The Good News!

- New loan forgiveness programs
- New income-defined repayment options
- CLS PILIPP Loan Repayment Assistance Program
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: [EqualJusticeWorks.org](http://EqualJusticeWorks.org) for more information about these two programs.
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 employment/payments (tax-free).
PSLF

Key Points

- DIRECT Loans only
- Work full-time as a paid employee for an eligible public service organization for 10 years (120 months)
- Repay loans using IBR or PAYE
- For more information, go to: StudentAid.ed.gov/publicservice
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: NSLDS.ed.gov

FFEL and Federal Perkins Loans must be consolidated (i.e., refinanced) through the Federal Direct Loan Program to be eligible for PSLF. To consolidate loans, go to: LoanConsolidation.ed.gov
To access, enter:

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

**Federal Family Education Loan Program (FFEL)**
- Lender was private institution
- FFEL loans can be sold to another entity
- Loans may be serviced by lender or 3rd party
- 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

**Federal Direct Loan Program (Direct)**
- Lender was U.S. Department of Education (ED)
- Direct loans won’t be sold
- Loans are serviced by one of five federal contractors
- Only Direct Loans are eligible for Public Service Loan Forgiveness
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 the greater of:
- 30 hours/week, or
- Employer’s definition of full-time
QualifyingPayments

Payments must be made using:

- Income Based Repayment (IBR)
- Income Contingent Repayment (ICR)
- “Pay As You Earn” Repayment (PAYE)
- 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

#### Pros
- Increases financial feasibility of pursuing a public interest/public sector legal career if you have student loan debt
- Portion of eligible 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: LoanConsolidation.ed.gov

- Use IBR or PAYE to repay your Direct 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” 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 online at: 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
Repayment Plans

IBR and PAYE
## IBR vs. PAYE

<table>
<thead>
<tr>
<th>IBR</th>
<th>PAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Direct and FFEL loans</td>
<td>- Direct loans only</td>
</tr>
<tr>
<td>- Annual amount paid based on 15% of “Discretionary Income”</td>
<td>- Annual amount paid based on 10% of “Discretionary Income”</td>
</tr>
<tr>
<td>- Loan cancellation after 25 years</td>
<td>- Loan cancellation after 20 years</td>
</tr>
<tr>
<td></td>
<td>- Must meet two additional eligibility requirements</td>
</tr>
</tbody>
</table>
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
IBR and PAYE
How do you qualify?

To enter IBR/PAYE, you must have:

PARTIAL FINANCIAL HARDSHIP (PFH)
What is PFH?

Partial financial hardship exists when:

- Standard 10-year payment $$$$$
- IBR/PAYE payment $$
IBR and PAYE

How is monthly payment calculated?

When PFH exists, payment is based on:

- Household AGI
- Household size
- Federal Poverty Guidelines
“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 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)

Household AGI

“Discretionary” Income
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)
## Sample IBR Payments

### 15% Formula

<table>
<thead>
<tr>
<th>Household AGI</th>
<th>2012 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>
</tr>
<tr>
<td>$10,000</td>
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<tr>
<td>$20,000</td>
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<tr>
<td>$40,000</td>
<td>$291</td>
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<tr>
<td>$50,000</td>
<td>$416</td>
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<tr>
<td>$60,000</td>
<td>$541</td>
</tr>
<tr>
<td>$70,000</td>
<td>$666</td>
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<tr>
<td>$80,000</td>
<td>$791</td>
</tr>
<tr>
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<td>$916</td>
</tr>
<tr>
<td>$100,000</td>
<td>$1,041</td>
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</table>
Sample PAYE Payments
10% Formula

<table>
<thead>
<tr>
<th>Household AGI</th>
<th>2012 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>
</tr>
<tr>
<td>$10,000</td>
<td>$0</td>
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<tr>
<td>$20,000</td>
<td>$27</td>
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<td>$194</td>
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<tr>
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<tr>
<td>$90,000</td>
<td>$610</td>
</tr>
<tr>
<td>$100,000</td>
<td>$694</td>
</tr>
</tbody>
</table>
IBR and PAYE

Negative Amortization

- IBR/PAYE payment 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 IBR or PAYE plan
- Debt increases
IBR and PAYE

What happens if PFH ends?

- Remain in IBR/PAYE
  - Pay initial original 10-year amortization amount
- Exit IBR/PAYE
Applying for IBR or PAYE

- Contact current loan servicer to apply for IBR/PAYE
- Complete online application, as directed (every 12 months)
  - Application collects basic demographic information as well as information about household adjusted gross income (AGI) and household size

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

Apply at: loanconsolidation.ed.gov
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 (IBR)

## Assumptions

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible federal student loan debt</td>
<td>$159,500</td>
</tr>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; year Household Adjusted Gross Income (AGI)</td>
<td>$60,000</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&lt;sup&gt;th&lt;/sup&gt; year</td>
<td>$78,286</td>
</tr>
</tbody>
</table>

Calculations made using 2012 federal poverty guidelines and Income-Based Repayment Calculator (15% Version) at: [FinAid.Org/calculators](http://FinAid.Org/calculators)

## IBR Payment Information

<table>
<thead>
<tr>
<th>IBR Payment Information</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBR monthly payment in 1&lt;sup&gt;st&lt;/sup&gt; month</td>
<td>$541</td>
</tr>
<tr>
<td>IBR monthly payment in 120&lt;sup&gt;th&lt;/sup&gt; month (max)</td>
<td>$705</td>
</tr>
<tr>
<td>Total amount paid in IBR over 10 years</td>
<td>$74,363</td>
</tr>
</tbody>
</table>

## Estimated Loan Forgiveness

<table>
<thead>
<tr>
<th>Estimated Loan Forgiveness</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total accrued interest forgiven after 10 years</td>
<td>$44,145</td>
</tr>
<tr>
<td>Total principal forgiven after 10 years</td>
<td>$159,500</td>
</tr>
<tr>
<td>Total amount forgiven after 10 years</td>
<td>$203,645</td>
</tr>
</tbody>
</table>
To benefit from PSLF ... 

1. Consolidate any non-Direct Federal Student Loans in the Federal Direct Loan Program at: 
   *LoanConsolidation.ed.gov*

2. Use IBR or PAYE to repay your Direct loan(s)

3. Make 120 payments (on-time) while employed full-time in qualifying public service position(s)

4. Keep good records regarding all qualifying employment

5. Submit “Employment Certification Form for PSLF” annually (available at: *StudentAid.ed.gov/publicservice*)

6. Apply for PSLF after 120 months of qualifying activity has been completed
For more information ...

- Public service: StudentAid.ed.gov/PublicService
- Federal student loan repayment: StudentAid.gov
- Federal Direct Consolidation Loans: LoanConsolidation.ed.gov
- National Student Loan Data System: NSLDS.ed.gov
- Federal loan repayment calculator: StudentAid.gov
- PSLF benefits estimation: FinAid.org/calculators
- Equal Justice Works: EqualJusticeWorks.org
- Ask Heather Jarvis: AskHeatherJarvis.com
THE GOOD NEWS:

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