

PUBLIC SERVICE LOAN REPAYMENT STRATEGIES

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Good News!

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Borrowers now have:

- Loan forgiveness options
- Income-defined repayment options
- Loan Repayment Assistance Programs (LRAPs)

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Loan Forgiveness

Public Service Loan Forgiveness Program (PSLF)

What is PSLF?

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Public Service Loan Forgiveness (PSLF) is a federal program that provides for the forgiveness of any outstanding balance on a Federal Direct Loan once the borrower completes 120 months of qualifying public service while in repayment on that loan.

Public Service Loan Forgiveness Program (PSLF)

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- ❑ Created by the “College Cost Reduction and Access Act” (CCRAA) of 2007 (Pub. Law 110-84)
- ❑ Became effective October 1, 2007
- ❑ Loan repayment benefit—NOT a loan repayment plan
- ❑ Can apply for the benefit once you complete 120 months of “qualifying public service”
- ❑ Months do not have to be consecutive
- ❑ Only Federal Direct Loans are eligible for forgiveness
- ❑ Amount forgiven is tax-free

What constitutes a month of “qualifying” public service?

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You must satisfy two conditions during the month for that month to count:

1. Employed as a paid employee of a **qualifying** public service organization, AND
2. Make an on-time “scheduled” **qualifying** payment on your **qualifying** Direct Loans

PSLF

The key is “qualifying” ...

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- Qualifying Loans
- Qualifying Employment
- Qualifying Payments

Qualifying Loans

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Following loans qualify for PSLF:

- ❑ Federal DIRECT Sub/Unsub Loans
- ❑ Federal DIRECT Grad PLUS Loans
- ❑ Federal DIRECT Consolidation Loans

Check your loans at: [NSLDS.ed.gov](https://www.nsls.ed.gov)

FFEL, Perkins, HPSL, LDS, and NSL loans must be consolidated (i.e., refinanced) through the Federal Direct Loan Program to qualify for PSLF. To consolidate loans, go to: ***[StudentLoans.gov](https://studentloans.gov)***

FFEL vs. Direct

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Federal Family Education Loan Program (FFEL)

- ❑ Lender was private institution
- ❑ FFEL loans can be sold to another entity
- ❑ Loans may be serviced by lender or 3rd party
- ❑ FFEL loans sold to Dept. of Education do not become Direct Loans—must be consolidated in Direct Program to be eligible for Public Service Loan Forgiveness

Federal Direct Loan Program (Direct)

- ❑ Lender was U.S. Department of Education (ED)
- ❑ Direct loans won't be sold
- ❑ Loans are serviced by one of five federal contractors
- ❑ Only Direct Loans are eligible for Public Service Loan Forgiveness

NSLDS.ed.gov

“Financial Aid Review”—A Useful Resource

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To access, enter:

- SSN
- First two letters of your last name
- Birthdate
- Dept. of Ed PIN

Duplicate PIN available at:

PIN.ed.gov

START HERE
GO FURTHER

[Español \(Spanish\)](#)
[Skip Navigation](#)

[Financial Aid Review](#) [Exit Counseling](#) [Glossary of Terms](#) [Browser Info/Setup](#) [FAQs](#) [Contact Us](#)

NSLDS Student Access site only supports the current 4-digit PIN standard. If you have a PIN that does not conform to this standard, please visit www.pin.ed.gov to establish a new 4-digit pin.

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](#)

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WhiteHouse.gov | USA.gov | ED.gov



Aid Summary for **JEFFREY E HANSON**

Your enrollment status is **NO RECORD FOUND**, effective **09/18/1996**.

