



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**



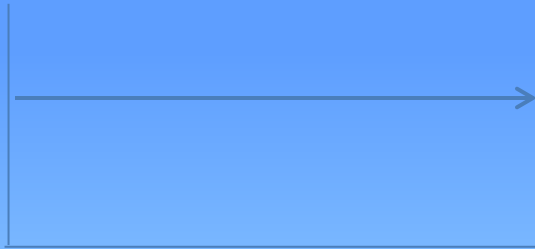
What will I have to pay on my loans, and for how long?



The federal government offers multiple
repayment plans, regardless of career
choice



How much will my payments be?



STANDARD

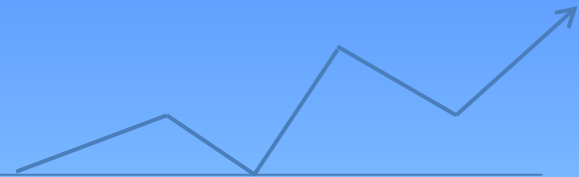
10 yr. repayment plan

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

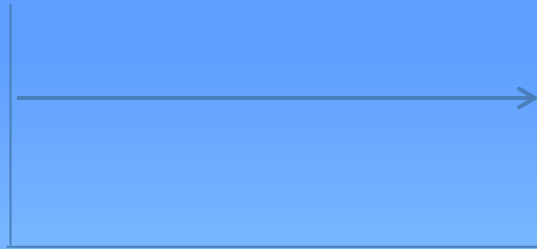
You certify your income each year

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

IBR = 15% and PAYE = 10%



Which plan is right for me?



STANDARD

10 yr. repayment plan

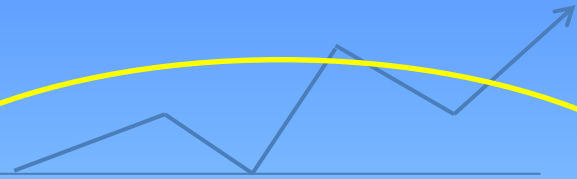
Loans are completely paid off after 120 payments (10 years)

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**



Which plan is right for me?

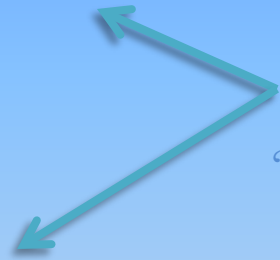
IBR

“Income Based Repayment”

VS.

PAYE

“Pay As You Earn”... aka
“The New IBR”



IBR or PAYE

“Income Based Repayment” or
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Based on income; monthly payments
change annually as your income changes

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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*



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

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*

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?

PSLF

“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

=

PSLF

10 years

Payments do *not* need to be consecutive

What is Public Service Loan Forgiveness?

PSLF

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?

