LRAP & FINANCIAL PLANNING

Berkeley Law: Financial Aid Office

March 11, 2014
OVERVIEW

- Public Service Loan Forgiveness (PSLF)
- Income Based Repayment (IBR)
- Pay As You Earn (PAYE)
- Identifying your Loans
- How LRAP works at Berkeley Law
- Next Steps: Before and After Graduation
College Cost Reduction & Access Act and Public Service Loan Forgiveness (PSLF)
PSLF Requirements

- Qualifying full-time employment: Government or 501(c)(3) non-profit
- Qualifying loans: Federal Direct Loans only
- 120 qualifying payments through IBR, PAYE or Standard Repayment
- After 10 years of cumulative qualifying payments and employment, apply for loan cancellation
- PSLF cancellation is not taxable
- PSLF Employment Verification Form now available
FEDERAL STUDENT LOANS

Income Based Repayment (IBR)

- Must **qualify** for partial financial hardship
- Limits payments to 15% of discretionary income
- Must reapply each year and provide proof of income
- Subsidized Stafford loans receive subsidy for first 3 years (consecutive)
- Negative amortization
- After **25 years** remaining debt forgiven treated as taxable income *(includes all unpaid accrued interest)*
FEDERAL STUDENT LOANS

Pay As You Earn (PAYE)

- New borrowers as of 10/1/07 and received a Direct Loan on or after 10/1/11
- Must qualify for partial financial hardship
- Limits payments to 10% of discretionary income
- Must reapply each year and provide proof of income
- Subsidized Stafford loans receive subsidy for first 3 years (consecutive)
- Interest capitalization is limited to 10% of original principal balance
- Negative amortization
- After 20 years remaining debt forgiven treated as taxable income (includes all unpaid accrued interest)
# Identifying Your Student Loans

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Interest Rate</th>
<th>Grace Period</th>
<th>IBR</th>
<th>PSLF Eligible</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIRECT</strong> Stafford</td>
<td>6.8%*</td>
<td>6 months</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>subsidized</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DIRECT</strong> Stafford</td>
<td>6.8%*</td>
<td>6 months</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>unsubsidized</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DIRECT</strong> Grad PLUS</td>
<td>7.9%*</td>
<td>no grace period, may request forbearance</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td><strong>DIRECT</strong> Consolidation</td>
<td>varies</td>
<td>no grace period</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td><strong>FFEL Stafford</strong></td>
<td>6.8%* 8.5%</td>
<td>6 months</td>
<td>yes</td>
<td>**</td>
</tr>
<tr>
<td>Perkins</td>
<td>5%</td>
<td>9 months</td>
<td>no**</td>
<td>no**</td>
</tr>
<tr>
<td>Private, State, Non-</td>
<td>varies</td>
<td>varies by lender</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>profit loans</td>
<td></td>
<td></td>
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</tbody>
</table>

www.nslds.ed.gov

*6.8% fixed interest rate: loans disbursed after 7/1/06; 2013-14 Direct Stafford fixed rate 5.41%, Grad PLUS fixed interest rate 6.41%**

**Qualifies for PSLF only if consolidated with Direct Loans
LOAN REPAYMENT ASSISTANCE PROGRAM

Overview

- Must enter the program within 3 ½ years after graduation

- LRAP covers your entire IBR/PAYE payment for all Federal Direct loans as long as your income is $65,000 or less – no out-of-pocket-payments

- For income greater than $65,000, LRAP assistance is prorated and capped at $100,000

- Negative amortization protection (only for Boalt Loans)

- Funds are provided in the form of a forgivable loan for up to 10 cumulative years

- Extensive advising service that includes a personalized analysis of your student loan repayment options

Participant is responsible for out-of-pocket payments for bar study loan and private student loans
LOAN REPAYMENT ASSISTANCE PROGRAM

LRAP: Class of 2013 and Beyond

- Paid in a lump sum, participant makes monthly payments
- Must be enrolled in IBR or PAYE
- Covers all Federal Direct loans including pre-Boalt loans
- Perkins and FFEL loans eligible **ONLY** if consolidated
- Funds are provided in the form of a forgivable loan for up to 10 cumulative years

Participant is responsible for out-of-pocket payments for bar study loan and private student loans
General LRAP Employment Requirements

- Federal, State, Local, and Tribal government organizations
- 501(c)(3) non-profit organizations
- US Armed Forces (JAG Officers)
- Public Defenders’ Offices
- California Appellate Project
- Public Policy-legal employment: Federal, State, Local legislative branch
- United Nations (only PSLF eligible if employed by Federal government)
- NGOs and international employment (not PSLF eligible)
- Low Bono and Union Employment (not PSLF eligible)

**More than half of the job responsibilities require legal skills and employed greater than half-time**
LOAN REPAYMENT ASSISTANCE PROGRAM

2013 LRAP Employment Breakdown

- 42% 501(c)(3)
- 24% Federal Government
- 15% State Government
- 12% Local Government
- 5% Low Bono
- 2% NGO

**More than half of the job responsibilities require legal skills and employed greater than half-time**
Next Steps: Before Graduation

- Create a budget and reduce expenses
- Check your credit report at annualcreditreport.com
- Review your loan history at nslds.ed.gov
- Create an account with your loan servicer
- Schedule a meeting to review your loan repayment options
Next Steps: After Graduation

- Verify your loans are in grace or deferment with loan servicer
- Complete your exit counseling for your loans
- Apply for LRAP once you secure qualifying employment
- If you need to consolidate FFEL/Perkins do so in September
- Apply for IBR or PAYE in October
- Stay in contact with us and your loan servicer
Questions?
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Follow our blog in order to stay on top of updates, announcements, and deadlines.
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