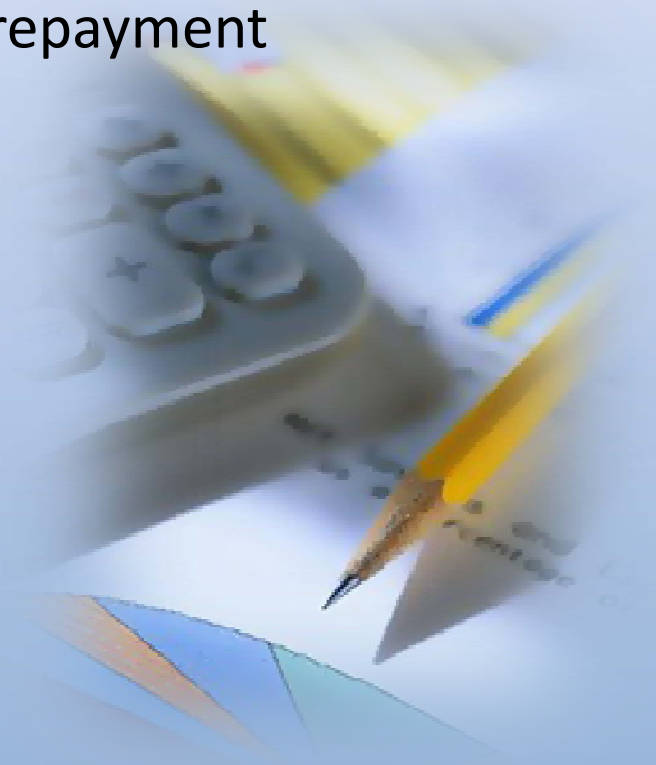


LRAP 101

Berkeley Law, Financial Aid Office

OVERVIEW

- College Cost Reduction & Access Act
 - Public Service Loan Forgiveness
 - Income Based Repayment vs. 10-year repayment
- Identify your Loans
- Federal Consolidation
- LRAP – employment requirements
- “Low Bono” and Union LRAP Coverage
- LRAP – structure
- LRAP – IBR vs. Standard Track



Public Service Loan Forgiveness (PSLF)

Overview of Requirements:

- Qualifying Employment
- Qualifying Loans
- Must make 120 qualifying monthly payments on your Federal DIRECT loans.....
 -while working in Public Service for **ACCUMULATIVE** 10 years

AFTER 10 YEARS: APPLY FOR LOAN FORGIVENESS

Qualifying Employment:

- Government or 501 (c) (3) nonprofit **employment**
- A private “public service organization”
 - that is **not** a business organized for profit, a labor union, partisan political, or religious organization – *please see full definition at: <http://studentaid.ed.gov>, Loan Forgiveness for Public Service Employees)*
- Full-time employment
 - If your employer considers 40 hours per week as full-time, than you must work at least 40 hours per week*
- An annual average of 30 hours per week *(for more than one part job)*
- For a **contractual** or employment period of at least 8 months and an average of 30 hours per week *(for example teachers)*

Qualifying Loans and Payments:

- Federal **DIRECT** loans only
 - * *A consolidation is considered a new loan → the 10-year clock will re-start on the consolidation loan.*

- **Qualifying Payments**
 - Standard Repayment plan based on a 10-year repayment schedule
 - Income Based Repayment (IBR) plan

Payments NOT made within 15 days of due date, and payments made while borrower is in default do NOT qualify

- The amount forgiven after **120** qualifying monthly payments is **TAX-FREE**

Income Based Repayment Plan (IBR) – *New option effective July 2009*

Significantly Reduced Payments

- You must qualify for “Partial Financial Hardship” – your income/federal student loan ratio determines your eligibility
- Limits payments to 15% of “discretionary” income
- Subsidized interest not covered by reduced payment is paid by the government
- Subsidy limited to first 3 years of participation
- After 25 years remaining debt forgiven remains taxable income
- Qualifying Loans
 - All Federal DIRECT and FFEL loans except Parent Plus loans
- Married borrowers filing taxes jointly / separately

student.aid.gov

www.IBR info.org

Identifying Your Loans

Loan Type	Interest Rate	Grace Period	IBR	Public Service Loan Forgiveness -Eligible
DIRECT Stafford subsidized	6.8%*	6 months	yes	yes
DIRECT Stafford unsubsidized	6.8%*	6 months	yes	yes
DIRECT Grad PLUS	7.9%	6 months	yes	yes
FFEL Stafford Grad PLUS	6.8%* 8.5%	6 months	yes	no**
Perkins	5%	9 months	no**	no**
UC Bar Study Loan	8%	8 months	no	no
Private / Bar Study Loan	variable	various by lender	no	no
Other Loans (State, Non-profit)		various by lender	no	no

