Loan Repayment & LRAP
What We’ll Cover Today

- Federal Loan Repayment Options
  - Income-Driven Repayment (IBR, PAYE)
  - Public Service Loan Forgiveness (PSLF)

- How Berkeley’s LRAP Will Work For You
  - What it is
  - 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

- Monthly payments are fixed amount for 10 years
- Not based on income, but loan debt
- At the end of 10 years, you’ve paid off your loans

**INCOME-DRIVEN**
Income Based Repayment or Pay As You Earn

- Based on income; payment amount changes each year
- You certify your income annually with your loan servicer
- Payments are calculated based on percentage of discretionary income (using federal metrics)
Which plan is right for me?

**STANDARD**
10 yr. repayment plan

Loans are completely paid off after ten years (120 monthly payments)

No loan forgiveness needed, but…

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

May not be affordable

**vs.**

**INCOME-DRIVEN**
“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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Berkeley Law
University of California
Which plan is right for me?

**IBR**
“Income Based Repayment”

**PAYE**
“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”

- Payments are higher than PAYE
- Regardless of employment type, built-in 25 year loan forgiveness*

**PAYE**

“Pay As You Earn”

- Lower payments than IBR
- 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*

Can receive LRAP support under either plan

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

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, on-time payments

Payments do not need to be consecutive
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?

Qualifying Employment

= 

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 up to 100% of your payments
How much will LRAP cover?

If income is:

- **$65K or less**
  - 100% of IBR/PAYE 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?

= For every $1 over $65K, you contribute $0.35 to your IBR payment

Aka “Imputed Contribution”

Over $100,000?

= Ineligible for LRAP, but can still apply for IBR/PAYE and PSLF

$65K - $100K

Prorated

You contribute 35% of income over $65K
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 over 65K, and made your payments on-time
Who is eligible for LRAP?
Who is eligible for LRAP?

Berkeley Law JD 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 for LRAP?
LRAP 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?

2015 LRAP Participant Employment

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

Disability Rights California

State Coastal Conservancy

National Immigration Law Center

California Appellate Project

California Rural Legal Assistance, Inc.

International Rights Advocates

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

Typically qualify for LRAP but...

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

- **Fellowships**
  - Employer must certify employment for PSLF
    
    *(Must be paid and employed by a PSLF eligible organization)*
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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You will need to take extra action to make these eligible for both PSLF and LRAP!
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*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?
What loans do I have?
What loans do I have?

Private loans will not show up on studentloans.gov

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 salary increase over $65K
  - 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?
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

- On-time
- Correct amount
- Scheduled
Now let’s say that Paul gets married.

If his spouse earns more, their salaries **are** averaged for LRAP purposes.

If his spouse earns less, their salaries are **not** averaged.

This can affect his imputed contribution if their averaged incomes are over $65K for example...
Example: Paul the Public Defender

If his income is $50K, and his spouse’s income is $90K...

→ Salaries are averaged to $70K

→ Income over $65K is subject to imputed contribution

→ They would be expected to pay 35% of $5,000 each year towards his loan payments ($417/month)

Note: Married participants may need to file separate federal tax returns; please discuss with an LRAP advisor
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...
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

Participants 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 event, 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 loans 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
Leah Sime and Elena McSwiggen
LRAP & Loan Repayment Strategies

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