

Getting Your Student Loans Forgiven



Public Service Loan
Forgiveness and
Income-Based Repayment

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Post questions anytime



College Cost Reduction and Access Act

Public
Service Loan
Forgiveness

Income Based
Repayment

What is Income Based Repayment?

- A new repayment option for federal student loans starting July 2009.
- IBR helps borrowers keep their loan payments affordable with payment caps based on their income and family size.
- For most eligible borrowers, IBR loan payments will be less than 10 percent of their income - and even smaller for borrowers with low earnings.

IBR Monthly Payment Amount

Source: United States Department of Education

Annual Income	Family Size						
	1	2	3	4	5	6	7
\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$15,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$20,000	\$47	\$0	\$0	\$0	\$0	\$0	\$0
\$25,000	\$109	\$39	\$0	\$0	\$0	\$0	\$0
\$30,000	\$172	\$102	\$32	\$0	\$0	\$0	\$0
\$35,000	\$234	\$164	\$94	\$24	\$0	\$0	\$0
\$40,000	\$297	\$227	\$157	\$87	\$16	\$0	\$0
\$45,000	\$359	\$289	\$219	\$149	\$79	\$9	\$0
\$50,000	\$422	\$352	\$282	\$212	\$141	\$71	\$1
\$55,000	\$484	\$414	\$344	\$274	\$204	\$134	\$64
\$60,000	\$547	\$477	\$407	\$337	\$266	\$196	\$126
\$65,000	\$609	\$539	\$469	\$399	\$329	\$259	\$189
\$70,000	\$672	\$602	\$532	\$462	\$391	\$321	\$251

Who can choose IBR?

- To enter IBR, you have to have enough debt relative to your income (called a Partial Financial Hardship).
- Use the [calculator](#) on IBRinfo.org see if you're likely to be eligible.



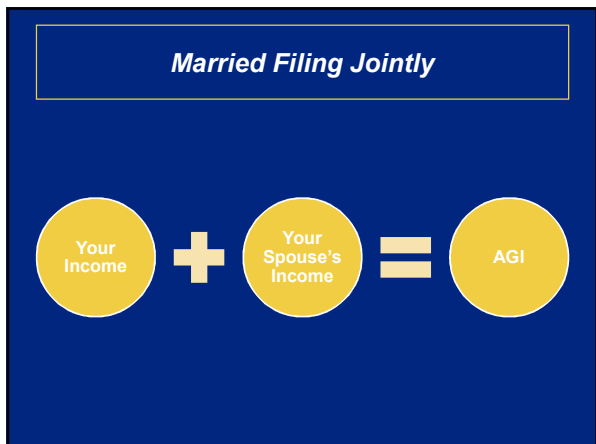
Who Has a Partial Financial Hardship?

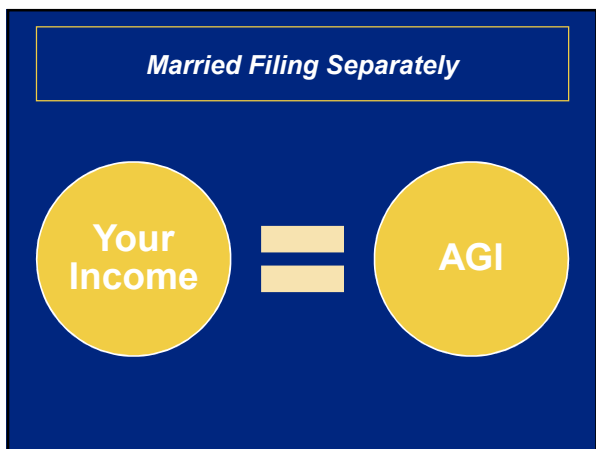
Debt	AGI	Debt	AGI
\$10,000	\$25,451	\$65,000	\$76,087
\$15,000	\$30,055	\$70,000	\$80,690
\$20,000	\$34,658	\$75,000	\$85,293
\$25,000	\$39,261	\$80,000	\$89,896
\$30,000	\$43,864	\$85,000	\$94,500
\$35,000	\$48,467	\$90,000	\$99,103
\$40,000	\$53,071	\$95,000	\$103,706
\$45,000	\$57,674	\$100,000	\$108,309
\$50,000	\$62,277	\$105,000	\$112,912
\$55,000	\$66,880	\$110,000	\$117,516
\$60,000	\$71,484	\$115,000	\$122,119
		\$120,000	\$126,722