Authorization



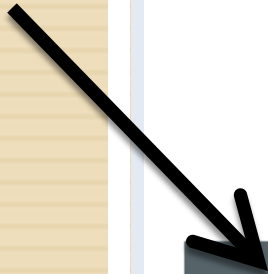
MyStudentData
Download

Loans

Please click on number in first column to see details

	Type of Loan	Loan Amount	Loan Date	Disbursed Amount	Canceled Amount	Outstanding Principal	Outstanding Interest
1	STAFFORD SUBSIDIZED	\$2,500	08/20/1986	\$2,500	\$0	\$0	\$0
2	STAFFORD SUBSIDIZED	\$5,000	07/25/1985	\$5,000	\$0	\$0	\$0
3	STAFFORD SUBSIDIZED	\$5,000	06/28/1984	\$5,000	\$0	\$0	\$0
	Total STAFFORD SUBSIDIZED					\$0	\$0
	Total All Loans					\$0	\$0

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NSLDS.ed.gov

Loan Summary Screen

A. "Type of Loan" – *Is it a "Direct" loan?*

Qualifying Employment

Full-time

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You must be a FULL-TIME, paid employee of:

- Government (federal, state, local, tribal) agency with jurisdiction somewhere in U.S.;
- 501(c)(3) organization exempt from taxation under section 501(a) of the IRS Code of 1986; **OR**
- Other qualifying private nonprofit that provides public services

Full-time employment is defined as the greater of:

- 30 hours/week, or
- Employer's definition of full-time

Qualifying Employment

Part-time

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You can have several PART-TIME positions as a paid employee of:

- Government (federal, state, local, tribal) agency with jurisdiction somewhere in U.S.;
- 501(c)(3) organization exempt from taxation under section 501(a) of the IRS Code of 1986; **OR**
- Other qualifying private nonprofit that provides public services

Must average a minimum of 30 hours per week working in the qualifying part-time public service positions

Qualifying Employment

Additional comments ...

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- What matters is who you work for, not what you do as long as your job responsibilities do not involve religious instruction, conducting worship services or proselytizing
- Physical location of your employment does not matter; you can be working outside the US for a qualifying public service employer
- The 120 months of qualifying employment do not have to be with the same public service employer

Refer to the FAQs at: ***StudentAid.ed.gov/publicservice***; or contact FedLoan Servicing at **1-855-265-4038** for more information about qualifying employment

Qualifying Payments

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Payments must be made using:

- “Pay As You Earn” Repayment (PAYE)
- Income Based Repayment (IBR)
- Income Contingent Repayment (ICR)
- Standard Repayment (10-year fixed plan)

OR

- Amount paid each month must be no less than payment based on a 10-year loan period

Potential Pros and Cons

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Pros

- Increases financial feasibility of pursuing a public interest/public sector legal career if you have student loan debt
- Portion of qualifying federal student loan debt may be forgiven
- Entitlement

Cons

- “All or nothing” benefit; you must put in full 10 years/120 months of qualifying public service employment/loan payments
- Only Direct Loan debt can be forgiven
- Program could be changed or eliminated through statutory changes by Congress

Suggested Steps to Participate in PSLF

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- Consolidate any non-Direct Federal Student Loans in the Federal Direct Loan Program at:
StudentLoans.gov
- Use PAYE or IBR to repay your Direct loan(s)
- Make 120 payments (on-time) while employed full-time in qualifying public service position(s) – ***use “AUTO-PAY”***
- Keep good records regarding all qualifying employment
- **Submit “Employment Certification Form for PSLF”**
- Apply for PSLF after 120 months of qualifying public service have been completed

Track Your Eligibility for PSLF Employment Certification Process

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- Complete “**Employment Certification for Public Service Loan Forgiveness**” form annually OR whenever you change jobs
- Form online at: ***StudentAid.ed.gov/PublicService***
- Submit completed form to: **FedLoan Servicing**
- **FedLoan Servicing** will review and process form
- **FedLoan Servicing** will inform you regarding your current status toward meeting the PSLF requirements
- If you have accumulated eligible months, **FedLoan Servicing** will become your Direct Loan servicer if not currently servicing your Direct Loans

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“Qualifying” Payment Plans

PAYE and IBR

PAYE vs. IBR

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PAYE

- **Direct** loans only
- Annual amount paid based on **10%** of “Discretionary Income”
- Loan cancellation after **20** years
- Must meet two additional eligibility requirements

IBR

- **Direct** and **FFEL** loans
- Annual amount paid based on **15%** of “Discretionary Income”
- Loan cancellation after **25** years

PAYE

Additional Eligibility Requirements

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- Must be a “**new borrower**” on or after October 1, 2007 (10/1/2007)
 - ▣ No federal loans before 10/1/2007, **OR**
 - ▣ No outstanding balance on an existing federal student loan when you borrowed your first federal student loan on or after 10/1/2007
- Must have had a disbursement of a federal student loan on or after 10/1/2011

Partial Financial Hardship

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To enter PAYE or IBR, you must have:

**PARTIAL FINANCIAL HARDSHIP
(PFH)**

What is PFH?

