Good News!

Borrowers now have:
- Loan forgiveness options
- Income-defined repayment options
- Loan Repayment Assistance Programs (LRAPs)
  - UC Hastings PICAP Program

Loan Forgiveness

Public Service Loan Forgiveness Program (PSLF)
What is PSLF?

Public Service Loan Forgiveness (PSLF) is a federal program that provides for the forgiveness of any outstanding balance on a Federal Direct Loan once the borrower completes 120 months of qualifying public service while in repayment on that loan.

Public Service Loan Forgiveness Program (PSLF)

- Created by the “College Cost Reduction and Access Act” (CCRAA) of 2007 (Pub. Law 110-84)
- Became effective October 1, 2007
- Loan repayment benefit—NOT a loan repayment plan
- Can apply for the benefit once you complete 120 months of “qualifying public service”
- Months do not have to be consecutive
- Only Federal Direct Loans are eligible for forgiveness
- Amount forgiven is tax-free

What constitutes a month of “qualifying” public service?

You must satisfy two conditions during the month for that month to count:

1. Employed as a paid employee of a qualifying public service organization, AND
2. Make an on-time “scheduled” qualifying payment on your qualifying Direct Loans
PSLF
The key is “qualifying” ...

- Qualifying Loans
- Qualifying Employment
- Qualifying Payments

Qualifying Loans

Following loans qualify for PSLF:
- Federal DIRECT Sub/Unsub Loans
- Federal DIRECT Grad PLUS Loans
- Federal DIRECT Consolidation Loans

Check your loans at: NSLDS.ed.gov

FFEL, Perkins, HPSL, LDS, and NSL loans must be consolidated (i.e., refinanced) through the Federal Direct Loan Program to qualify for PSLF. To consolidate loans, go to: StudentLoans.gov

FFEL vs. Direct

<table>
<thead>
<tr>
<th>Federal Family Education Loan Program (FFEL)</th>
<th>Federal Direct Loan Program (Direct)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lender was private institution</td>
<td>Lender was U.S. Department of Education (ED)</td>
</tr>
<tr>
<td>FFEL loans can be sold to another entity</td>
<td>Direct loans won’t be sold</td>
</tr>
<tr>
<td>Loans may be serviced by lender or 3rd party</td>
<td>Loans are serviced by one of five federal contractors</td>
</tr>
<tr>
<td>FFEL loans sold to Dept. of Education do not become Direct Loans—must be consolidated in Direct Program to be eligible for Public Service Loan Forgiveness</td>
<td>Only Direct Loans are eligible for Public Service Loan Forgiveness</td>
</tr>
</tbody>
</table>
NSLDS.ed.gov
“Financial Aid Review”—A Useful Resource

To access, enter:
• SSN
• First two letters of your last name
• Birthdate
• Dept. of Ed PIN

Duplicate PIN available at: PIN.ed.gov

Qualifying Employment
Full-time

You must be a FULL-TIME, paid employee of:

- Government (federal, state, local, tribal) agency with jurisdiction somewhere in U.S.;
- 501(c)(3) organization exempt from taxation under section 501(a) of the IRS Code of 1986; OR
- Other qualifying private nonprofit that provides public services

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

Qualifying Employment
Part-time

You can have several PART-TIME positions as a paid employee of:

- Government (federal, state, local, tribal) agency with jurisdiction somewhere in U.S.;
- 501(c)(3) organization exempt from taxation under section 501(a) of the IRS Code of 1986; OR
- Other qualifying private nonprofit that provides public services

Must average a minimum of 30 hours per week working in the qualifying part-time public service positions
Qualifying Employment

Additional comments...

- What matters is who you work for, not what you do as long as your job responsibilities do not involve religious instruction, conducting worship services or proselytizing.
- Physical location of your employment does not matter; you can be working outside the US for a qualifying public service employer.
- The 120 months of qualifying employment do not have to be with the same public service employer.

Refer to the FAQs at StudentAid.ed.gov/publicservice; or contact FedLoan Servicing at 1-855-265-4038 for more information about qualifying employment.

