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
Public Service 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)
Public Service Loan Forgiveness

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
Public Service Loan Forgiveness

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

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

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

**Qualify for PSLF if consolidated with Federal DIRECT
Federal Consolidation

• 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%

- Year 1
  - Nonprofit – organization: $37,000
  - 10-year Repayment: $1,439
  - IBR Payment: $260
  - Monthly Accrued Interest: $743

- Year 10
  - Nonprofit – organization: $52,700
  - 10-year Repayment: $1,439
  - IBR Payment: $393

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

www.finaid.org
Public Service Loan Forgiveness

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

Year 1
Government agency: $55,000
10-year Repayment: $1,731
IBR Payment: $485
Monthly Accrued Interest: $903

Year 10
$78,280
$1,731
$713

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

www.finaid.org
<table>
<thead>
<tr>
<th>Married Borrowers</th>
<th>Filing Jointly</th>
<th>Filing Separately</th>
<th>Income Total Federal Student Loans</th>
<th>Monthly IBR payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined income:</td>
<td>yes</td>
<td>$37,000</td>
<td>$122,300</td>
<td>$745</td>
</tr>
<tr>
<td></td>
<td>yes</td>
<td>$55,000</td>
<td>$0</td>
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<tr>
<td><strong>Total IBR payments</strong></td>
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<td></td>
<td><strong>$745</strong></td>
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<tr>
<td>Individual income:</td>
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<td>$260</td>
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<tr>
<td></td>
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<td>$55,000</td>
<td>$0</td>
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<tr>
<td><strong>Total IBR payments</strong></td>
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<td></td>
<td><strong>$260</strong></td>
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<tr>
<td>Combined income:</td>
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<tr>
<td></td>
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<td><strong>Total IBR payments</strong></td>
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<td><strong>$875</strong></td>
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<tr>
<td>Individual income:</td>
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<td>$122,300</td>
<td>$260</td>
</tr>
<tr>
<td></td>
<td>yes</td>
<td>$55,000</td>
<td>$146,500</td>
<td>$485</td>
</tr>
<tr>
<td><strong>Total IBR payments</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$745</strong></td>
</tr>
</tbody>
</table>
• **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/law 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
  
  *(Must apply for forgiveness*)

- 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

*Class of 2011 and 2012 only*
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](mailto:LRAP@law.berkeley.edu)

**Prospective private employment graduates please contact:**

**Candi Gester**  
642-1563 *(Financial Aid Advisor)*  
[financial-aid@law.berkeley.edu](mailto:financial-aid@law.berkeley.edu)