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Partial financial hardship exists when:

Standard
10-year
payment
\$\$\$\$\$

>

PAYE or IBR
payment
\$\$

How is monthly payment calculated in PAYE and IBR?

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When PFH exists, payment is based on:

- Household AGI
- Household size
- Federal Poverty Guidelines

When PFH no longer exists:

- Payment equals the ***greater*** of the 10-year amortization amounts calculated: (1) when loans first entered repayment, or (2) when you first entered PAYE or IBR

“Household AGI”

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- Your AGI
- Spouse’s AGI, only if joint federal tax return was filed

NOTE: Household’s eligible debt in PFH determination will include spouse’s eligible debt, if spouse’s AGI is included

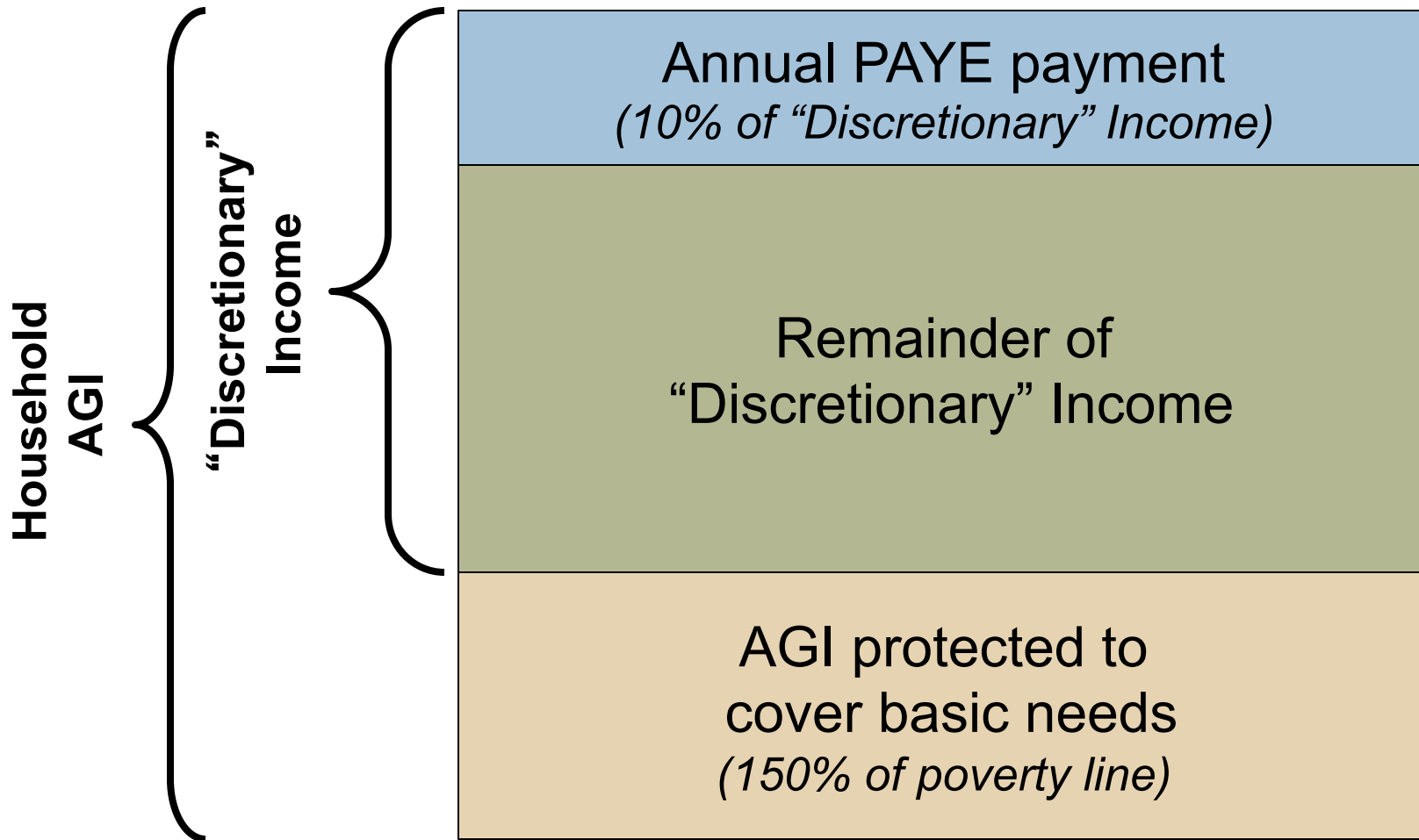
“Household Size”