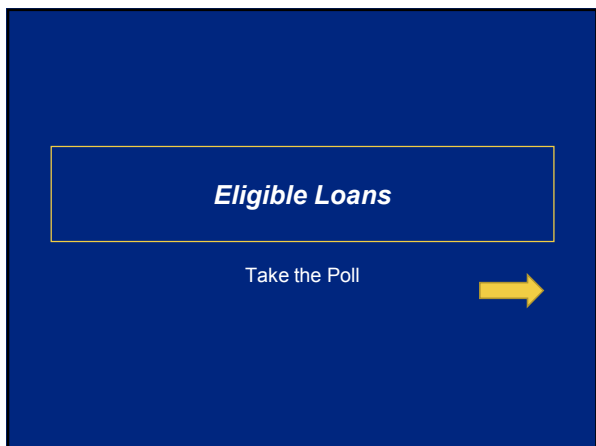
Source: Jeff Hanson, Ph.D., Director of Borrower Education, Access Group, Inc.
 Assumptions: Interest rate = 6.0%; 2009 Poverty Guidelines;
 Household size of 1 residing in 48 contiguous states

What if You're Married?

- A married borrower **must file a separate Federal income tax return** for IBR payment amount to be calculated on the basis of the *borrower's* adjusted gross income, rather than on the combined income of the borrower and the spouse.
- There are disadvantages to filing separately:
 - Ineligibility for credits and deductions related to child and dependent care, tuition, and student loan interest payments.
 - Higher tax rate







Find Out What Kind of Student Loans You Have

- National Student Loan Data System: <http://www.nsls.ed.gov/>



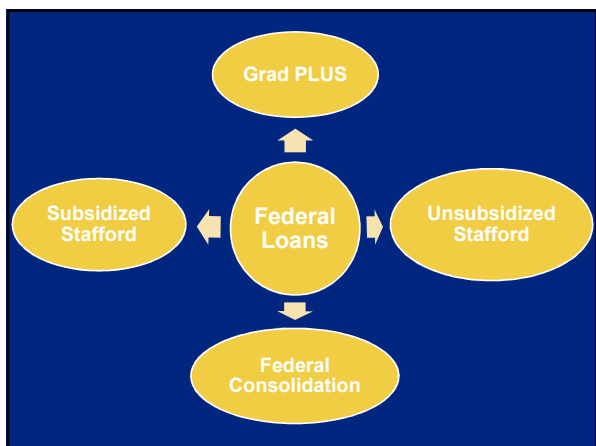
FFEL and Federal Direct Loans

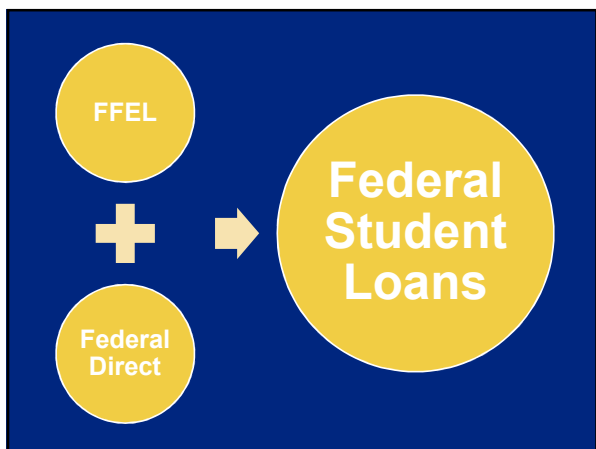
Students borrow:

- Stafford Loans, subsidized and unsubsidized
- GradPlus Loans
- Federal Consolidation Loans

From either of the two major federal student loan programs:

- Federal Family Education Loans (FFEL)
- Federal Direct Loans







Which loans are not eligible for IBR?

- Loans that are currently in default
- Parent PLUS Loans
- Consolidation loans that repaid a parent PLUS Loan
- Alternative or commercial student loans

Commercial and Alternative Student Loans Are Never Eligible

Learn How Rehabilitation or Consolidation Can Help You Get Out of Default

- Studentloanborrowerassistance.org



Interest Payment Benefit

- The government will pay your unpaid interest on Subsidized Stafford Loans for up to three consecutive years from when you first enter IBR repayment.

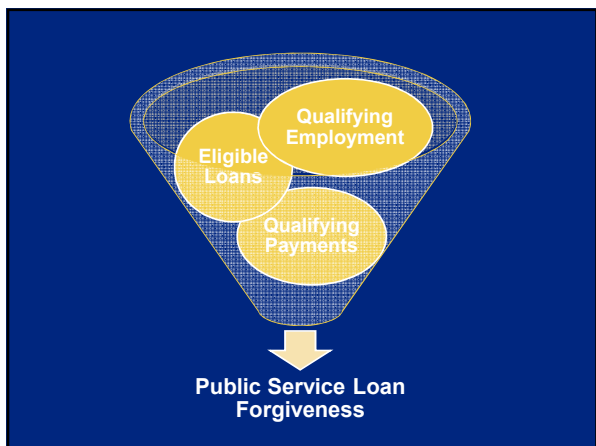
What about loan forgiveness?

