Life After Law School: Loan Repayment & Forgiveness

by Elena McSwiggen and Amanda Prasuhn
Berkeley Law Financial Aid Office
February 2019
Road Map

• How you can afford loan repayment
  1. Federal Income-Driven Repayment
  2. Federal Public Service Loan Forgiveness (PSLF)
  ➔ Current climate of PSLF
  3. 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 nonprofits as well.”

Ida

“I’m not certain what I want to do. I might work at a large firm, maybe do some nonprofit 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 nonprofits as well.”

Ida

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

Loan Debt

Paul: $230,000

Ida: $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 a 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:

- $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?”
How much will my payment be?

**STANDARD**
10 yr. repayment plan

- Portion of payments go towards principal and interest, but...

- Payments may not be affordable depending on debt level and earnings potential.

**INCOME-DRIVEN**

- Lower payments, but...

- Depending on debt level, payments may only cover a portion of the interest accruing...

  ... may qualify for loan forgiveness!
Paul: $230,000

STANDARD 10 yr
• $2,700 per mo.

INCOME-DRIVEN
• If earning $65k, $390 per mo.

“So instead of paying my loans off, I can apply to have them forgiven?”
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
- Forgiven amount is taxable income 😞

10-year loan forgiveness (PSLF)

- Qualifying public interest employment
- 10 years
- Forgiven amount is not taxable income
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.

PSLF
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

= 

PSLF

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

Nonprofit (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

PSLF
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 501(c)(3) nonprofit.”

Ida

“Maybe I’ll do some nonprofit work internationally or work for a plaintiffs’-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?"
Grim Statistics on PSLF… so far

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… so far

Reasons for denial:

• Not accumulating 120 payments
• Loans that don’t qualify (Perkins, FFEL, private)
• Consolidated loans after making payments
• Non qualifying employment: 501(c)(6), 501(c)(5), 501(c)(4), plaintiffs’-side/union
• Lump sum payments
• Payments too small
• Payments made but not while in qualifying employment, or employment not documented
• Older borrowers had multiple loan servicers
• Hard to get ahold of payment information before online accounts were widespread
• 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

studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service/questions

- 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, but Congress also reserves the right to amend the Higher Education Act.
- However, legislation introduced to date includes grandfathering provisions.

Considerations:

- Many government agencies (including military) have difficulty hiring without PSLF.
- Many borrowers relying on PSLF are lawyers and doctors.

“What if PSLF is discontinued?”
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.

The terms of this Master Promissory Note (MPN) will be interpreted in accordance with the HEA (20 U.S.C. 1070 et seq.), ED's regulations, any amendments to the HEA and the regulations in accordance with the effective date of those amendments, and other applicable federal laws and regulations. Throughout this MPN, we refer to these laws and regulations collectively as the “Act”.

Berkeley Law
UNIVERSITY OF CALIFORNIA
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 monthly 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
- ✓ Have a total income less than $100K
- ✓ Are 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) nonprofit 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:

$70K or less

100% of IDR payment

No out of pocket payments for you

$70K - $100K

Prorated

You contribute 35% of your income over $70K to your loan payments

LRAP Support is:

This means:
LRAP Support: Examples

Paul:
- **Income**: $55,000 as a public defender
- **IDR monthly payment**: $300/month
- **Imputed contribution**: Income < $70K, so no imputed contribution
- **LRAP support**: LRAP covers 100% = $300/month ($3,600/year)

Ida:
- **Income**: $75,000 at an international nonprofit
- **IDR monthly payment**: $475/month
- **Imputed contribution**: Income is $5K over $70K, so she pays $1,750 out-of-pocket to loans each year ($145/month)
- **LRAP support**: LRAP covers the remainder of her IDR payment = $330/month ($3,960/year)

*But time doesn’t count towards PSLF because not a domestic 501(c)(3)*
Example: Paul the Public Defender

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 should document his employment by submitting a PSLF Employment Certification Form to FedLoan Servicing.

We recommend to submit annually, or every time you change jobs.

Can be submitted any time you have a start and end date for any position.

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

<table>
<thead>
<tr>
<th>Borrower Name</th>
<th>Borrower SSN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. **Employer Name:**

2. **Federal Employer Identification Number (FEIN):**
   - Your employer’s federal EIN may be found on your Wage and Tax Statement (W-2).

3. **Employer Address:**

4. **Employer Website (if any):**

5. **Employment Begin Date:**

6. **Employment End Date:**
   - OR Still Employed

7. **Employment Status:**
   - Full-Time
   - Part-Time

8. **Hours Per Week (Average):**
   - 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.

9. **Is your employer a governmental organization?**
   - A governmental organization is a Federal, State, local, or Tribal government organization, agency, or entity, a public child or family service agency, a Tribal college or university, or the Peace Corps or Americorps.
   - Yes - Skip to Section 4.
   - No - Continue to Item 10.

10. **Is your employer tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC)?**
    - If your employer is tax-exempt under another subsection of 501(c) of the IRC, such as 501(c)(4) or 501(c)(6), check “No” to this question.
    - Yes - Skip to Section 4.
    - No - Continue to Item 11.

11. **Is your employer a not-for-profit organization that is not tax-exempt under Section 501(c)(3) of the Internal Revenue Code?**
    - Yes - Continue to Item 12.
    - No - Your employer does not qualify.

