

STUDENT LOAN REPAYMENT ASSISTANCE INFORMATION SESSION

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TOPICS

- Student Loan Repayment Plans
- Loan Forgiveness Programs
- Potential Changes to Federal Loan Repayment Programs
- Short-Term & Loan-Term Planning
- Q & A

COLLEGE COST REDUCTION AND ACCESS ACT

- CCRAA signed into law in 2007
- Relevant Provisions:

Income Based Repayment (IBR)

Public Service Loan Forgiveness (PSLF)


- PLSF started in October 2007
- IBR took effect on July 1, 2009

AFFORDABLE CARE ACT

- ACA signed into law in 2010
- Relevant Provision:
 - New Version of Income Based Repayment (IBR)*
 - Led to Pay As You Earn (PAYE)*
 - Revised Pay As You Earn (REPAYE)*
- New IBR took effect on July 1, 2014
- President Obama used his regulatory authority to fast-track implementation of the ACA improvements, creating PAYE, which took effect on December 21, 2012
- REPAYE took effect on December 17, 2015

Federal Student Loan Repayment Plan Options

Eligible borrowers can select:

- Standard Repayment – 10 years
 - Graduated Repayment – 10-25 years
 - Extended Repayment – 25-30 years
 - Income Driven Repayment (IDR)
 - Income Based Repayment (IBR)
 - Income Based Repayment For New Borrowers (IBR)
 - Pay As You Earn (PAYE)
 - Revised Pay As You Earn (REPAYE)
- 
- FIXED
PLANS**

INCOME DRIVEN REPAYMENT

- Income Driven Repayment (IDR) are payment options for federal student loans.
- IDR helps borrowers keep their loan payments affordable with payment caps based on their income and family size (not on student loan debt amount).
- For most eligible borrowers, IDR loan payments will be less than 10% of their income - and even smaller for borrowers with low earnings.
- Max loan payment is capped at 15% of **discretionary income!** **(Discretionary income is defined as the amount by which adjusted gross income exceeds the poverty line).*
- IDR will also forgive remaining debt, if any, after 20 or 25 years of qualifying payments.

INCOME DRIVEN REPAYMENT

- **Income Based Repayment (IBR)**
 - 15% of Discretionary Income / Forgiveness after 25 years
 - *CCRAA – Implemented 2009*
- **Income Based Repayment For New Borrowers (IBR)**
 - 10% of Discretionary Income / Forgiveness after 20 years
 - *ACA – Implemented 2014*
- **Pay As You Earn (PAYE)**
 - 10% of Discretionary Income / Forgiveness after 20 years
 - *ACA – Implemented 2012*
- **Revised Pay As You Earn (REPAYE)**
 - 10% of Discretionary Income / Forgiveness after 25 years
 - *ACA – Implemented 2015*

QUALIFYING FOR IDR...

Which Student Loans?

- All **federal** student loans
 - Stafford (subsidized & unsubsidized)
 - Graduate PLUS
 - Perkins
 - (federal) Consolidation
- FFEL & Direct Loan Programs
- **PLEASE NOTE:** Private student loans and YU/Cardozo institutional loans DO NOT qualify!!

QUALIFYING FOR IDR...

Debt/Income Requirements:

- You must have enough federal debt relative to your income...“Partial Financial Hardship”
- A Partial Financial Hardship exists when the annual amount due on all of a borrower’s eligible loans, as calculated under a standard 10-year repayment plan, exceeds 15 percent of “discretionary income.”
- IDR Calculators:
 - www.studentaid.ed.gov
 - www.finaid.org/calculators

IBR – AGI/DEBT

AGI	Debt		AGI	Debt
\$43,864	\$30,000		\$103,706	\$95,000
\$48,467	\$35,000		\$108,309	\$100,000
\$53,071	\$40,000		\$112,912	\$105,000
\$57,674	\$45,000		\$117,516	\$110,000
\$62,277	\$50,000		\$122,119	\$115,000
\$66,880	\$55,000		\$126,722	\$120,000
\$71,484	\$60,000		\$131,325	\$125,000
\$76,087	\$65,000		\$135,929	\$130,000
\$80,690	\$70,000		\$140,532	\$135,000
\$85,293	\$75,000		\$145,135	\$140,000
\$89,896	\$80,000		\$149,738	\$145,000
\$94,500	\$85,000		\$154,341	\$150,000
\$99,103	\$90,000		\$158,945	\$155,000

QUALIFYING FOR IDR

(EXCEPT REPAYE)

Important Aspects to Consider:

If you are married...

- A married borrower may need to file a separate Federal income tax return for IBR payment amount to be calculated on the basis of the *borrower's* adjusted gross income, rather than on the combined income of the borrower and the spouse.
- If filing jointly, will calculate combined AGI, will also factor in spouses federal debt!
- There are disadvantages to filing separately:
 - Ineligibility for credits and deductions related to child and dependent care, tuition, and student loan interest payments
 - Higher tax rate



QUALIFYING FOR IDR...

