



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?

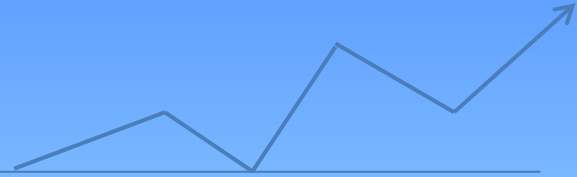


The federal government offers multiple
repayment plans, regardless of career
choice



How much will my payments be?

→ \$0



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

vs. INCOME-DRIVEN

Income Based Repayment or
Pay As You Earn

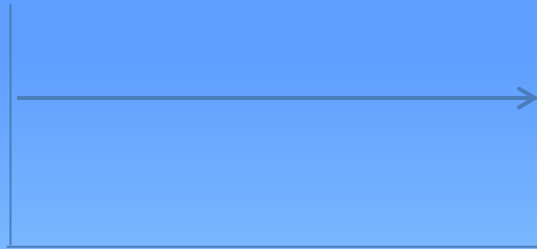
Based on income; payment amount changes each year

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**



Which plan is right for me?

IBR

“Income Based Repayment”

vs.

PAYE

“Pay As You Earn”



IBR and PAYE

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*

Can receive LRAP support under either plan

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*

*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?

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, on-time payments

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 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?

