Life After Law School:
Loan Repayment & Forgiveness

by Elena McSwiggen
Berkeley Law Financial Aid Office
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Road Map

How You Can Afford Loan Repayment
  - Federal Income-Driven Repayment
  - Federal Public Service Loan Forgiveness (PSLF)
    → Current climate of PSLF
  - Berkeley Law LRAP

Resources and borrower rights

…real life examples!
Meet the graduates

Paul

“Being a public defender is why I’m in law school. That said, I’m considering working for non-profits as well”

Ida

“I’m not certain what I want to do. I might work at a large firm, maybe do some non-profit work internationally. I haven’t decided.”
Paul

“Being a public defender is why I’m in law school. That said, I’m considering working for non-profits as well”

$230,000

Ida

“I’m not certain what I want to do. I might work at a large firm, maybe do some non-profit work internationally.”

$80,000
What options do Paul and Ida have?

- What will their monthly payments be after graduation?
- Can they get their loans forgiven after a period of time?
- How much will Berkeley Law’s LRAP cover?
The federal government offers multiple repayment plans for Federal student loans, regardless of career choice.
What will their payments be?

**STANDARD**
10 yr. repayment plan

- Monthly payments are fixed amount for a period of time (standard is 10 years)
- Not based on income, but loan debt (aka “Debt-driven”)
- There are ‘extended’ plans that are debt-driven and allow you to repay over a longer period of time. But, you pay more in interest over time.

**INCOME-DRIVEN**

- Based on income; payment amount changes each year
- You certify your income with the federal government annually
- Payments are calculated based on percentage of discretionary income (using federal metrics) → 10% – 15%
Monthly Payments

Paul:

$230,000

STANDARD 10 yr
• $2,700 per mo.

INCOME-DRIVEN
• ?

Ida:

$80,000

STANDARD 10 yr
• $930 per mo.

INCOME-DRIVEN
• ?
Monthly Payments

Paul:
- $230,000
  - STANDARD 10 yr
    - $2,700 per mo.
  - INCOME-DRIVEN
    - If earning $65K
      - $390 per mo.

Ida:
- $80,000
  - STANDARD 10 yr
    - $930 per mo.
  - INCOME-DRIVEN
    - If earning $65K
      - $390 per mo.
Paul:

Monthly Payments

STANDARD 10 yr
- $2,700 per mo.

INCOME-DRIVEN
- If earning $65K
- $390 per mo.

“I can afford $390!
So how long will it take to pay off my loans?”
How much will my payments be?

STANDARD
10 yr. repayment plan

Portion of payments go towards principle and interest, but
Payments may not be affordable depending on debt level and earnings potential

vs.

INCOME-DRIVEN

Lower payments, but…
Depending on debt level, payments may only cover a portion of interest accruing
…may qualify for loan forgiveness
What options do Paul and Ida have?

- What will their monthly payment be after graduation?
- Can they get their loans forgiven?
- How much will Berkeley Law’s LRAP cover?
Plans Built Into Federal Student Loans

25 year loan forgiveness

- No employment requirements
- May be 20 years if you qualify for certain IDR plans
- Taxable income 😞

10 year loan forgiveness (PSLF)

- Qualifying public interest employment
What is Public Service Loan Forgiveness (PSLF)?
What is Public Service Loan Forgiveness?

Program created by Congress in 2007
to encourage individuals to enter, and
continue in, full-time employment in
public service jobs
“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

= 

Equivalent to 10 years, on-time payments while in a qualifying repayment plan such as IBR or PAYE
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
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 Loans

PSLF

= Federal Direct Loans

FFEL and Perkins Loan must be consolidated

Private Loans not eligible
Know Your Loans

Federal loans:
nslds.ed.gov
or
studentaid.ed.gov

Private Loans:
annualcreditreport.com
Would they qualify for PSLF?

Paul

“‘I’m committed to public interest and plan to work in government or at a 501c3 non-profit.’”

Ida

“‘Maybe I’ll do some non-profit work internationally or work for a plaintiff side firm’”
Would they qualify for PSLF?

Paul: Yes! Government and 501(c)3 nonprofits qualify.

