Loan Repayment & LRAP
What We’ll Cover Today

- Federal Loan Repayment Options
  - Income Based Repayment (IBR)
  - Public Service Loan Forgiveness (PSLF)

- How Will Berkeley’s LRAP Work For You?
  - What is it
  - Who is eligible
  - What loans qualify
  - Examples

- Next Steps: Before and After Graduation
What will I have to pay on my loans, and for how long?
The federal government offers multiple repayment plans, regardless of career choice
How much will my payments be?

**STANDARD**
10 yr. repayment plan

Not based on income, but loan debt

Monthly payments are fixed amount for 10 years

At the end of 10 years, your loans are paid off

**vs.**

**IBR** or **PAYE**
“Income Based Repayment” or “Pay As You Earn”

Based on income; monthly payments change annually as your income changes

You certify your income each year

Payments are calculated based on percentage of discretionary income (using federal metrics)

\[ \text{IBR} = 15\% \quad \text{and} \quad \text{PAYE} = 10\% \]
Which plan is right for me?

**STANDARD**
10 yr. repayment plan

Loans are completely paid off after 120 payments (10 years)

No loan forgiveness needed, but...

$150K debt = ~$1,800 per month

May not be affordable

**vs.**

**IBR or PAYE**

“Income Based Repayment” or “Pay As You Earn”

Lower payments

Likely to have a balance remaining after 10 years

...Are qualifying plans for Public Service Loan Forgiveness & LRAP

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BerkeleyLaw

University of California
Which plan is right for me?

IBR

“Income Based Repayment”

PAYE

“Pay As You Earn” … aka “The New IBR”

IBR or PAYE

“Income Based Repayment” or “Pay As You Earn”

Based on income; monthly payments change annually as your income changes

You certify your income each year

Payments are calculated based on percentage of discretionary income (using federal metrics)

IBR = 15% and PAYE = 10%
Which plan is right for me?

**IBR**

“Income Based Repayment”

- Higher payments, but covered by LRAP
- Slightly less interest accrual
- Regardless of employment type, built-in 25 year loan forgiveness*

**PAYE**

“Pay As You Earn”

- Lower payments
- Must be a new borrower on or after Oct. 1, 2007, and received a Direct Loan disbursement on or after Oct. 1, 2011
- Regardless of employment type, built-in 20 year loan forgiveness*

*Amount forgiven is considered **taxable income** in the year it’s forgiven

You certify your income each year.

Payments are calculated based on percentage of discretionary income (using federal metrics)

**IBR = 15%** and **PAYE = 10%**
But, You May Qualify for 10 Year Public Service Loan Forgiveness

Amount forgiven is not considered taxable income
What is Public Service Loan Forgiveness?
What is Public Service Loan Forgiveness?

PSLF

Program created by Congress*

…to encourage individuals to enter, and continue in, full-time employment in public service jobs

*Congress determines PSLF eligibility and guidelines
What is Public Service Loan Forgiveness?

“Borrowers may qualify for forgiveness of the remaining balance of their Direct Loans after they have made 120 qualifying payments while employed full time by certain public service employers”
What is Public Service Loan Forgiveness?

120 qualifying payments

= 

10 years

Payments do not need to be consecutive
Borrowers may qualify for forgiveness of the remaining balance of their Direct Loans after they have made 120 qualifying payments on those loans while employed full time by certain public service employers.
What is Public Service Loan Forgiveness?

Qualifying Employment

PSLF

Full Time

Non-profit (501(c)3) or Government

10 years, does not need to be consecutive
How does LRAP fit into all of this?
Once enrolled in IBR or PAYE, Berkeley’s LRAP will help you cover some or all of your payments.
How much will LRAP cover?

If income is:

- **$65K or less**
  - 100% of IBR payment
  - No out of pocket payments for you

- **$65K - $100K**
  - Prorated
  - You contribute 35% of income over $65K

LRAP Support is:

This means:
How much will LRAP cover?

- $65K or less: 100% of IBR payment, no out of pocket payments for you.
- $65K - $100K: Prorated. You contribute 35% of income over $65K.
- Over $100,000: Ineligible for LRAP, but can still apply for IBR/PAYE and PSLF.

Aka “Imputed Contribution”
Who Makes the Loan Payments?
Who makes the loan payments?

1. Berkeley gives you lump sum of money in the form of a forgivable LRAP loan

2. You use that money to make your loan payments to your Loan Servicer every month

3. We forgive (cancel) the LRAP loan if you were employed, had no salary changes & made your payments on-time
Who is eligible for LRAP?
Who is eligible for LRAP?

Berkeley Law Grads who:

- Apply and enroll in LRAP within 3.5 years after graduation
- Whose total income is less than $100K
- Are employed in a qualifying position
What is qualifying employment?
Eligible employment

- Greater than half-time and paid
- Law-related (must make substantial use of legal skills)
- 501(c)(3) nonprofit organization or agency of Government

Other positions that may qualify for LRAP *but not Public Service Loan Forgiveness*

- United Nations *(only PSLF eligible if U.S. employment)*
- NGOs & International
- Low Bono & Union
What kind of jobs do most LRAP participants have?
Where are Participants Employed?

2014 LRAP Participant Employment

- 501c(3)
- Government (Federal, State, and Local)
- Low Bono
- International NGO

Berkeley Law
University of California
Where are Participants Employed?