- IBR will forgive remaining debt, if any, after 25 years of qualifying payments.
- If you work in public service, you could earn forgiveness after 10 years of qualifying payments.

Public Service Loan Forgiveness

Public Service Loan Forgiveness

- The balance of principal and interest on eligible Federal Direct Loans is canceled by the federal government after:
 - 120 qualifying loan payments while working full-time in a qualifying public service position after October 1, 2007.



*Eligible Loans for
Public Service Loan Forgiveness*

**ONLY
FEDERAL
DIRECT**


*FFEL Loans Must Be Consolidated Into
Federal Direct*

<http://loanconsolidation.ed.gov/>

*Commercial and Alternative Student
Loans Are Never Eligible*

Eligible Debt:	\$115,000
Starting Salary:	\$50,000
Monthly Payment Year 1:	\$430
Monthly Payment Year 10:	\$635
Total Paid:	\$63,220
Total Forgiven:	\$129,980

Qualifying Employment

Take the Poll 



What Counts as a Government Job?

- Government employment includes work for:
 - local, State, Federal, and Tribal governments
 - government organizations, agencies, and entities
 - but **not** service as a member of the U.S. Congress

What Counts as a "Public Service Organization"?

- The organization provides specific listed services including "public interest law services" and:
 - gets at least *some* government funding and;
 - is not "a business organized for profit, a labor union, a partisan political organization, or an organization engaged in religious activities..."

Qualifying Employment

Full-time, paid work

Definition of "Full-Time"

- Working in qualifying employment in one or more jobs for the greater of—
 - An annual average of at least 30 hours per week, or
 - For a contractual or employment period of at least 8 months, an average of 30 hours per week; or
 - Unless the qualifying employment is with two or more employers, the number of hours the employer considers full-time.

Perkins Loans are Special

- Federal Perkins Loans are only eligible when part of a Federal Consolidation Loan, and borrowers are urged to seek advice about the pros and cons regarding consolidating Perkins loans.

Qualifying Payments

Income-Based Repayment

What is a Qualifying Loan Payment?

- A person must be working **full-time** in an eligible public service position AND making monthly loan payments for 120 months on eligible Federal Direct Loans as part of:
 - Income Contingent Repayment (ICR) plan, or
 - Income Based Repayment (IBR) plan (available July 2009), or
 - A standard 10-year repayment plan, or
 - At least the monthly amount required under Standard Repayment over a 10-year repayment period.

Non-Qualifying Payments

Any term of years longer than 10-years

What is NOT a Qualifying Loan Payment?

- These payments do NOT count toward the 120-month requirement:
 - Payments made under a fixed term repayment plan with a term of more than 10-years
 - Payments made while not working in full-time qualifying public service employment
 - Payments made on non-qualifying loans (e.g., FFEL loans, commercial loans, Parent PLUS loans)

What About Taxes on Loan Forgiveness?

Public Service Forgiveness

- Not Taxable

25 Year IBR Forgiveness

- Currently Taxable
- H.R. 2492

Work through the Checklist

- www.equaljusticeworks.org

Sign up for e-mail updates

- www.IBRinfo.org

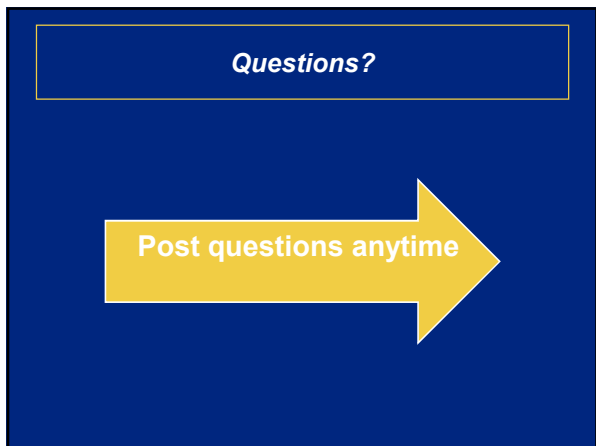
Post questions on the Student Debt Forum

- www.equaljusticeworks.org



Questions?

Post questions anytime



**EQUAL
JUSTICE
WORKS.**
Helping Lawyers Help Community