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- You
- Spouse
- Dependent children
- Other dependents in household who receive > 50% support from you

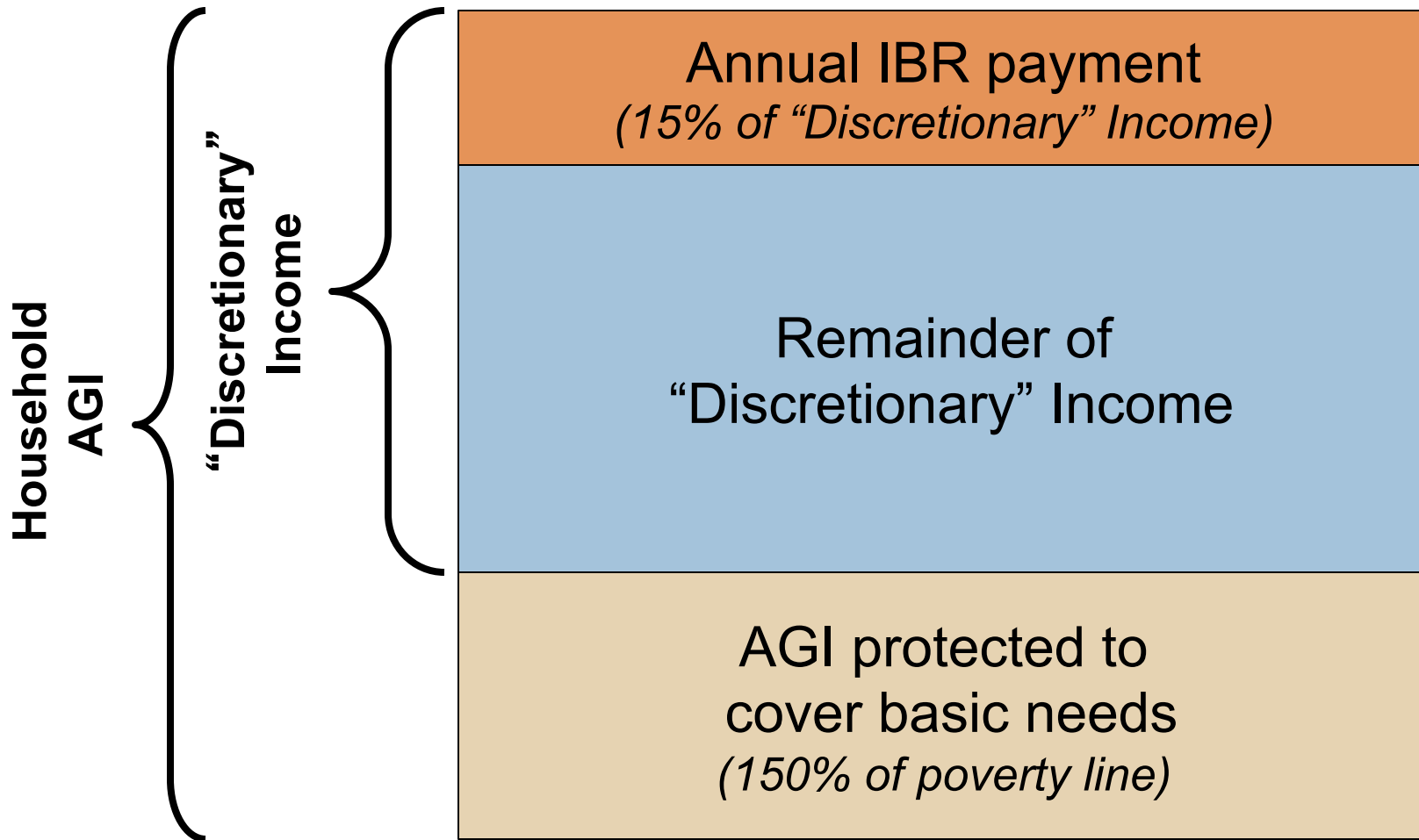
Annual amount paid in **PAYE** is **10%** of “Discretionary” Income

