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”

Ida

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

Loan Debt

$230,000

$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) \( \rightarrow 10\% - 15\% \)
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

$230,000

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?”

n1
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?
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.
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 =

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

= 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
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
PUBLIC SERVICE LOAN FORGIVENESS (PSLF): APPLICATION FOR FORGIVENESS
William D. Ford Federal Direct Loan (Direct Loan) Program

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying document is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

SECTION 1: BORROWER INFORMATION

Please enter or correct the following information.

☐ Check this box if any of your information has changed.

SSN
Date of Birth
Name
Address
City
Telephone - Primary
Telephone - Alternate
Email (Optional)

For more information on PSLF, visit StudentAid.gov/publicservice. Use this form only if you (1) have made 120 qualifying payments on the Direct Loans for which you are seeking forgiveness, and (2) worked full-time at a qualifying employer when you made the qualifying payments. If the employment certification and/or approved Employment Certification Forms does not cover all 120 qualifying payments, employment certification for each qualifying employer that covers the rest of your qualifying payments is required.

SECTION 2: BORROWER REQUEST, UNDERSTANDINGS, CERTIFICATION, AND AUTHORIZATION

I request (1) that the U.S. Department of Education (the Department) forgive the remaining balance (2) if I submit employment certification covering 10 years of qualifying employment in October of my Direct Loans while the Department determines my eligibility for forgiveness, unless I indicate otherwise.

☐ By checking this box, I am indicating that I do not want a forbearance while my application is being processed.

I understand that:

1. To qualify for PSLF, I must have made 120 qualifying payments on my Direct Loans while employed by a qualifying employer or employers. Neither the 120 qualifying payments nor employment has to be consecutive.
2. To qualify for PSLF, I must be employed full-time by a qualifying employer when I apply for and receive PSLF.
3. By submitting this form, my student loans held by the Department will be transferred to FedLoan Servicing.
4. If the Department determines that I appear to be eligible for forgiveness, the Department may, before granting forgiveness, ensure that I continue to work for the employer.
5. If I am eligible for forgiveness, the amount forgiven will be the principal and interest that was owed on my Direct Loans when I made my final qualifying payment. Any amount that I pay on those loans after the qualifying payment will be treated as an overpayment. I must continue to make payments on those loans.
6. If I am not eligible for forgiveness, I will be notified of the determination and why it was made. Any unpaid interest may be capitalized (added to my loan's principal balance).

I certify that all of the information I have provided on this form and in any accompanying documents is correct to the best of my knowledge and belief and that if I were to be employed by a qualifying employer or employers, neither the 120 qualifying payments nor the employment would have to be consecutive.

PUBLIC SERVICE LOAN FORGIVENESS (PSLF): EMPLOYMENT CERTIFICATION FORM

William D. Ford Federal Direct Loan (Direct Loan) Program

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☐ Check this box if any of your information has changed.

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Date of Birth
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Address
City
State
Zip Code
Telephone - Primary
Telephone - Alternate
Email (Optional)

For more information on PSLF, visit StudentAid.gov/publicservice. Use this form only if you (1) have made 120 qualifying payments on the Direct Loans for which you are seeking forgiveness, and (2) worked full-time at a qualifying employer when you made the qualifying payments. If the employment certification and/or approved Employment Certification Forms does not cover all 120 qualifying payments, employment certification for each qualifying employer that covers the rest of your qualifying payments is required.

SECTION 2: BORROWER AUTHORIZATIONS, UNDERSTANDINGS, CERTIFICATION, AND AUTHORIZATION

I authorize:

1. My employer or other entity having records about the employment that is the basis of my request to make information from those records available to the U.S. Department of Education (the Department) or its agents or contractors.
2. The entity to which I submit this request and its agents to contact me regarding my request or my loans at any cellular telephone number that I provide now or in the future using automated telephone dialing equipment or artificial or prerecorded voice or text messages.

I understand that:

1. To qualify for PSLF, I must make 120 qualifying payments on my Direct Loans while employed full-time by a qualifying employer or employers. Neither the 120 qualifying payments nor the employment have to be consecutive.
2. To qualify for PSLF, I must be employed full-time by a qualifying employer when I apply for and receive PSLF.
3. If I qualify for forgiveness, only the remaining balance on my Direct Loans will be forgiven.
4. By submitting this form, my student loan(s) held by the Department will be transferred to FedLoan Servicing.
5. The Department may request supplemental documentation substantiating my employment.
6. The Department will notify me in writing or electronically of the number of qualifying payments I have made while employed full-time by a qualifying employer and how many more I must make before I am eligible to apply for PSLF.
7. I will be notified if the form that I submit is incomplete, or if my employment or payments do not qualify for PSLF, why the determination was made, and the steps I need to take to correct the form or make qualifying payments.
8. The Department will retain this certification form until I submit my application for forgiveness.

I certify that all of the information I have provided on this form and in any accompanying document is true, complete, and
…Anticipate to see more people qualify for PSLF as time goes on and as communication has improved
PSLF Q&A


- General Information
- Eligible Loans
- Qualifying Repayment Plans
- Qualifying Payments
- Qualifying Employment
- Application Process
“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
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

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
LRAP:

*3.5 year initial eligibility window after graduation*

(no deadline for PSLF)

“What if I work for a firm for two years after graduation, but I might go into public interest after?”
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:
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
<table>
<thead>
<tr>
<th>Name</th>
<th>Income</th>
<th>Applies for</th>
<th>Monthly Payment</th>
<th>IDR Income</th>
<th>LRAP Coverage</th>
<th>PSLF Time</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paul</td>
<td>$230,000</td>
<td>$50,000 as a public defender</td>
<td>$265</td>
<td>$265</td>
<td>100%</td>
<td></td>
<td>But time doesn’t count towards PSLF because not a domestic 501c3</td>
</tr>
<tr>
<td>Ida</td>
<td>$80,000</td>
<td>$75,000 at an international non-profit</td>
<td>$450</td>
<td>$3,500</td>
<td>LRAP covers the remainder of her IDR payment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

Disability Rights California
National Immigration Law Center

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.
...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
PSLF and LRAP: cumulative 10 years, not consecutive

“What if I want to travel the world for a year?”
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
Who can help?

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

- AccessLex
  www.accesslex.org
  “The Road to Zero”

- Heather Jarvis
  askheatherjarvis.com
Questions?

Schedule an appointment or e-mail:

LRAP-law@berkeley.edu (Public interest)

or

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