*6.8% fixed interest rate: loans disbursed after 7/1/06

**Qualify for PSLF if consolidated with Federal DIRECT

- **Why should I consolidate?**

- Lock in your current **variable** rate **ONLY** if you still have variable rate loans from undergrad or pre-Boalt.
- Loan Forgiveness (*FFEL & Perkins* loans*)
Public Service Loan Forgiveness program requires Direct Loan payments.
FFEL or Perkins loans must be consolidated with Federal DIRECT
 - * *A **Perkins loan** must be consolidated with one other FFEL or DIRECT loan and will shift from the subsidized to the unsubsidized portion of your loan portfolio.*
- Do NOT consolidate your DIRECT loans from Boalt –these loans already qualify
- A consolidation loan will cancel the remainder of your grace period

➔ ***No consolidation while in school –except between 7/1/10 – 6/30/11*** ←

PSLF: *A consolidation is considered a new loan → the 10-year clock will re-start with the consolidation loan.*

Additional Notes on Loan Forgiveness

- **PSLF** is an entitlement program and not subject to the annual budget appropriation
- No application forms or details about the process are available at this time
- **Create an electronic/paper PSLF folder with at least the following documents (copies):**
 - Employment contract that reflects your employment status (full-time, or a minimum of 30 hours weekly)
 - If your employer is not a government agency, but a 501(c)(3) nonprofit-organization, you should request a copy of the IRS tax-exempt confirmation letter
 - W-2s, tax returns, and your paystubs
 - Documentation of your qualifying loans and lender
 - Verification of 120 monthly qualifying payments (IBR or 10-year repayment plan).....
.....while working in Public Service for **ACCUMULATIVE** 10 years

** A standard repayment plan for **DIRECT** consolidations does not reflect a 10-year repayment schedule and thus will not qualify for PSLF*

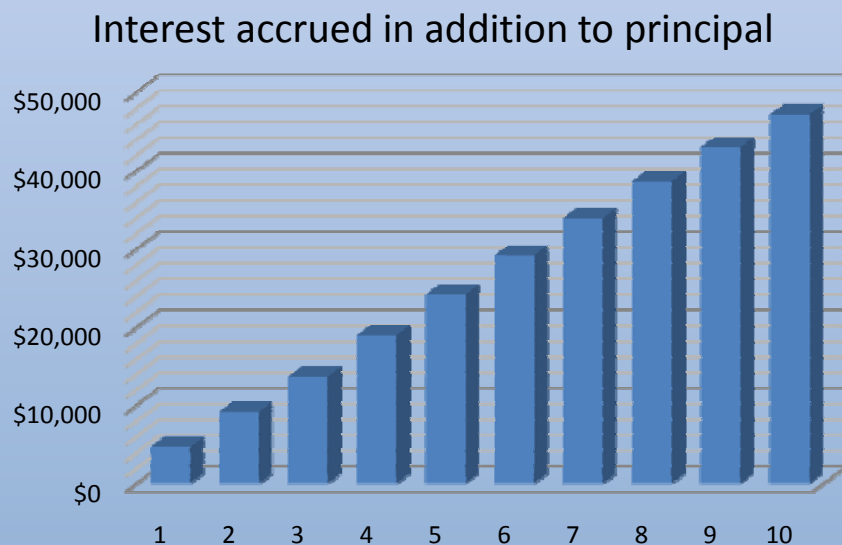
Public Service Loan Forgiveness

Student Loan Debt: \$122,300 (\$66,500 Stafford, \$55,800 GradPlus)

