000</td>
<td>$1,421</td>
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<tr>
<td>$140,000</td>
<td>$1,546</td>
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<tr>
<td>$150,000</td>
<td>$1,671</td>
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<tr>
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<tr>
<td>$190,000</td>
<td>$2,171</td>
</tr>
<tr>
<td>$200,000</td>
<td>$2,296</td>
</tr>
</tbody>
</table>
IBR

What happens if PFH ends?

- Remain in IBR
  - Pay initial original 10-year amortization amount
- Exit IBR
If exiting IBR ...

- Must switch to Standard Repayment Plan
- New monthly payment is based on:
  - Total eligible debt remaining
  - Amortized over number of months remaining in original 10-year period when loan(s) first entered repayment
- Must remain on Standard plan for up to 12 months before switching to another plan
IBR
Negative Amortization

- IBR payment can be less than accrued interest
- Unpaid interest accrues
- Debt increases
Interest Subsidy in IBR

Unpaid interest accruing on subsidized Direct/Stafford loan debt is paid by government for up to first 3 consecutive years in IBR plan.
Maximum Loan Period and Loan Cancellation in IBR

- IBR repayment period can extend to maximum of 25 years
- Debt remaining after 25 years in IBR is forgiven (taxable benefit)
Sample Case Study
You can use this calculator to estimate monthly payments using Income-Based Repayment (IBR) and to estimate the amount of loan forgiveness you might receive from the Public Service Loan Forgiveness Program if you satisfy all of the eligibility requirements.
## PSLF – Sample Case

### Assumptions

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible federal student loan debt</td>
<td>$113,419</td>
</tr>
<tr>
<td>1(^{st}) year Household Adjusted Gross Income (AGI)</td>
<td>$39,000</td>
</tr>
<tr>
<td>Assumed annual increase in AGI</td>
<td>3%</td>
</tr>
<tr>
<td>Assumed annual increase in poverty guideline</td>
<td>3%</td>
</tr>
<tr>
<td>Assumed AGI in 10(^{th}) year</td>
<td>$50,886</td>
</tr>
</tbody>
</table>

### IBR Payment Information

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBR monthly payment in 1(^{st}) month</td>
<td>$284</td>
</tr>
<tr>
<td>IBR monthly payment in 120(^{th}) month (max)</td>
<td>$371</td>
</tr>
<tr>
<td>Total amount paid in IBR over 10 years</td>
<td>$39,129</td>
</tr>
</tbody>
</table>

### Estimated Loan Forgiveness

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total accrued interest forgiven after 10 years</td>
<td>$40,157</td>
</tr>
<tr>
<td>Total principal forgiven after 10 years</td>
<td>$113,419</td>
</tr>
<tr>
<td>Total amount forgiven after 10 years</td>
<td>$153,576</td>
</tr>
</tbody>
</table>

*Calculations made using 2010 poverty guideline and IBR calculator at: FinAid.Org/calculators*
Loan Repayment Calculators

Calculators are available online, e.g.,

- StudentLoans.gov
- FinAid.org
- SallieMae.com
- IBRinfo.org
- MappingYourFuture.org
Loan Repayment

Final Comments
Do you now know what these mean?

- Grace
- FFELP
- Direct
- Servicer
- NSLDS
- Standard
- Extended
- IBR
- Consolidation
- Prepayment
For more information ...

- U.S Department of Education
  www.StudentAid.ed.gov/PublicService

- Equal Justice Works
  www.EqualJusticeWorks.org

- Project on Student Debt
  www.IBRinfo.org

- FinAid
  www.FinAid.org
THE GOOD NEWS:
Options exist to help you repay your federal student loans if you are planning a career in public service!