Good News!

Borrowers now have:
- Loan forgiveness options
- Income-driven repayment options
- Loan Repayment Assistance Programs (LRAPs)

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>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>Loans are serviced by one of five federal contractors</td>
</tr>
<tr>
<td>Loans may be serviced by lender or 3rd party</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

NSLDS.ed.gov
Loan Summary Screen
A. “Type of Loan”—Is it a “Direct” loan?

Qualifying Employment

You must be 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
Qualifying Employment
Full-time vs. Part-time

<table>
<thead>
<tr>
<th>Full-time</th>
<th>Part-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Must be working greater of:</td>
<td>Must be working in at least one qualifying part-time position for at least:</td>
</tr>
<tr>
<td>30 hours/week</td>
<td>30 hours/week</td>
</tr>
<tr>
<td>OR</td>
<td></td>
</tr>
<tr>
<td>Hours required by employer to be classified full-time</td>
<td></td>
</tr>
</tbody>
</table>

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

Qualifying Payments

Payments must be made using:
- “Pay As You Earn” Repayment (PAYE)
- Income Based Repayment (IBR) – both options
- 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
### Benefits and Risks

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>✪ Increases financial feasibility of pursuing a public service career if you have federal student loan debt.</td>
<td>✪ &quot;All or nothing&quot; benefit: you must put in full 10 years/120 months of qualifying public service employment/loan payments.</td>
</tr>
<tr>
<td>✪ Portion of qualifying Federal Direct Loans may be forgiven tax-free.</td>
<td>✪ Will you be employed by a qualifying employer for 120 months?</td>
</tr>
<tr>
<td>✪ Entitlement; not subject to annual federal budget appropriations by Congress.</td>
<td>✪ Program could be changed or eliminated through statutory changes by Congress</td>
</tr>
</tbody>
</table>

### What might change?
- President recently proposed:
  - ✪ Imposing cap on amount forgiven ($57,500)
  - ✪ Counting income of spouse as part of borrower’s AGI
- Congress could change provisions of the law, e.g.,
  - ✪ Eliminating the program
  - ✪ Impose income limits for receipt of benefits
  - ✪ Increase time period in public service needed to qualify for forgiveness

**NOTE, these changes may only impact new loans or new borrowers—BUT there are no legal protections for existing loans/borrowers**

### 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
- ✪ Track your progress by submitting: "Employment Certification for PSLF" form
- ✪ Apply for PSLF after 120 months of qualifying public service have been completed
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
- 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

“Qualifying” Payment Plans
PAYE, IBR and New IBR

PAYE/New IBR vs. IBR

<table>
<thead>
<tr>
<th>PAYE/New IBR</th>
<th>IBR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct</strong> loans only</td>
<td><strong>Direct</strong> and FFEL loans</td>
</tr>
<tr>
<td>Annual amount paid based on <strong>10%</strong> of “Discretionary Income”</td>
<td>Annual amount paid based on <strong>15%</strong> of “Discretionary Income”</td>
</tr>
<tr>
<td>Loan cancellation after <strong>20</strong> years</td>
<td>Loan cancellation after <strong>25</strong> years</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

New IBR
Additional Eligibility Requirement

- Must be a "new borrower" on or after July 1, 2014 (7/1/14)
  - No federal loans before 7/1/14, OR
  - No outstanding balance on an existing federal student loan when you borrowed your first federal student loan on or after 7/1/14

Partial Financial Hardship

To enter PAYE, IBR or new 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 and New IBR is 10% of “Discretionary” Income

<table>
<thead>
<tr>
<th>Household AGI</th>
<th>&quot;Discretionary&quot; Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual New IBR/PAYE payment (10% of &quot;Discretionary&quot; Income)</td>
</tr>
<tr>
<td></td>
<td>Remainder of &quot;Discretionary&quot; Income</td>
</tr>
<tr>
<td></td>
<td>AGI protected to cover basic needs (150% of poverty line)</td>
</tr>
</tbody>
</table>