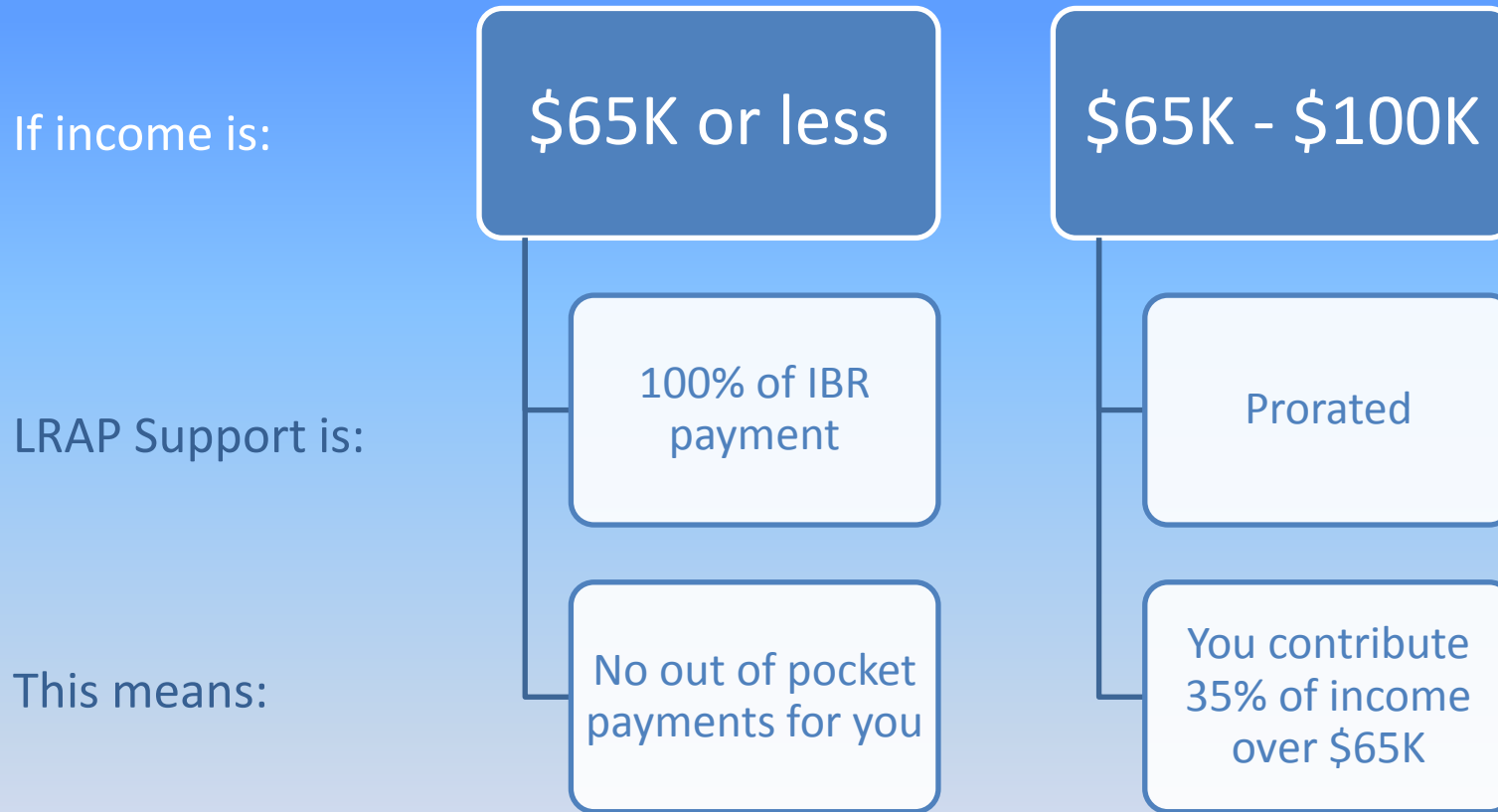


How does LRAP fit into all of this?