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Annual amount paid in **IBR** is **15%** of “Discretionary” Income

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Sample Monthly Payments

PAYE vs. IBR

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Household AGI	2014 Monthly PFH Payment in 48 states					
	PAYE HH Size = 1	PAYE HH Size = 2	PAYE HH Size = 3	IBR HH Size = 1	IBR HH Size = 2	IBR HH Size = 3
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$10,000	\$0	\$0	\$0	\$0	\$0	\$0
\$20,000	\$21	\$0	\$0	\$31	\$0	\$0
\$30,000	\$104	\$53	\$3	\$156	\$80	\$4
\$40,000	\$187	\$137	\$86	\$281	\$205	\$129
\$50,000	\$271	\$220	\$169	\$406	\$330	\$254
\$60,000	\$354	\$303	\$253	\$531	\$455	\$379
\$70,000	\$437	\$387	\$336	\$656	\$580	\$504
\$80,000	\$521	\$470	\$419	\$781	\$705	\$629
\$90,000	\$604	\$553	\$503	\$906	\$830	\$754
\$100,000	\$687	\$637	\$586	\$1,031	\$955	\$879

Negative Amortization

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- PAYE and IBR payments can be less than accrued interest
- Unpaid interest accrues
 - ▣ Unpaid interest accruing on **subsidized** Direct/Stafford Loan debt is waived by government for up to first 3 consecutive years in PAYE or IBR plan
- Debt increases

Applying for PAYE or IBR

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- Complete IBR/PAYE/ICR request form online at: ***StudentLoans.gov***
- Must re-apply every 12 months when instructed by your loan servicer to do so
 - Application collects basic demographic information as well as information about household adjusted gross income (AGI), household size and tax filing status

REMEMBER: You must **CONSOLIDATE** any non-DIRECT federal student loans (e.g., FFEL, Perkins, HPSL, LDS, NSL) *before* you can repay that debt using PAYE

- Apply for Consolidation Loan online at: ***StudentLoans.gov***

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Consolidation

A refinancing option ...

Consolidation

A Refinancing Option

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- Borrowing a **new** loan
 - Federal Direct Consolidation Loan
- Only **federal** student loans are eligible
- Interest rate is **fixed**
 - Equals weighted average of interest rates of loans being consolidated then rounded up to nearest 1/8th percent
- Apply online at: ***StudentLoans.gov***
 - Loans must be in grace, repayment, deferment or forbearance
 - Can opt to delay funding of new loan until end of grace period

Reasons to Consolidate

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- Simplify repayment by reducing number of lenders/servicers
 - ▣ *For example, you may have borrowed FFEL Loans as an undergraduate*
- Convert variable-rate Stafford Loans into fixed-rate Direct Consolidation Loan
- **Convert FFEL loan(s) into Direct loan debt for Public Service Loan Forgiveness Program and PAYE eligibility**
- **Convert Perkins, HPLS, LDS, NSL loan(s) into Direct loan debt for Public Service Loan Forgiveness Program, IBR and PAYE eligibility**
- Lengthen repayment period to reduce monthly payment on federal student loan debt
- Release endorser from Grad PLUS Loan

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PSLF

Sample Case Study



▶ Loans

💰 Scholarships

✔ Savings

✳ Military Aid

Other Types of Aid

Financial Aid Applications

Answering Your Questions

Calculators

Beyond Financial Aid

SEARCH

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Income-Based Repayment Calculator (15% version)

This calculator compares the cost of repaying Federal student loans using the [Income-Based Repayment](#) (IBR) option and the standard repayment option, including the [net present value](#) of those payments.