---

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

<table>
<thead>
<tr>
<th>Household AGI</th>
<th>&quot;Discretionary&quot; Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual IBR payment (15% of &quot;Discretionary&quot; Income)</td>
</tr>
<tr>
<td></td>
<td>Remainder of &quot;Discretionary&quot; Income</td>
</tr>
<tr>
<td></td>
<td>AGI protected to cover basic needs (150% of poverty line)</td>
</tr>
</tbody>
</table>
**Sample Monthly Payments**  
**PAYE/10% IBR vs. 15% IBR**

<table>
<thead>
<tr>
<th>Household AGI</th>
<th>2015 Monthly PFH Payment in 48 states</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PAYE/10% IBR HH Size = 1</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$10,000</td>
<td>$0</td>
</tr>
<tr>
<td>$20,000</td>
<td>$0</td>
</tr>
<tr>
<td>$30,000</td>
<td>$103</td>
</tr>
<tr>
<td>$40,000</td>
<td>$186</td>
</tr>
<tr>
<td>$50,000</td>
<td>$270</td>
</tr>
<tr>
<td>$60,000</td>
<td>$353</td>
</tr>
<tr>
<td>$70,000</td>
<td>$436</td>
</tr>
<tr>
<td>$80,000</td>
<td>$520</td>
</tr>
<tr>
<td>$90,000</td>
<td>$603</td>
</tr>
<tr>
<td>$100,000</td>
<td>$686</td>
</tr>
</tbody>
</table>

**Application Process**  
**IBR (both plans), PAYE, ICR**

- 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, HPISL, LDS, NSL) before you can repay that debt using PAYE

- Apply for Consolidation Loan online at: StudentLoans.gov

**Estimate Your Monthly Payment**  
“Repayment Estimator” at: StudentLoans.gov

To “SIGN IN” enter:
- SSN
- First two letters of your last name
- Birthdate
- Dept. of Ed PIN

Duplicate PIN available at: PIN.ed.gov
Click on: “Repayment Estimator”

Enter needed information

For income driven (IDR) plans, enter:
- Tax filing status
- Adjusted gross income, household size and state of residence

Also can:
- Add loans
- Apply for Direct Consolidation Loan
- Apply for IDR plan
- Email results

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
PSLF-related

- Convert non-Direct federal loan(s) into Direct loan debt for Public Service Loan Forgiveness Program and PAYE eligibility
  - FFEL Loans
  - Perkins Loans

- Refinance Federal Direct Loans borrowed before 10/1/2007 so that the debt is now part of a Federal Direct Consolidation Loan that was disbursed after PSLF became available on 10/1/2007 – could "protect" this debt from possible changes to PSLF

Reasons to Consolidate
Non-PSLF Reasons

- Simplify repayment by reducing number of lenders/servicers managing your loans

- Convert variable-rate FFEL/Direct Stafford Loans into fixed-rate Direct Consolidation Loan

- Release endorser from Grad PLUS Loan

- Lengthen repayment period to reduce monthly payment on federal student loan debt
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 (15% IBR)**

$130,000 Federal Student Loan Debt
$45,000 Household AGI (Household Size = 1)

### Assumptions
- Eligible federal student loan debt: $130,000
- 1st year Household Adjusted Gross Income (AGI): $45,000
- Assumed annual increase in AGI: 3%
- Assumed annual increase in poverty guideline: 3%
- Assumed AGI in 10th year: $58,715

### IBR Payment Information
- IBR monthly payment in 1st month: $353
- IBR monthly payment in 120th month (max): $461
- Total amount paid in IBR over 10 years: $48,570

### Estimated Loan Forgiveness
- Total accrued interest forgiven after 10 years: $41,130
- Total principal forgiven after 10 years: $130,000
- Total amount forgiven after 10 years: $171,130

Calculations made using 2012 federal poverty guidelines and Income-Based Repayment Calculator (15% Version) at FinAid.org/calculators
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
PUBLIC SERVICE IS POSSIBLE!
Options exist to help you repay your federal student loans affordably!

Jeffrey Hanson
Education Services

University of San Diego School of Law