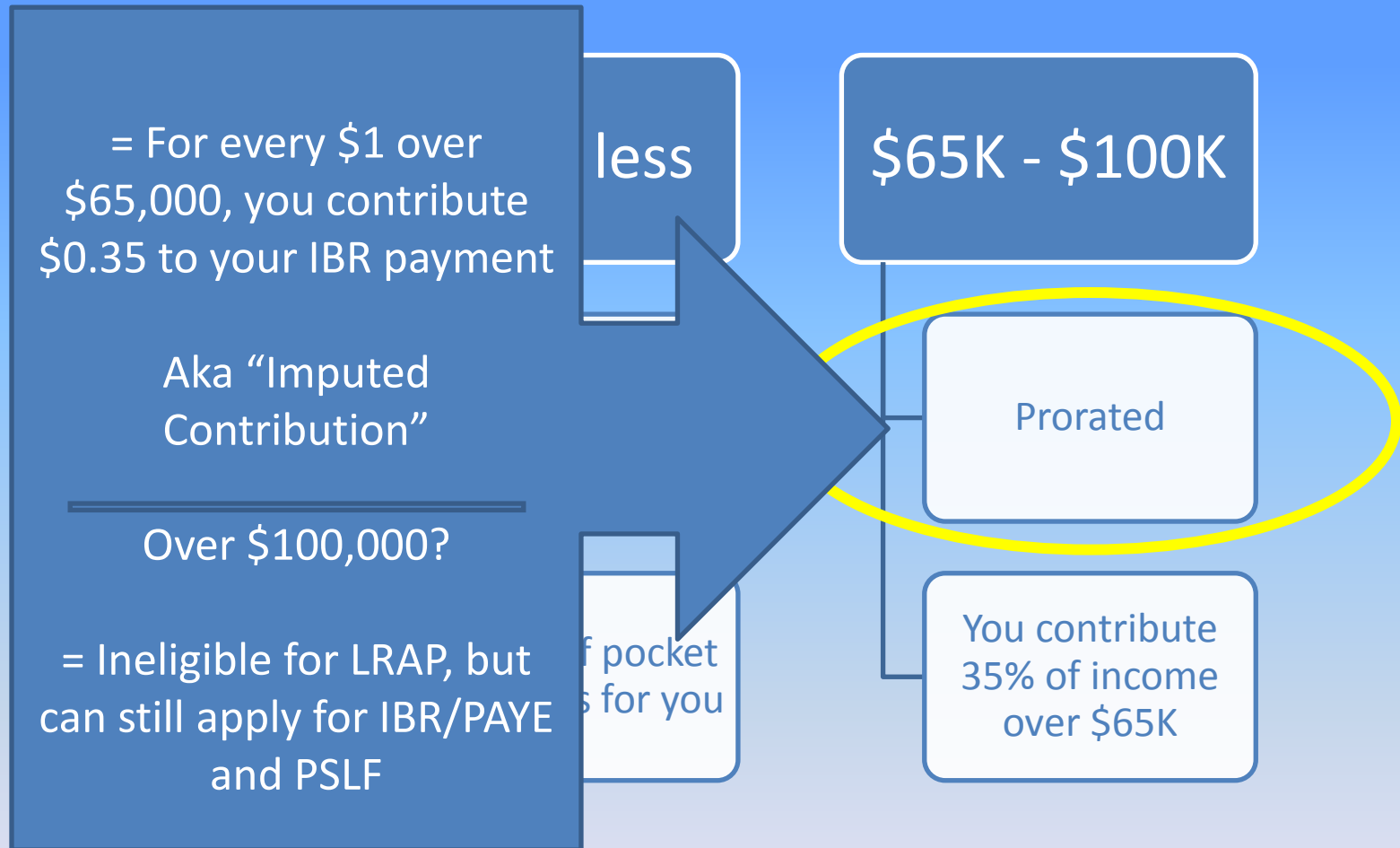
**Once enrolled in IBR or PAYE,
Berkeley's LRAP will help you
cover some or all of your
payments**



How much will LRAP cover?



How much will LRAP cover?