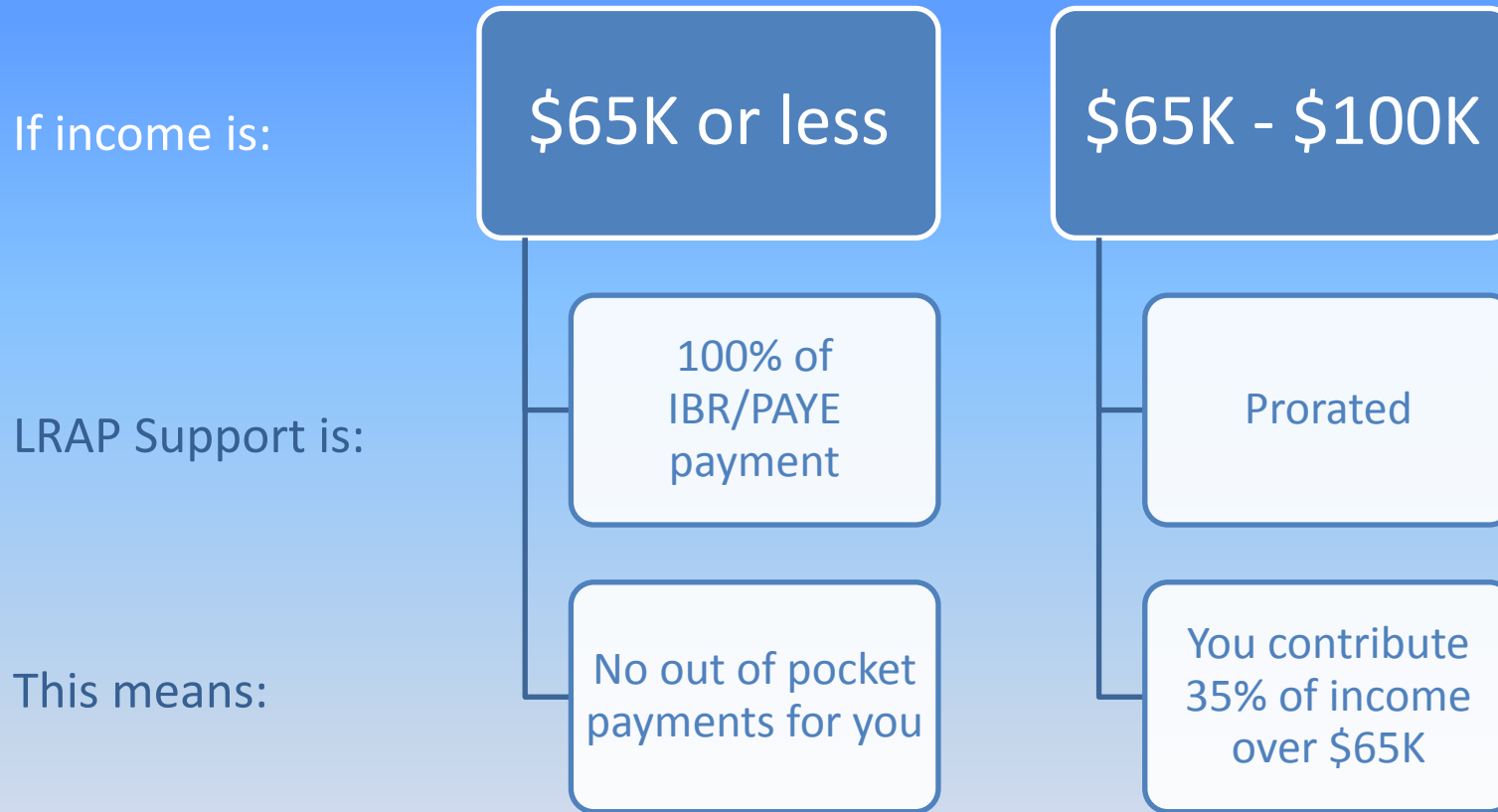


How does LRAP fit into all of this?

**Once enrolled in IBR or PAYE,
Berkeley's LRAP will help you
cover up to 100% of your
payments**



How much will LRAP cover?



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

less

\$65K - \$100K

Prorated

You contribute
35% of income
over \$65K

of pocket
s for you

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*

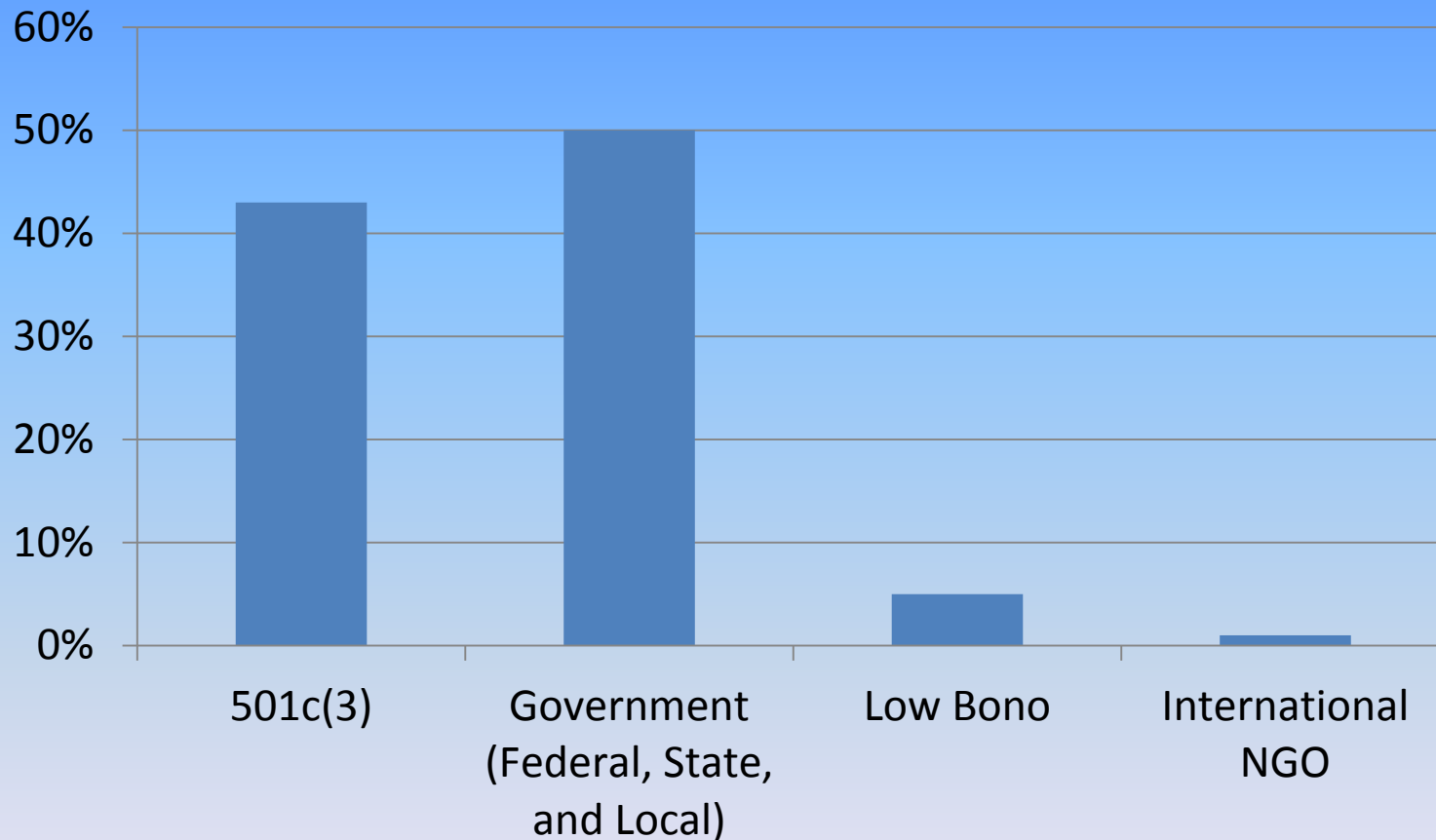
- United Nations (only PSLF eligible if U.S. employment)
- NGOs & International
- Low Bono & Union