American Diabetes Association
PETA Foundation
Center for International Environmental Law

Federal Trade Commission
East Bay Community Law Center
Bay Area Legal Aid Society

U.S. Army JAG Corps
The Bronx Defenders

Prison Law Office
State Coastal Conservancy

Disability Rights California
National Immigration Law Center

California Appellate Project
California Rural Legal Assistance, Inc.

International Rights Advocates

And many more!
What about clerkships and fellowships?
Clerkships and Fellowships

Typically qualify for LRAP but...

- **Clerkships**
  - Must secure eligible employment following 1-year clerkships

- **Fellowships**
  - May or may not qualify for PSLF
    - Must be paid *and employed* by eligible organization
    - Employer must certify employment
What loans qualify for IBR, PSLF, and LRAP?
What loans qualify?

Federal Direct student loans obtained while attending, and prior to attending, Berkeley Law
What loans qualify?

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<thead>
<tr>
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<th>PSLF</th>
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You will need to take extra action to make these eligible for both PSLF and LRAP!
## What loans qualify?

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Private loans and bar study loans are not eligible for PSLF.

Private, State, Non-profit loans are not eligible for LRAP.
How do I know what loans I have?
What loans do I have?

ACTION ITEM

Go to: www.studentloans.gov

As of 2015, if you don't have an FSA ID, you'll need to create one
What loans do I have?
Retrieve Your Loan Information

The National Student Loan Data System (NSLDS) is the U.S. Department of Education’s (ED’s) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data.
What loans do I have?

Private loans will not show up on studentloans.gov

You will need to go to:

www.annualcreditreport.com

Remember: Never pay for your credit report
Example: Paul the Public Defender

A little about Paul:

✓ Graduated from Berkeley Law two years ago
✓ Earns $50,000 a year as a public defender
✓ Debt is $150,000
✓ He only has Federal Direct Loans
Example: Paul the Public Defender

- His IBR payment is currently $400
- Because he makes less than $65,000, LRAP will cover 100% of IBR payment
- He therefore receives $4,800 in an LRAP loan to make his payments for 12 months
- At the end of the contract, he proves:
  - he made the payments on time
  - no significant salary increase
  - in eligible employment
- His $4,800 LRAP Loan is forgiven and...
Example: Paul the Public Defender

As long as he made his payments on-time, he is 12 months closer to being able to apply for Public Service Loan Forgiveness (PSLF)
What are the requirements for PSLF again?
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 cumulative years payments and employment, apply for loan forgiveness
- Submit PSLF Employment Verification Form annually

Amount forgiven is not considered taxable income
Now let’s say that Paul gets married

If Paul’s spouse earns less, their salaries are not averaged

If Paul’s spouse earns more, their salaries are averaged

This can affect the imputed contribution if the averaged incomes are over $65,000 for example...
If his spouse made $90K, their salaries *would* be averaged to $70K.

The imputed contribution would be $145/month:

\[
\begin{align*}
$70K - $65k &= $5k \\
35\% \times $5K &= $1,750 \\
$1,750 / 12 &= $145
\end{align*}
\]

**Note:** Married participants must file separate federal tax returns.
Example: Ida the International Attorney

A little about Ida:

✓ Graduated from Berkeley Law 3 years ago
✓ Earns $75,000 a year working for an International non-profit
✓ Is not married
✓ Debt is $90,000
✓ She only has Federal Direct Loans
Example: Ida the International Attorney

- Her IBR payment is currently $700

- Because she makes more than $65,000, she has an imputed contribution of $300 per month

- LRAP will cover $400 of her IBR payment and she will cover $300

However...
Example: Ida the International Attorney

Because she is not employed by a U.S. based 501(c)(3) non-profit or government agency, her payments do not count towards the 120 payments for PSLF.

She would therefore want to discuss her long-term repayment strategy with LRAP.
Ida decides to move back to the U.S. to work at a 501(c)(3)
She is unemployed for 4 months during the move
Can she re-apply for LRAP once her new job begins?

Yes! Because she initially enrolled in LRAP within 3.5 years of graduation
Example: Ida the International Attorney

Ida can leave and enter LRAP as needed and can receive LRAP support for up to ten cumulative years

= 120 payments
Medical/Family Leave & Dependents

Medical/Family Leave:

Can receive LRAP support during paid and unpaid medical and family leave while employed

Up to 6 months of support for each incidence, 24 months total

Dependents:

Income Deduction ➔ $6,000 $4,000 $4,000 $4,000
Who can help me with my loan repayment?
Meet the LRAP Team

We provide extensive advising that includes a personalized analysis of your student loan repayment options.

Schedule an appointment with us during your 1L and 3L years!

...and anytime in between.
What should I be doing now?
Action Items

- Review your loan history at www.studentloans.gov
  - Repayment calculator

- Check your credit report at annualcreditreport.com

- Create an account with your loan servicer

- Create a budget and reduce expenses

- Schedule an LRAP meeting to review your repayment options

Meeting is required
Next Steps: After Graduation

- Complete exit counseling for your loans
- Verify your loans are in grace or deferment with loan servicer
- If needed, consolidate FFEL/Perkins in September
- Apply for LRAP once you secure qualifying employment
- Submit PSLF Employment Certification Form
- Apply for IBR or PAYE in October
- Stay in contact with the LRAP team and your loan servicer
Follow our blog in order to stay on top of updates, announcements, and deadlines.

lrap.berkeleylawblogs.org