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*

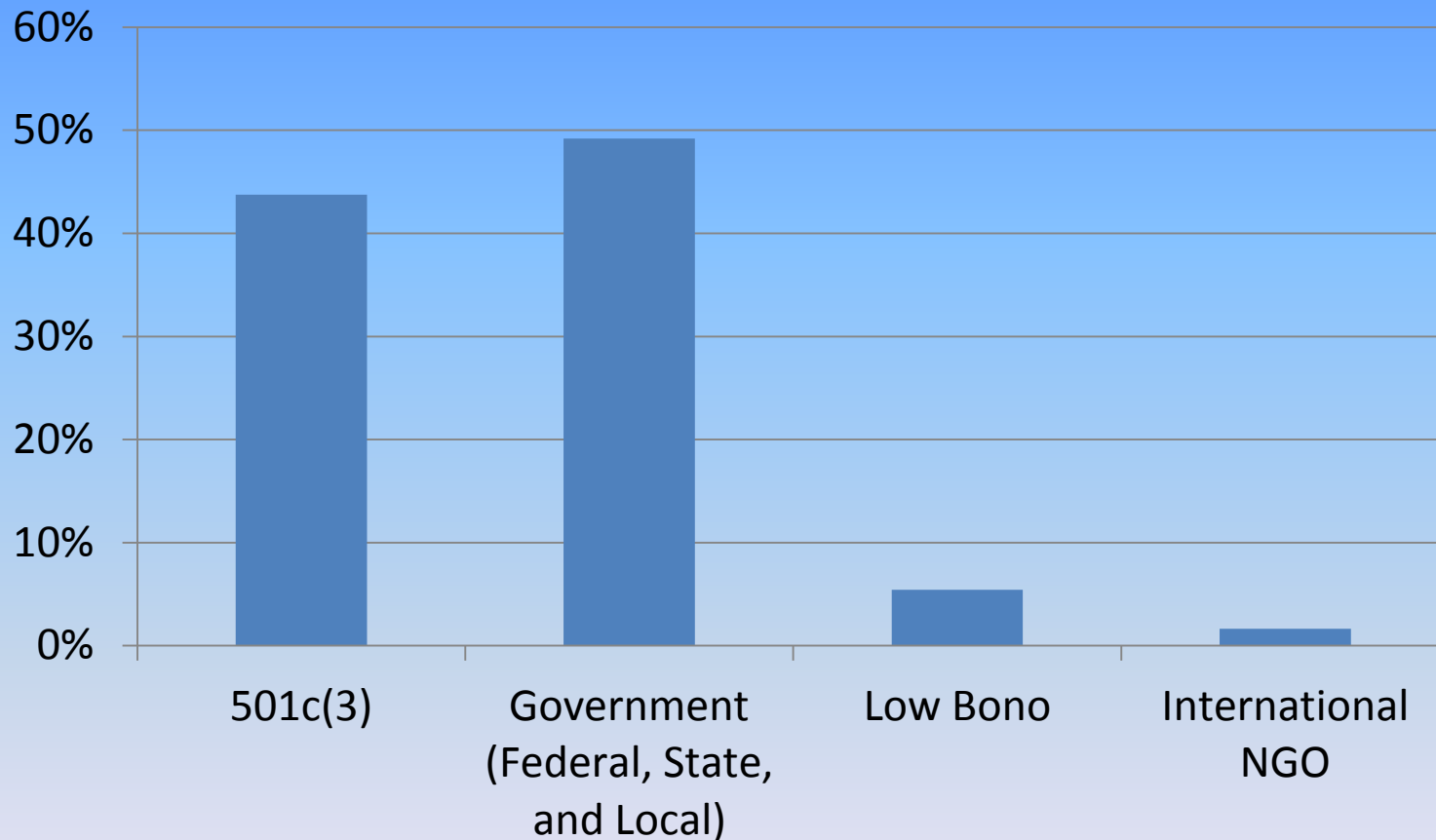
- United Nations (*only PSLF eligible if U.S. employment*)
- NGOs & International
- Low Bono & Union

What kind of jobs do most
LRAP participants have?



Where are Participants Employed?

2014 LRAP Participant Employment



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

National Immigration
Law Center

Disability Rights
California

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?

Loan Type	LRAP	PSLF
DIRECT Stafford subsidized	yes	yes
DIRECT Stafford unsubsidized	yes	yes
DIRECT Grad PLUS	yes	yes
DIRECT Consolidation	yes	yes
<u>FFEL Stafford</u>	no*	no*
<u>Perkins</u>	no*	no*
Private, State, Non- profit loans	no	no

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You will need to take extra action to make these eligible for both PSLF and LRAP!

?

What loans qualify?

Loan Type	LRAP	PSLF
DIRECT Stafford subsidized	yes	yes
DIRECT Stafford unsubsidized	yes	yes
DIRECT [partially obscured]	[partially obscured]	yes
DIRECT Consolidation	[partially obscured]	yes
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Private, State, Non-profit loans	no	no

Private loans and bar study loans are not eligible for PSLF

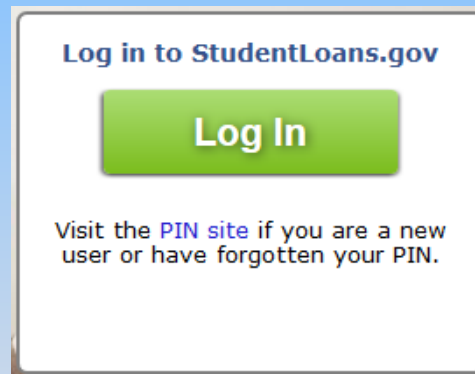
How do I know what loans I have?



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?

