Good News!

Borrowers now have:
- Loan forgiveness options
- Income-defined 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
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>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</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Family Education Loan Program (FFEL)</td>
<td>Federal Direct Loan Program (Direct)</td>
<td></td>
</tr>
<tr>
<td>Lender was private institution</td>
<td>Lender was U.S. Department of Education (ED)</td>
<td></td>
</tr>
<tr>
<td>FFEL loans can be sold to another entity</td>
<td>Direct loans won't be sold</td>
<td></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>
<td></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>
<td></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
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

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
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

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

BUT, these changes likely would only impact new loans or new borrowers!

Suggested Steps to Participate in PSLF
- Consolidate any non-Direct Federal Student Loans in the Federal Direct Loan Program at: 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
**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**

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**PAYE vs. IBR**

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

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

PARTIAL FINANCIAL HARDSHIP (PFH)

What is PFH?
Partial financial hardship exists when:

<table>
<thead>
<tr>
<th>Standard 10-year payment $$$$$$</th>
<th>PAYE or IBR payment $$</th>
</tr>
</thead>
</table>
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>2014 Monthly PFH Payment in 48 states</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PAYE</td>
</tr>
<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>
</tr>
<tr>
<td>$20,000</td>
<td>$21</td>
</tr>
<tr>
<td>$30,000</td>
<td>$104</td>
</tr>
<tr>
<td>$40,000</td>
<td>$187</td>
</tr>
<tr>
<td>$50,000</td>
<td>$271</td>
</tr>
<tr>
<td>$60,000</td>
<td>$354</td>
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<tr>
<td>$70,000</td>
<td>$437</td>
</tr>
<tr>
<td>$80,000</td>
<td>$521</td>
</tr>
<tr>
<td>$90,000</td>
<td>$604</td>
</tr>
<tr>
<td>$100,000</td>
<td>$687</td>
</tr>
</tbody>
</table>
### Applying for PAYE or IBR

- Complete IBR/PAYE/ICR request form online at: [StudentLoans.gov](https://www.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, HPSL, LDS, NSL) before you can repay that debt using PAYE

- Apply for Consolidation Loan online at: [StudentLoans.gov](https://www.StudentLoans.gov)

### Estimate Your Monthly Payment

**“Repayment Estimator” at:** [StudentLoans.gov](https://www.StudentLoans.gov)

<table>
<thead>
<tr>
<th>To “SIGN IN” enter:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SSN</td>
<td></td>
</tr>
<tr>
<td>First two letters of your last name</td>
<td></td>
</tr>
<tr>
<td>Birthdate</td>
<td></td>
</tr>
<tr>
<td>Dept. of Ed PIN</td>
<td></td>
</tr>
</tbody>
</table>

Duplicate PIN available at: [PIN.ed.gov](https://www.PIN.ed.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
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
- Convert variable-rate Stafford Loans into fixed-rate Direct Consolidation Loan
- 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.

PSLF – Sample Case (IBR)
$130,000 Federal Student Loan Debt
$45,000 Household AGI (Household Size = 1)

<table>
<thead>
<tr>
<th>Assumptions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible federal student loan debt</td>
<td>$130,000</td>
</tr>
<tr>
<td>1st year Household Adjusted Gross Income (AGI)</td>
<td>$45,000</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 10th year</td>
<td>$58,715</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IBR Payment Information</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IBR monthly payment in 1st month</td>
<td>$353</td>
</tr>
<tr>
<td>IBR monthly payment in 120th month (max)</td>
<td>$461</td>
</tr>
<tr>
<td>Total amount paid in IBR over 10 years</td>
<td>$48,570</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Estimated Loan Forgiveness</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total accrued interest forgiven after 10 years</td>
<td>$41,130</td>
</tr>
<tr>
<td>Total principal forgiven after 10 years</td>
<td>$130,000</td>
</tr>
<tr>
<td>Total amount forgiven after 10 years</td>
<td>$171,130</td>
</tr>
</tbody>
</table>

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
THE GOOD NEWS:

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