Ida: Unlikely. But can still use Income-driven repayment without pursuing PSLF.
“I’ve heard most people applying for PSLF have been denied.”
Is this true?
Keep in mind... Several requirements:

- on time payments,
- on qualifying loans,
- in qualifying repayment plan,
- while in qualifying employment,
- for 120 months
Grim Statistics on PSLF

Reasons for denial:

• Loans that don’t qualify (Perkins, FFEL, private)
• Consolidated loans after making payments
• Non qualifying employment: 501c6, 501c5, 501c4, plaintiff side/union
• Lump sum payments
• Payments made but not while in qualifying employment, or employment not documented
• Older borrowers had multiple loan servicers
• Lack of guidance or (incorrect counseling) from loan servicers
• Confusion of PSLF employment certification form vs. application form
...Anticipate to see more people qualify for PSLF as time goes on and as communication has improved
PSLF Q&A

“What if PSLF is discontinued?”
Your Rights:

- PSLF is built into your Master Promissory Note!
- Legislation introduced to date includes grandfathering provisions

Considerations:

- Many government agencies (including military) have difficulty hiring without PSLF

“What if PSLF is discontinued?”
PSLF Language included in Master Promissory Notes (MPNs) since 2007:

Public Service Loan Forgiveness

A Public Service Loan Forgiveness (PSLF) program is also available. Under this program, we will forgive the remaining balance due on your eligible Direct Loan Program loans after you have made 120 payments on those loans (after October 1, 2007) under certain repayment plans while you are employed full-time in certain public service jobs. The required 120 payments do not have to be consecutive. Qualifying repayment plans include the REPAYE Plan, the PAYE Plan, the IBR Plan, the ICR Plan, and the Standard Repayment Plan with a 10-year repayment period.

Note: Although the Standard Repayment Plan with a 10-year repayment period is a qualifying repayment plan for PSLF, to receive any loan forgiveness under this program you must make the majority of the required 120 payments under the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan.
How does the LRAP fit into this?

- What will their monthly payment be after graduation?
- Can they get their loans forgiven?
- How much will Berkeley Law’s LRAP cover?
Once enrolled in an income driven repayment (IDR) plan,

Berkeley’s LRAP will help cover up to 100% of IDR payments for up to 10 years.
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

✓ Employed in a qualifying position
LRAP Eligible employment

- Greater than half-time and paid

- Law-related (must make substantial use of legal skills)

- 501(c)(3) non-profit or government agency

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 if I work for a firm for two years after graduation, but I might go into public interest after?”

LRAP:

3.5 year initial eligibility window after graduation
(no deadline for PSLF)
How much will LRAP cover?

If income is:

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

- **$65K - $100K**
  - Prorated
  - You contribute 35% of your income over $65K to your loan payments

LRAP Support is:

This means:

- 100% of IDR payment
- No out of pocket payments for you
- Prorated
- You contribute 35% of your income over $65K to your loan 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
Paul: $230,000

Income: $50,000 as a public defender
Applies for Income Driven plan: $265 per month
income < $65K,
LRAP covers 100% = $265

Ida: $80,000

Income: $75,000 at an international non-profit
Applies for Income Driven plan: $450 per month
income is $10K over $65K, she pays $3,500 to loans each year ($290/month)
LRAP covers the remainder of her IDR payment

But time doesn’t count towards PSLF because not a domestic 501c3
Who makes the loan payments?

1. Berkeley gives you lump sum of money in the form of a forgivable LRAP loan to cover 6-12 months of payments.

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.
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 Offices
State Coastal Conservancy
National Immigration Law Center
Disability Rights California
California Appellate Project
California Rural Legal Assistance, Inc.
International Rights Advocates

...and many more!
Example: Paul the Public Defender

OK. Let’s say Paul is employed as a public defender. He applies for and is eligible for LRAP.

He makes 12 monthly IDR payments with the help of LRAP

What should he do to apply for PSLF?
…Paul documents his employment by submitting a PSLF employment certification form to FedLoan Servicing.

We recommend to submit annually, or every time you change jobs. But can be submitted any time you have a start and end date for any position.