What kind of jobs do most
LRAP participants have?



Where are Participants Employed?

2015 LRAP Participant Employment



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?



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?

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!

?

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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



The screenshot shows the top navigation bar of the StudentLoans.gov website. On the left, it says "Federal Student Aid" with "An OFFICE of the U.S. DEPARTMENT of EDUCATION" below it. In the center, it says "PROUD SPONSOR of the AMERICAN MIND™". On the right, it says "StudentLoans.gov" with "English | Español" below it. Below the navigation bar is a horizontal menu with the following items: "My Account", "Getting Loans", "Tools and Resources", "Managing Repayment", "FAQs", and "Contact Us". The main content area features a banner image of a diverse group of students, with one student in the foreground raising their hand. To the right of the banner is a login form with the following fields and buttons: "FSA ID Username or E-mail Address" (text input), "FSA ID Password" (password input), "Create an FSA ID" (text link), "Forgot Username or Password?" (text link), and a green "Log In" button.

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. The browser address bar displays <https://studentloans.gov/myDirectLoan/directLoanHome.action>. The page header includes the logo for Federal Student Aid, an office of the U.S. Department of Education, and a note that it is the proud sponsor of the American Mind. The main navigation bar contains tabs for My Account, Getting Loans, Tools and Resources, Managing Repayment, and FAQs. A 'My Preferences' dropdown menu is open, showing a list of 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 (highlighted), TEACH Grant - Initial and Subsequent Counseling, TEACH Grant - Agreement To Serve (ATS), and TEACH Grant - Exit Counseling. The background content includes a 'Welcome to Student' message, a list of '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).



What loans do I have?

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™*

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[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

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?



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 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...



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

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:

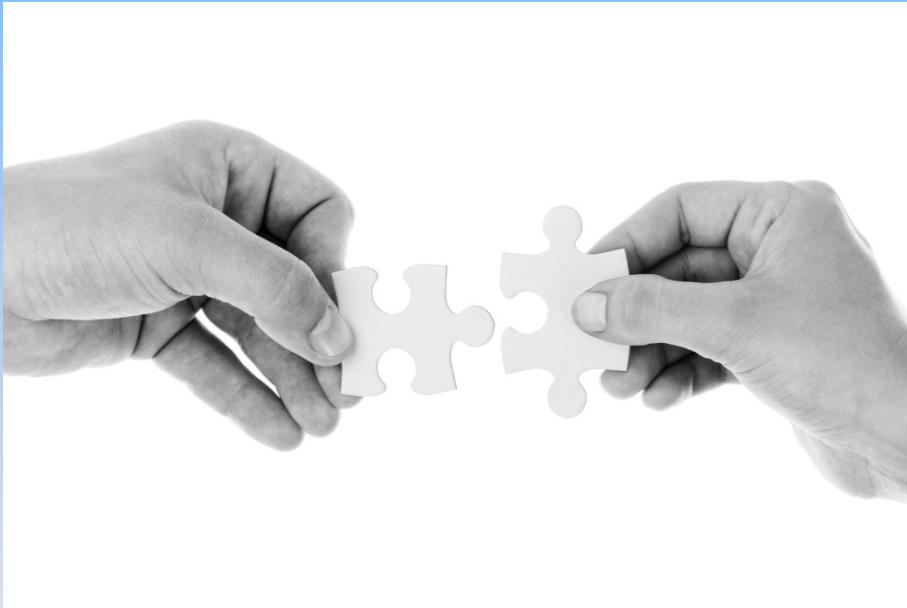


Who can help me with my loan
repayment?



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



Timing
and
order
depends
on your
situation



Contact Us!

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LRAP & Loan Repayment Strategies

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

lrp.berkeleylawblogs.org