The screenshot shows the Federal Student Aid website interface. At the top, the URL is <https://studentloans.gov/myDirectLoan/directLoanHome.action>. The main header features the "Federal Student Aid" logo and the text "PROUD SPONSOR of the AMERICAN MIND™". Below the header is a navigation bar with tabs: "My Account", "Getting Loans", "Tools and Resources", "Managing Repayment", and "FAQs". A dropdown menu is open under "Tools and Resources", listing various options: "Federal Student Aid (FSA) ID", "Find Information about Student Aid Programs", "Interest Rates for New Direct Loans", "Federal Student Loan Overview", "FAFSA®", "Direct Consolidation Loan Application", "My Financial Aid History", "TEACH Grant - Initial and Subsequent Counseling", "TEACH Grant - Agreement To Serve (ATS)", and "TEACH Grant - Exit Counseling". The left sidebar contains a "My Preferences" section with a tree view of options: "My Loan Documents" (Disclosure Statements, Completed MPNs, Direct PLUS Loan Requests, PLUS Correspondence, Completed Endorser Addenda, Income-Driven Repayment Plan Requests, Direct Consolidation Loan Applications), "PLUS Loan Process" (Request Direct PLUS Loan, Document Extenuating Circumstances, Endorse Direct PLUS Loan, Print Endorser Addendum, Complete PLUS Counseling), "Master Promissory Note" (Complete MPN, Print MPN), "Counseling" (Complete Counseling, View Completed Counseling), and "Repayment" (Complete Direct). The main content area displays a "Welcome to Student Loans.gov" message and a list of tasks: "Complete Counseling (Entrance, Financial Aid)", "Complete a Master Promissory Note", "Request a Direct PLUS Loan", "Endorse a Direct PLUS Loan", "Complete Direct PLUS Application and Request", "Complete Income-Driven Repayment Request", "Co-sign Spouse's Income-Driven Repayment Plan Request", and "I am not sure (we will ask you a series of questions to direct you)". The right sidebar includes "Personal Information" (Borrower: Social Security Number, Date of Birth, E-mail, Update E-mail address) and "Tools and Calculators" (Repayment Estimator, This tool uses your loan information to estimate: initial monthly payment, repayment plan, repayment plan, total interest paid).



What loans do I have?



The screenshot shows a web browser window with two tabs: "StudentLoans.gov" and "National Student Loan Data Sys...". The address bar displays "https://www.nsls.ed.gov/nsls_SA/". The page header includes "Federal Student Aid" with the text "PROUD SPONSOR of the AMERICAN MIND™" and a link for "Español (Spanish) Skip Navigation". A navigation menu contains "Financial Aid Review", "Exit Counseling", "Glossary of Terms", "Browser Info/Setup", "FAQs", and "Contact Us". The main content area features a photograph of a student in a red jacket and cap working on a laptop. To the right of the photo, the text reads "NSLDS STUDENT ACCESS National Student Loan Data System". Below this is a blue banner with the text "Retrieve Your Loan Information". A paragraph explains that NSLDS is the U.S. Department of Education's central database for student aid, receiving 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. Two buttons are visible: "Financial Aid Review" and "Exit Counseling". The footer contains links for "FOIA", "Privacy", "Security", and "Notices", along with "WhiteHouse.gov", "USA.gov", and "ED.gov".

StudentLoans.gov x National Student Loan Data Sys... x +

https://www.nsls.ed.gov/nsls_SA/

Federal Student Aid | PROUD SPONSOR of the AMERICAN MIND™

[Español \(Spanish\)](#) [Skip Navigation](#)

[Financial Aid Review](#) [Exit Counseling](#) [Glossary of Terms](#) [Browser Info/Setup](#) [FAQs](#) [Contact Us](#)

NSLDS STUDENT ACCESS

National Student Loan Data System

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.

[Financial Aid Review](#)

[Exit Counseling](#)

FOIA | Privacy | Security | Notices

WhiteHouse.gov | USA.gov | ED.gov

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

- ✓ On-time
- ✓ Correct amount
- ✓ Scheduled

- ❖ 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



Example: Paul the Public Defender

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...



Example: Paul the Public Defender

If his spouse made \$90K, their salaries *would* be averaged to \$70K

The imputed contribution would be \$145/month:

$$\$70K - \$65k = \$5k$$

$$35\% \times \$5K = \$1,750$$

$$\$1,750 / 12 = \$145$$

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



Example: Ida the International Attorney

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:



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



Timing
and
order
depends
on your
situation



Contact Us!

Leah Sime and Elena McSwiggen

LRAP & Loan Repayment Strategies

LRAP@law.berkeley.edu

Follow our blog in order to stay on top of updates,
announcements, and deadlines.

lrp.berkeleylawblogs.org