The Income-Based Repayment option was proposed as part of the College Cost Reduction and Access Act of 2007 and became available on July 1, 2009.

The monthly loan payments are capped at 15% of discretionary income with forgiveness of any remaining debt (including accrued but unpaid interest) after 25 years. Discretionary income is defined as the amount by which adjusted gross income exceeds the poverty line.

The Health Care and Education Reconciliation Act of 2010 established an improved version of the income-based repayment plan for new borrowers of new loans made on or after July 1, 2014. The improved income-based repayment plan cuts the monthly loan payments by one third from 15% of discretionary income to 10% of discretionary income and accelerates loan forgiveness from 25 years to 20 years. Please use the [10% version of the income-based repayment calculator](#) for borrowers who qualify for the improved income-based repayment plan.

Please click on the field names for help in using this calculator. For more information about discount rates, see also the discussion of [net present value](#).

IBR/PSLF Calculator

FinAid.org/calculators

You can use this calculator to estimate monthly payments using Income-Based Repayment (IBR) and to estimate the amount of loan forgiveness you might receive from the Public Service Loan Forgiveness Program if you satisfy all of the eligibility requirements.

PSLF – Sample Case (IBR)

Out-of-State

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Assumptions	
Eligible federal student loan debt	\$145,500
1 st year Household Adjusted Gross Income (AGI)	\$35,000
Assumed annual increase in AGI	3%
Assumed annual increase in poverty guideline	3%
Assumed AGI in 10 th year	\$45,667

IBR Payment Information	
IBR monthly payment in 1 st month	\$228
IBR monthly payment in 120 th month (max)	\$298
Total amount paid in IBR over 10 years	\$31,374

Estimated Loan Forgiveness	
Total accrued interest forgiven after 10 years	\$76,151
Total principal forgiven after 10 years	\$145,500
Total amount forgiven after 10 years	\$221,651

Calculations made using 2012 federal poverty guidelines and Income-Based Repayment Calculator (15% Version) at: FinAid.Org/calculators

PSLF – Sample Case (IBR)

In-State

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Assumptions	
Eligible federal student loan debt	\$86,000
1 st year Household Adjusted Gross Income (AGI)	\$35,000
Assumed annual increase in AGI	3%
Assumed annual increase in poverty guideline	3%
Assumed AGI in 10 th year	\$45,667

IBR Payment Information	
IBR monthly payment in 1 st month	\$228
IBR monthly payment in 120 th month (max)	\$298
Total amount paid in IBR over 10 years	\$31,374

Estimated Loan Forgiveness	
Total accrued interest forgiven after 10 years	\$29,084
Total principal forgiven after 10 years	\$86,000
Total amount forgiven after 10 years	\$115,084

Calculations made using 2012 federal poverty guidelines and Income-Based Repayment Calculator (15% Version) at: **FinAid.Org/calculators**

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Final Comments

To benefit from PSLF ...

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1. Consolidate (refinance) your non-Direct Federal Student Loans in the Federal Direct Consolidation Loan Program at: ***StudentLoans.gov***
2. Use PAYE (or IBR, if not eligible for PAYE) to repay your Direct loan(s)
3. Make 120 scheduled monthly payments (on-time) while employed full-time in qualifying public service position(s)
4. Submit “**Employment Certification Form for PSLF**” at least annually (form available at: ***StudentAid.ed.gov/publicservice***)
5. Apply for PSLF after 120 months of qualifying public service has been completed

For more information ...

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- Public Service Loan Forgiveness Program (PSLF):
 - Online at: ***StudentAid.ed.gov/PublicService***
 - Call **FedLoan Servicing** at: **1-855-265-4038**
- Federal student loan repayment: ***StudentAid.gov***
- Federal Direct Consolidation Loans: ***StudentLoans.gov***
- National Student Loan Data System: ***NSLDS.ed.gov***
- Federal loan “Repayment Estimator”: ***StudentLoans.gov***
- PSLF benefits estimation: ***FinAid.org/calculators***

THE GOOD NEWS:

Options exist to help you repay your federal student loans if you are planning a career in public service!