Weighted Rate: 7.29%

	<u>Year 1</u>	<u>Year 10</u>
<u>Nonprofit – organization:</u>	\$37,000	\$52,700
10-year Repayment:	\$1,439	\$1,439
IBR Payment:	\$260	\$393

Monthly Accrued Interest: \$743



Total IBR Payments: **\$38,700**
Amount Forgiven: \$169,500

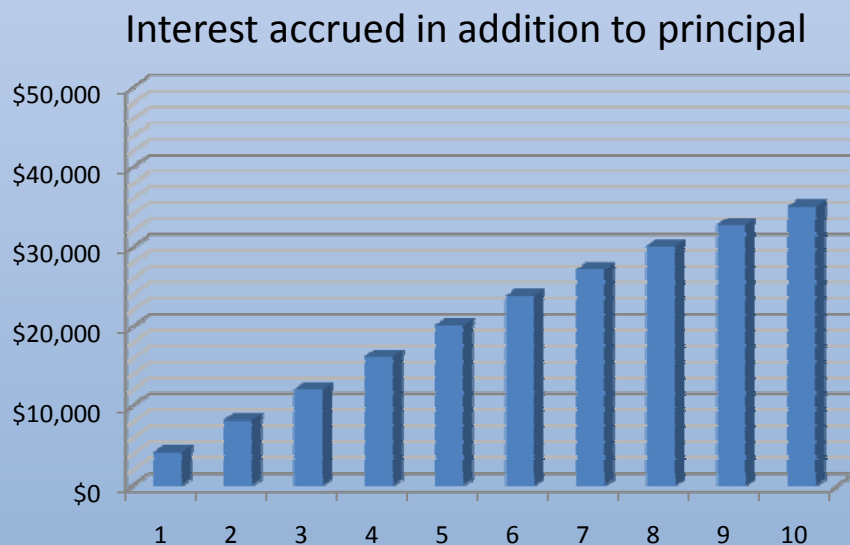
Total 10-Year Repayment: **\$172,640**
Amount Forgiven: \$0

Standard-track : Out of pocket
payments over 10 years:
\$31,470 or **\$262** monthly

Public Service Loan Forgiveness

Student Loan Debt: \$146,500 (\$66,500 Stafford, \$80,000 GradPlus)
Weighted Rate: 7.4%

	<u>Year 1</u>	<u>Year 10</u>
Government agency:	\$55,000	\$78,280
10-year Repayment:	\$1,731	\$1,731
IBR Payment:	\$485	\$713
Monthly Accrued Interest:	\$903	



Total IBR Payments: **\$71,115**
 Amount Forgiven: **\$181,516**

Total 10-Year Repayment: **\$207,767**
 Amount Forgiven: **\$0**

Standard-track : Out of pocket
 payments over 10 years:
\$66,945 or **\$549** monthly

Income Based Repayment

Married Borrowers	Filing Jointly	Filing Separately	Income	Total Federal Student Loans	Monthly IBR payment
Combined income:	yes		\$37,000	\$122,300	\$745
	yes		\$55,000	\$0	
<u>Total IBR payments</u>					<u>\$745</u>
Individual income:		yes	\$37,000	\$122,300	\$260
		yes	\$55,000	\$0	
<u>Total IBR payments</u>					<u>\$260</u>
Combined income:	yes		\$37,000	\$122,300	\$398
	yes		\$55,000	\$146,500	\$477
<u>Total IBR payments</u>					<u>\$875</u>
Individual income:		yes	\$37,000	\$122,300	\$260
		yes	\$55,000	\$146,500	\$485
<u>Total IBR payments</u>					<u>\$745</u>

- ***Overview of LRAP Eligibility Requirements***

- Public Service Employment [government or 501 (c)(3) nonprofit, domestic or international]
- Qualifying employment is defined as greater than half-time work
- More than half of your job responsibilities should require your legal skills
- Substantial use of law school training and law-related work responsibilities
- 1-year judicial clerkships qualify, if graduate pursues public service employment immediately following the clerkship
- Must enter the program within 3 ½ years after graduation
- For income greater than **\$65,000** assistance will be prorated and capped at **\$100,000**