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Qualifying Payments

Payments must be made using:

- "Pay As You Earn" Repayment (PAYE)
- 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.

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Potential Pros and Cons

**Pros**

- Increases financial feasibility of pursuing a public interest/public sector legal career if you have student loan debt.
- Portion of qualifying federal student loan debt may be forgiven.
- Entitlement.

**Cons**

- "All or nothing" benefit; you must put in full 10 years/120 months of qualifying public service employment/loan payments.
- Only Direct Loan debt can be forgiven.
- Program could be changed or eliminated through statutory changes by Congress.
**Suggested Steps to Participate in PSLF**

- Consolidate any non-Direct Federal Student Loans in the Federal Direct Loan Program at: [StudentLoans.gov](http://StudentLoans.gov)
- Use PAYE or IBR to repay your Direct loan(s)
- Make 120 payments (on-time) while employed full-time in qualifying public service position(s) – use "AUTO-PAY"
- Keep good records regarding all qualifying employment
- Submit “Employment Certification Form for PSLF”
- Apply for PSLF after 120 months of qualifying public service have been completed

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**Track Your Eligibility for PSLF Employment Certification Process**

- Complete “Employment Certification for Public Service Loan Forgiveness” form annually OR whenever you change jobs
- Form online at: [StudentAid.ed.gov/PublicService](http://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
- If you have accumulated eligible months, FedLoan Servicing will become your Direct Loan servicer if not currently servicing your Direct Loans

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**“Qualifying” Payment Plans**

PAYE and IBR
**PAYE vs. IBR**

**PAYE**
- Direct loans only
- Annual amount paid based on **10%** of "Discretionary Income"
- Loan cancellation after **20** years
- Must meet two additional eligibility requirements

**IBR**
- Direct and FFEL loans
- Annual amount paid based on **15%** of "Discretionary Income"
- Loan cancellation after **25** years

**PAYE Additional Eligibility Requirements**
- Must be a "new borrower" on or after October 1, 2007 (10/1/2007)
- No federal loans before 10/1/2007, OR
- No outstanding balance on an existing federal student loan when you borrowed your first federal student loan on or after 10/1/2007
- Must have had a disbursement of a federal student loan on or after 10/1/2011

**Partial Financial Hardship**
To enter PAYE or IBR, you must have:

PARTIAL FINANCIAL HARDSHIP (PFH)
What is PFH?

Partial financial hardship exists when:

- Standard 10-year payment $$$$$
- PAYE or IBR payment $$

How is monthly payment calculated in PAYE and IBR?

When PFH exists, payment is based on:
- Household AGI
- Household size
- Federal Poverty Guidelines

When PFH no longer exists:
- Payment equals the greater of the 10-year amortization amounts calculated: (1) when loans first entered repayment, or (2) when you first entered PAYE or 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
“Household Size”

- You
- Spouse
- Dependent children
- Other dependents in household who receive > 50% support from you

Annual amount paid in **PAYE** is 10% of “Discretionary” Income

Annual PAYE payment (10% of “Discretionary” Income)

Remainder of “Discretionary” Income

AGI protected to cover basic needs (150% of poverty line)

Annual amount paid in **IBR** is 15% of “Discretionary” Income

Annual IBR payment (15% of “Discretionary” Income)

Remainder of “Discretionary” Income

AGI protected to cover basic needs (150% of poverty line)
Sample Monthly Payments
PAYE vs. IBR

<table>
<thead>
<tr>
<th>Household AGI</th>
<th>PAYE HH Size = 1</th>
<th>PAYE HH Size = 2</th>
<th>PAYE HH Size = 3</th>
<th>IBR HH Size = 1</th>
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</table>

Negative Amortization

- PAYE and IBR payments can be less than accrued interest
- Unpaid interest accrues
  - Unpaid interest accruing on subsidized Direct/Stafford Loan debt is waived by government for up to first 3 consecutive years in PAYE or IBR plan
- Debt increases

Applying for PAYE or IBR

- Complete IBR/PAYE/ICR request form online at: StudentLoans.gov
- Must re-apply every 12 months when instructed by your loan servicer to do so
  - Application collects basic demographic information as well as information about household adjusted gross income (AGI), household size and tax filing status

**REMEMBER:** You must CONSOLIDATE any non-DIRECT federal student loans (e.g., FFEL, Perkins, HPSS, LDS, NSL) before you can repay that debt using PAYE.

