Managing the Repayment of Your Student Loans
OVERVIEW

- Recent Market and Regulatory Changes
- Identify your Loans
- Evaluating Federal Consolidation
- Federal Loan Payment Relief Programs
- Public Service Loan Forgiveness
- LRAP – IBR vs. Standard Track
Recent Market and Regulatory Changes

- Income-Based-Repayment (IBR) as of July 1, 2009
- Public Service Loan Forgiveness Program (PSLF)
- Private Bar Study Loans are more difficult to obtain and more expensive

Debt Management Strategies Have Become More Complex
## Identifying Your Loans

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Interest Rate</th>
<th>Grace Period</th>
<th>Public Service Loan Forgiveness -Eligible</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIRECT Stafford subsidized</td>
<td>6.8%</td>
<td>6 months</td>
<td>yes</td>
</tr>
<tr>
<td>DIRECT Stafford unsubsidized</td>
<td>6.8%</td>
<td>6 months</td>
<td>yes</td>
</tr>
<tr>
<td>DIRECT Grad PLUS</td>
<td>7.9%</td>
<td>optional*</td>
<td>yes</td>
</tr>
<tr>
<td>Perkins</td>
<td>5%</td>
<td>9 months</td>
<td>no**</td>
</tr>
<tr>
<td>Private</td>
<td>variable</td>
<td>various by lender</td>
<td>no</td>
</tr>
<tr>
<td>UC Bar Study Loan</td>
<td>8%</td>
<td>19 months</td>
<td>no</td>
</tr>
<tr>
<td>Private Bar Study Loan</td>
<td>variable</td>
<td>various by lender</td>
<td>no</td>
</tr>
<tr>
<td>Other Loans: (FFEL, State, Non-profit, etc.)</td>
<td>variable</td>
<td>various by lender</td>
<td>no FFEL**</td>
</tr>
</tbody>
</table>

*Request grace period and/or forbearance

**Qualify for PSLF if consolidated with Direct Lending
• **Why should I consolidate?**

  ➢ Lock in your current **variable** rate
    ```
    ONLY if you still have variable rate loans from undergrad or pre-Boalt.
    ```

  ➢ Administrative Simplicity or Loan Forgiveness (**FFEL & Perkins loans**)
    ```
    Public Service Loan Forgiveness program requires Direct Loan payments.
    If you have **multiple lenders for your federal loans**, this could be valuable but
    **no monetary savings**.
    ```

  ➢ Lower Monthly Payments – **NO**
    ```
    Extended payment plans (12-30 years) are available, if you have over $30,000 in total debt.
    ```

  ➢ Superior Benefits – **NO**
    ```
    Due to recent regulatory changes, it is doubtful benefits on consolidations will be
    superior to those associated with the underlying loans.
    ```
Federal Loan Payment Relief Programs

Postpone Payments:

**Economic Hardship Deferment (EHD)**
- Based solely on income, amount of debt no longer a factor
- no payments, and *government pays interest* on subsidized loans ($1,734)*

**Forbearance**
- No subsidy savings
- at lender’s discretion

Significantly Reduce Payments:

**Income Based Repayment Plan (IBR) – New program effective 7/1/2009**
- Must qualify
- 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 a taxable income

**Extended Repayment Plans**
- Unconsolidated debt must be at least $30,000
- Consolidation loans start at $7,500

*Based on $25,500 Subsidized Stafford at 6.8%; IBR varies by payment
• **Overview of Requirements**

  – Federal **DIRECT** loans only
  – Income-Based (IBR) or **10-year** Repayment
  – Government or 501 (c) 3 nonprofit **employment**
  – Must make **120** qualifying monthly payments on your Federal Direct loans...
    .....while working in Public Service for 10 years

**AFTER 10 YEARS: APPLY FOR LOAN FORGIVENESS**
Public Service Loan Forgiveness

Student Loan Debt: $122,300 ($67,300 Stafford, $55,000 GradPlus)
Weighted Rate: 7.29%

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI:</td>
<td>$37,000</td>
</tr>
<tr>
<td>10-year Repayment:</td>
<td>$1,438</td>
</tr>
<tr>
<td>IBR Payment:</td>
<td>$260</td>
</tr>
</tbody>
</table>

Interest accrued in addition to principal

Total IBR Payments: $38,700
Amount Forgiven: $169,513

Total 10-Year Repayment: $172,080
Amount Forgiven: $0
• **Overview of LRAP Eligibility Requirements**
  
  – Public Service Employment [government or 501 (c) 3 nonprofit, domestic or international]
  – 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
  – Funds are provided in form of a forgivable loan, and according to the repayment schedule in which a graduate is actually enrolled
  – Provided for up to 10 years

*LRAP DOES NOT PAY YOUR LOANS!*
**LRAP Options**

- **IBR – Track**
  - ALL federal loans (IBR)
  - Private loans borrowed while at Berkeley Law
  - UC-Bar study loan and/or Private Bar study loan
    - up to $10,000 (including accrued interest)

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

- **Standard – Track**
  - 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
- 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.

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