LRAP Employment Eligibility

- 501 (c) 3 nonprofit organizations
- Federal / State court system
- Federal / State / Local / Tribal government agencies
- Public defenders' offices
- U.S. armed forces (JAG Officers)
- California Appellate Project
- NGOs / international employment
(does not qualify for PSLF, and forgivable LRAP loan may be taxable)
- Public policy – legal employment: federal / state / local legislative branch

- **Spring 2010:**
 - 48% -501 (c) 3 nonprofit-organization
 - 24% - Federal government
 - 17% - State government
 - 5% - NGO
 - 3% - Local government
 - 3% - “Low Bono”

“Low Bono” and Union Coverage Pilot Program

- Union employment
- Small plaintiff side firm, predominantly assisting underserved community members in the following practice areas:
 - Civil and Human Rights Law
 - Criminal Law
 - Employment Law
 - Housing Law
 - Immigration Law
- Preliminary eligibility review available
 - The firm’s name, website and complete area of practice
 - Fee structure (sliding scale/contingent fee) – Who is paying these fees?
 - Who is being served? What is the approximate percentage of pro/low bono clients/services?
 - What is your anticipated salary?
- IBR Track only
- LRAP funds are taxable

- ***More LRAP Eligibility Information***

- **Transfer** students' LRAP eligibility will be prorated
 - Standard track: maximum seven years toward all Boalt loans up to \$100,000 (including accrued interest)
 - IBR track: 10 years toward all federal loans and Boalt* private loans

***Standard track and private loans will not be eligible starting with the class of 2013**

- The LRAP loan is NOT taxable if your employer is a government agency or 501 (c)(3) non-profit organization (*see IRS publication 970*)
- If you opt for the IBR track you must remain in IBR for the remainder of your participation in the LRAP
- Funds are provided in the form of a forgivable loan, and according to the repayment schedule in which you are actually enrolled
- Provided for up to **accumulative** 10 years

LRAP DOES NOT PAY YOUR LOANS!

How does LRAP work?

- LRAP funds are provided at the beginning of a 6-month cycle
- Application cycle and deadline:
 - **January – June** - **November 1**
 - **July – December** - **May 1**
- A forgivable Loan - Promissory Note
- Loan cancellation application - deadline
 - **January – December LRAP** - **February 28**
 - Documentation of your loan repayment and continuous employment verification
 - **Only payments made within a cycle will count toward your LRAP loan cancellation**
- Salary increase within an LRAP cycle
 - **If your salary increases during an LRAP cycle above the \$65,000 threshold, your LRAP will be prorated and you may have to repay a portion of the original LRAP forgivable loan**

LRAP Options

- **IBR – Track**

- ALL federal loans (IBR)
- Class of 2011 and 2012 only:
 - Private loans borrowed while at Berkeley Law
 - Private Bar study loan up to \$10,000 (including accrued interest)
 - UC-Bar study loan

\$0 out-of pocket payments for federal and (private) loans!

- **Standard – Track*** **class of 2011 and 2012 only*

- Federal or private loans while at Berkeley Law ONLY
 - Up to \$100,000 law school debt and may include a maximum bar study loan of \$10,000
- Interest rate is capped at 8.25%

Participant is responsible for out-of pocket payments for federal and private loans over \$100,000 and all pre-Berkeley Law loans



LRAP IBR –Track & Public Service Loan Forgiveness

- LRAP funds your IBR payments for up to 10 years
- Federal government will forgive remaining balance after 120 qualifying monthly payments while working in qualifying public service employment. *(Must apply for forgiveness)*
- Forgiven amount is not a taxable event

Benefits for Berkeley Law graduates:

- No out-of-pocket payments for Direct Loans and private* (Boalt) loans if income is \$65,000 or less **class of 2011 and 2012 only*
- Ability to direct discretionary income toward an emergency fund or other priorities
- Freedom to pursue a legal career in public service regardless of the size of your student loan portfolio

Please **schedule an appointment** for an individual assessment of your student loan portfolio and repayment options prior to graduation.

Sigrid Allen

642-5733 (*LRAP & Student Loan Repayment Strategies*)

LRAP@law.berkeley.edu

Prospective private employment graduates please contact:

Candi Gester

642-1563 (*Financial Aid Advisor*)

financial-aid@law.berkeley.edu