- Apply for Consolidation Loan online at: StudentLoans.gov
Consolidation
A refinancing option ...

Consolidation
A Refinancing Option

- Borrowing a new loan
  - Federal Direct Consolidation Loan
- Only federal student loans are eligible
- Interest rate is fixed
  - Equals weighted average of interest rates of loans being consolidated then rounded up to nearest 1/8th percent
- Apply online at: StudentLoans.gov
  - Loans must be in grace, repayment, deferment or forbearance
  - Can opt to delay funding of new loan until end of grace period

Reasons to Consolidate

- Simplify repayment by reducing number of lenders/servicers
  - For example, you may have borrowed FFEL Loans as an undergraduate
- Convert variable-rate Stafford Loans into fixed-rate Direct Consolidation Loan
- Convert FFEL loan(s) into Direct loan debt for Public Service Loan Forgiveness Program and PAYE eligibility
- Convert Perkins, HPLS, LDS, NSL loan(s) into Direct loan debt for Public Service Loan Forgiveness Program, IBR and PAYE eligibility
- Lengthen repayment period to reduce monthly payment on federal student loan debt
- Release endorser from Grad PLUS Loan
Sample Case Study

IBR/PSLF Calculator
FinAid.org/calculators

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.

Assumptions

- Eligible federal student loan debt: $140,000
- 1st year Household Adjusted Gross Income (AGI): $45,000
- Assumed annual increase in AGI: 3%
- Assumed AGI in 10th year: $65,239

Calculations made using 2012 federal poverty guidelines and Income-Based Repayment Calculator (15% Version) at FinAid.org/calculators

IBR Payment Information

- IBR monthly payment in 1st month: $416
- IBR monthly payment in 120th month (max): $542
- Total amount paid in IBR over 10 years: $57,168

Estimated Loan Forgiveness

- Total accrued interest forgiven after 10 years: $39,432
- Total principal forgiven after 10 years: $140,592
- Total amount forgiven after 10 years: $179,432

Calculations made using 2012 federal poverty guidelines and Income-Based Repayment Calculator (15% Version) at FinAid.org/calculators
PICAP
UC Hastings
Public Interest Career Assistance Program

Description:
UC Hastings College of the Law provides forgivable loan to help make monthly Federal Direct Loan payments for public service employment

Eligibility:
- Eligible loans = Federal Direct Loans @ UC Hastings
- Eligible employment = same as PSLF
- Eligible payments = same as PSLF

Application process:
- Annual application submitted to Financial Aid Office

More information:
- Financial Aid website/Financial Aid staff

Final Comments
To benefit from PSLF ...

1. Consolidate (refinance) your non-Direct Federal Student Loans in the Federal Direct Consolidation Loan Program at: StudentLoans.gov
2. Use PAYE (or IBR, if not eligible for PAYE) to repay your Direct loan(s)
3. Make 120 scheduled monthly payments (on-time) while employed full-time in qualifying public service position(s)
4. Submit “Employment Certification Form for PSLF” at least annually (form available at: StudentAid.ed.gov/publicservice)
5. Apply for PSLF after 120 months of qualifying public service has been completed

For more information ...

- Public Service Loan Forgiveness Program (PSLF):
  - Online at: StudentAid.ed.gov/PublicService
  - Call FedLoan Servicing at: 1-855-265-4038
- Federal student loan repayment: StudentAid.gov
- Federal Direct Consolidation Loans: StudentLoans.gov
- National Student Loan Data System: NSLDS.ed.gov
- Federal loan “Repayment Estimator”: StudentLoans.gov
- PSLF benefits estimation: FinAid.org/calculators

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

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