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### Borrower Name

**SECTION 3: EMPLOYER INFORMATION (TO BE COMPLETED BY THE BORROWER OR EMPLOYER)**

<table>
<thead>
<tr>
<th>Field</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employer Name</td>
<td></td>
</tr>
<tr>
<td>2. Federal Employer ID (FEIN)</td>
<td></td>
</tr>
<tr>
<td>3. Employer Address</td>
<td></td>
</tr>
<tr>
<td>4. Employer Website (if any)</td>
<td></td>
</tr>
<tr>
<td>5. Employment Begin Date</td>
<td></td>
</tr>
<tr>
<td>6. Employment End Date</td>
<td></td>
</tr>
<tr>
<td>7. Employment Status</td>
<td>Full-Time, Part-Time</td>
</tr>
<tr>
<td>8. Hours Per Week (Average)</td>
<td>Include vacation, leave time, or any leave taken under the Family Medical Leave Act of 1993. If your employer is a 501(c)(3) or a not-for-profit organization, do not include any hours you spent on religious instruction, worship services, or proselytizing.</td>
</tr>
<tr>
<td>9. Is your employer a governmental organization?</td>
<td>No</td>
</tr>
<tr>
<td>10. Is your employer tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC)?</td>
<td>Yes - Skip to Section 4, No - Continue to Item 11.</td>
</tr>
<tr>
<td>11. Is your employer a not-for-profit organization that is not tax-exempt under Section 501(c)(3) of the Internal Revenue Code?</td>
<td>Yes - Continue to Item 12, No - Your employer does not qualify.</td>
</tr>
<tr>
<td>12. Is your employer a partisan political organization or a labor union?</td>
<td>Yes - Your employer does not qualify, No - Continue to Item 13.</td>
</tr>
<tr>
<td>13. Which of the following services does your employer provide as its primary purpose? Check all that apply and then continue to Section 4. If you check &quot;None of the above&quot;, do not submit this form.</td>
<td>Emergency management, Military service (See Section 6), Public safety, Law enforcement, Public interest legal services (See Section 6), Early childhood education (See Section 6), Public service for individuals with disabilities, Public service for the elderly, Public health (See Section 6), Public education (See Section 6), Public library services, School library services, Other school-based services, None of the above - the employer does not qualify.</td>
</tr>
</tbody>
</table>

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### Borrower SSN

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By signing, I certify (1) that the information in Section 3 is true, complete, and correct to the best of my knowledge and belief, (2) that I am an authorized official (see Section 6) of the organization named in Section 3, and (3) that the borrower named in Section 1 or was an employee of the organization named in Section 3.

Note: If any of the information is crossed out or altered in Section 3, you must initial those changes.
...if Paul’s federal loan servicer is not already FedLoan Servicing, his loans will be transferred there after submitting the PSLF Employment Certification Form.

→ Typically takes 1-2 months: No payments due during this time.
As long as he made his payments on-time, Paul is 1 year closer to being able to apply for 10 year Public Service Loan Forgiveness (PSLF)
Example Bill After PSLF Employment Certification Form is approved (once employer can certify start and end date)

Paul the Public Defender

<table>
<thead>
<tr>
<th>Date Disbursed</th>
<th>Loan Program</th>
<th>Original Balance</th>
<th>Current Balance</th>
<th>Outstanding Interest</th>
<th>Interest Rate</th>
<th>Monthly Payment</th>
<th>Current Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>08/13/2012</td>
<td>DLPLGB</td>
<td>$31,558.00</td>
<td>$31,558.00</td>
<td>$12,888.58</td>
<td>7.650%</td>
<td>$39.60</td>
<td>$39.60</td>
</tr>
<tr>
<td>11/21/2012</td>
<td>DLPLGB</td>
<td>$1,650.00</td>
<td>$1,650.00</td>
<td>$655.92</td>
<td>7.650%</td>
<td>$2.07</td>
<td>$2.07</td>
</tr>
<tr>
<td>08/19/2013</td>
<td>DLPLGB</td>
<td>$10,000.00</td>
<td>$10,000.00</td>
<td>$2,582.60</td>
<td>6.160%</td>
<td>$12.55</td>
<td>$12.55</td>
</tr>
<tr>
<td>08/19/2013</td>
<td>DLPLGB</td>
<td>$10,000.00</td>
<td>$10,000.00</td>
<td>$2,582.60</td>
<td>6.160%</td>
<td>$12.55</td>
<td>$12.55</td>
</tr>
<tr>
<td>10/09/2013</td>
<td>DLPLGB</td>
<td>$12,260.00</td>
<td>$12,260.00</td>
<td>$2,604.81</td>
<td>6.160%</td>
<td>$12.87</td>
<td>$12.87</td>
</tr>
<tr>
<td>09/03/2014</td>
<td>DLPLGB</td>
<td>$1,346.00</td>
<td>$1,346.00</td>
<td>$302.11</td>
<td>6.960%</td>
<td>$1.69</td>
<td>$1.69</td>
</tr>
<tr>
<td>09/03/2014</td>
<td>DLPLGB</td>
<td>$30,328.00</td>
<td>$30,328.00</td>
<td>$6,817.49</td>
<td>6.960%</td>
<td>$38.05</td>
<td>$38.05</td>
</tr>
<tr>
<td>09/03/2014</td>
<td>DLPLGB</td>
<td>$1,140.00</td>
<td>$1,140.00</td>
<td>$222.10</td>
<td>6.960%</td>
<td>$1.43</td>
<td>$1.43</td>
</tr>
<tr>
<td>09/03/2014</td>
<td>DLPLGB</td>
<td>$1,140.00</td>
<td>$1,140.00</td>
<td>$222.10</td>
<td>6.960%</td>
<td>$1.43</td>
<td>$1.43</td>
</tr>
<tr>
<td>07/08/2005</td>
<td>DLSCNS</td>
<td>$17,817.00</td>
<td>$7,985.33</td>
<td>$162.57</td>
<td>2.625%</td>
<td>$10.02</td>
<td>$10.02</td>
</tr>
<tr>
<td>08/13/2012</td>
<td>DLUNST</td>
<td>$20,500.00</td>
<td>$20,500.00</td>
<td>$7,143.20</td>
<td>6.550%</td>
<td>$25.72</td>
<td>$25.72</td>
</tr>
<tr>
<td>09/19/2013</td>
<td>DLUNST</td>
<td>$20,500.00</td>
<td>$20,500.00</td>
<td>$4,362.81</td>
<td>5.160%</td>
<td>$25.72</td>
<td>$25.72</td>
</tr>
<tr>
<td>09/03/2014</td>
<td>DLUNST</td>
<td>$20,500.00</td>
<td>$20,500.00</td>
<td>$3,868.00</td>
<td>5.960%</td>
<td>$25.72</td>
<td>$25.72</td>
</tr>
</tbody>
</table>