12. **Is your employer a partisan political organization or a labor union?**
    - Yes - Your employer does not qualify.
    - No - Continue to Item 13.

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 “None of the above”, do not submit this form.
    - 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.

**SECTION 4: EMPLOYER CERTIFICATION (TO BE COMPLETED BY THE EMPLOYER)**

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 4, and (3) that the borrower named in Section 1 is 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.

*Official’s Name* __________________________ *Official’s Phone* __________________________

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*Berkeley Law*  
*University of California*
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)

September 1, 2018

MONTHLY DIRECT DEBIT BILL

Name: 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>
</tr>
</thead>
<tbody>
<tr>
<td>08/13/2012</td>
<td>DLPLGB</td>
<td>$31,568.00</td>
<td>$31,568.00</td>
<td>$12,888.58</td>
<td>7.650%</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>
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<td>08/19/2013</td>
<td>DLPLGB</td>
<td>$10,000.00</td>
<td>$10,000.00</td>
<td>$2,582.80</td>
<td>6.160%</td>
<td>$12.55</td>
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<tr>
<td>08/19/2013</td>
<td>DLPLGB</td>
<td>$10,000.00</td>
<td>$10,000.00</td>
<td>$2,582.80</td>
<td>6.160%</td>
<td>$12.55</td>
</tr>
<tr>
<td>10/09/2013</td>
<td>DLPLGB</td>
<td>$10,260.00</td>
<td>$10,260.00</td>
<td>$2,604.81</td>
<td>6.160%</td>
<td>$12.87</td>
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<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>
</tr>
<tr>
<td>09/09/2014</td>
<td>DLPLGB</td>
<td>$30,328.00</td>
<td>$30,328.00</td>
<td>$6,817.49</td>
<td>6.960%</td>
<td>$12.87</td>
</tr>
<tr>
<td>04/06/2015</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>
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<tr>
<td>07/09/2005</td>
<td>DLSCNS</td>
<td>$11,817.00</td>
<td>$7,985.33</td>
<td>$162.57</td>
<td>2.625%</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>
</tr>
<tr>
<td>08/19/2013</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>
</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>
</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
Qualifying full-time employment: government or 501(c)(3) nonprofit

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 proof of qualifying employment

Amount forgiven is not considered taxable income

On-time
Correct amount
Scheduled
“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, email
Who can help?

If you think you’ll pursue PSLF and/or LRAP, schedule an LRAP appointment to discuss:

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

→ An LRAP appointment is **required** prior to enrolling in LRAP
“Who do I contact if I have a dispute with my loan servicer?”
CFPB & ED in Context

Information and Record Sharing

• Under Obama Administration, ED and CFPB agreed to share information and records in cases of potential loan servicer 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 – Mick Mulvaney named Interim director of the CFPB (formally known as Bureau of Consumer Financial Protection) Aims to scale back enforcement; concerns that Bureau been overreaching it’s power under the law.

• Seth Frotman resigned from position as CFPB’s student loan ombudsman in 2018. Responsibilities included processing complaints from borrowers against loan servicers
That’s Why it’s More Important Than Ever to...

✓ Use your legal skills to read and understand the rules, and advocate for yourself

✓ Read emails from loan servicer

✓ Recertify income for IDR every 12 months

✓ Submit PSLF Employment Certification Form annually and when changing jobs

✓ Download and save payment history at least every 6 months

✓ Enroll in auto-pay

✓ Keep a separate bank account for loan payments?

✓ Track months of qualifying payments and contact FedLoans if you see any discrepancies

✓ Continuing working in qualifying employment until PSLF approved

✓ Document everything!

✓ Know your options: no reason to ever default on a federal student loan
Who can help?

- **Berkeley Law Financial Aid Office**
  - Can answer common questions

- **Loan servicer**
  - Online portal, or call and ask for a supervisor
  - Every loan servicer also has their own ombudsman for serious issues

- **FSA (Dept. of Ed) Ombudsman**
  - Resolve discrepancies, collect information, act as mediator
  - Open a case through FSA Feedback system
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, PSLF, LRAP-specific)

or

financial-aid-law@berkeley.edu (general)
Thank You!
More LRAP Information
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 $70K, and made your payments on time.
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
International Employment

Many foreign jobs do NOT qualify for PSLF. International jobs do count as qualifying employment include:

- Working outside of the U.S., but for a **U.S.-based 501(c)(3) nonprofits**

- A foreign not-for-profit organization that provides public services as its primary functions, *so long as the organization operates in the U.S.*

What does NOT count:

- Foreign government employment

- International or intergovernmental organization employment (e.g., United Nations, NATO)

- Foreign not-for-profits that do not operate in the U.S.
Clerkships

Clerkships that are 2+ years in length (one or multiple clerkships) qualify for LRAP support.

Clerkships that are 1 or fewer years in length qualify for LRAP support only if the participant enters qualifying public interest employment immediately after the clerkship.
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.
Where are Participants Employed?

- American Diabetes Association
- Center for International Environmental Law
- PETA Foundation
- UC Berkeley Law School
- Federal Trade Commission
- East Bay Community Law Center
- Bay Area Legal Aid Society
- Alameda County Public Defender
- 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
- International Rights Advocates

...and many more!