Since you are enrolled in Direct Debit, we will automatically extract your monthly payment amount totaling $207.99.

*This number represents the total number of qualifying payments you have made (out of the required 120) on your eligible loans for Public Service Loan Forgiveness (PSLF). This number only includes full, on-time payments that you have made during a period of qualifying employment that has been certified by your employer on the PSLF Employment Certification Form (ECF). We will update this number each time you submit a new, approved ECF if you made additional qualifying
“What if I want to travel the world for a year?”

PSLF and LRAP: cumulative 10 years, not consecutive
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
- Eventually submit proof of qualifying employment

- On-time
- Correct amount
- Scheduled

Amount forgiven is not considered taxable income
Paul should make sure to...

- Read emails from loan servicer
- Apply for income for IDR every 12 months
- Submit PSLF Employment Certification Form when he changes jobs
- Download payment history every 6-12 months
- Enroll in auto-pay?
- Keep a separate bank account for loan payments?
- Document everything!
- Know his options: no reason to ever default on a federal student loan
“This is a lot of information. Who can help me with my loan repayment strategy?”
Who can help?

- Berkeley Law Financial Aid Office
  1:1 counseling sessions, phone appointments
If you think you’ll pursue PSLF (and LRAP), schedule an LRAP meeting:

- Repayment strategy given loan indebtedness
- Types of loans and whether you need to consolidate your loans
- Marriage and dependents and impact on LRAP/IDR
- Non-PSLF qualifying jobs like plaintiff-side firm employment or international work
  - Whether it makes sense to make payments on top of LRAP support

→ An appointment is required prior to enrolling in LRAP
“Who do I contact if I have a dispute with my loan servicer?”
Who can help?

- Berkeley Law Financial Aid Office
  Can answer common questions

- Loan Servicer
  Online portal, call & can ask for a supervisor

- FSA (Dept of Ed) Ombudsman
  - Resolve discrepancies, collect information, act as mediator
  - Open a case through FSA Feedback system
**Information and Record Sharing**

- Under Obama Administration, ED and CFPB agreed to share records and resources in cases of potential violations.

- Betsy DeVos has rescinded that agreement. CFPB needs ED to authorize servicers to release documentation for lawsuits.

- Dodd Frank (2010) - CFPB as a “watchdog” agency; took action against lenders and servicers under Richard Cordray’s leadership.

- 2017 - Interim director of the CFPB (formally known as Bureau of Consumer Financial Protection) Mick Mulvaney scaling back enforcement; concerns that Bureau been overreaching it’s power under the law.

- CFPB’s student loan ombudsman resigns in 2018. This office’s responsibilities included processing complaints from borrowers against loan servicers
Why it’s more important than ever to:

- Read emails from loan servicer
- Apply for income for IDR every 12 months
- Submit PSLF Employment Certification Form when he changes jobs
- Download payment history every 6-12 months
- Enroll in auto-pay?
- Keep a separate bank account for loan payments?
- **MAINTAIN RECORDS**
Other Resources

Repayment & Consumer Information:

- National Consumer Law Center’s SLBA: [www.StudentLoanBorrowerAssistance.org](http://www.StudentLoanBorrowerAssistance.org)
- Heather Jarvis: [askheatherjarvis.com](http://askheatherjarvis.com)
Questions?

Schedule an appointment or e-mail:

LRAP-law@berkeley.edu (Public interest)

or

financial-aid-law@berkeley.edu (general)
Thank You!