Important Aspects to Consider:

**Eligibility is not
contingent on job type!**

CHOOSING IDR

- After you graduate, during 6-month grace, before you enter repayment!
- Set up directly with your servicer(s). Will need to complete IDR application and provide proof of income (federal tax returns, alternative documentation of proof of income)
- IDR is reset each year, after 12 monthly payments! It is your responsibility to reset income level with servicer! The servicer can put you on a 10 year standard if you fail to properly reset IDR each year!
- You can switch out of IDR at any time!
- Servicer(s) should provide a repayment comparison chart.
- Stay in touch with your servicer(s).

WHICH IDR PLAN ARE YOU ELIGIBLE FOR?

Applying to ALL Plans (*except REPAYE*): You must have enough federal student loan debt relative to your income (approximately $\text{Debt} \geq \text{Income}$).

- IBR #1: Federal student loan debt taken out at any time.
- PAYE: No federal debt (or balance) prior to 10/1/07 and received a federal Direct Loan disbursement on or after 10/1/11.
- IBR #2: New borrowers on or after July 1, 2014 (No outstanding balance on a federal DL or FFEL loan when the borrower received a DL loan on or after July 1, 2014).
- REPAYE: Federal student loan debt taken out at any time.

Loan Repayment Comparison Chart

Standard 10 Year vs. Extended 25 Year vs. IBR 1 vs. IBR 2, PAYE, & REPAYE

- \$121,500 Federal Student Loans
- \$60,000 Income

Standard 10 Year Stafford

- \$61,500 amount borrowed
- **\$708** estimated monthly

Standard 10 Year Grad PLUS

- \$60,000 amount borrowed
- **\$725** estimated monthly

Combined Estimated Monthly

- **\$1,433**

Extended 25 Year Stafford

- \$61,500 amount borrowed
- **\$427** estimated monthly

Extended 25 Year Grad PLUS

- \$60,000 amount borrowed
- **\$459** estimated monthly

Combined Estimated Monthly

- **\$886**

IBR #1

- \$60,000 income
- Family of 1
- **\$552** Estimated Monthly

PAYE & IBR #2 & REPAYE

- \$60,000 income
- Family of 1
- **\$348** Estimated Monthly

Loan Repayment Comparison Chart

Standard 10 Year vs. Extended 25 Year vs. IBR 1 vs. IBR 2, PAYE, & REPAYE

- \$121,500 Federal Student Loans
- \$60,000 Income

Private Sector

Repayment Plan		First Monthly Payment	Last Monthly Payment	Total Amount Paid	Projected Loan Forgiveness ⓘ	Repayment Period
Standard ⓘ		\$1,411	\$1,411	\$169,286	\$0	120 months
Graduated ⓘ		\$815	\$2,446	\$182,557	\$0	120 months
Extended Fixed ⓘ		\$859	\$859	\$257,621	\$0	300 months
Extended Graduated ⓘ		\$709	\$1,212	\$278,711	\$0	300 months
Revised Pay As You Earn (REPAYE) ⓘ		\$348	\$1,345	\$225,071	\$88,792	300 months
Pay As You Earn (PAYE) ⓘ		\$348	\$1,026	\$152,425	\$139,175	240 months
Income-Based Repayment (IBR) ⓘ		\$522	\$1,411	\$278,961	\$0	278 months
IBR for New Borrowers ⓘ		\$348	\$1,026	\$152,425	\$139,175	240 months

Loan Repayment Comparison Chart

Standard 10 Year vs. Extended 25 Year vs. IBR 1 vs. IBR 2, PAYE, & REPAYE

- \$121,500 Federal Student Loans
- \$60,000 Income

Public Sector - PSLF

Repayment Plan		First Monthly Payment	Last Monthly Payment	Total Amount Paid	Public Service Loan Forgiveness	Repayment Period
Standard	❶	\$1,411	\$1,411	\$169,286	\$0	120 months
Graduated	❶	\$815	\$2,446	\$182,557	\$0	120 months
Extended Fixed	❶	\$859	\$859	\$257,621	\$0	300 months
Extended Graduated	❶	\$709	\$1,212	\$278,711	\$0	300 months
Revised Pay As You Earn (REPAYE)	❶	\$348	\$588	\$55,190	\$136,430	120 months
Pay As You Earn (PAYE)	❶	\$348	\$588	\$55,190	\$151,360	120 months
Income-Based Repayment (IBR)	❶	\$522	\$882	\$82,785	\$123,765	120 months
IBR for New Borrowers	❶	\$348	\$588	\$55,190	\$151,360	120 months

Important Repayment Aspects

- No penalty to pre-pay, make larger payments (above the required monthly amount), or to be more aggressive on any repayment plan!
- Can switch repayment plans!
- Generally, the longer it takes you to repay your loans, the more you will end up paying due to continued accruing interest.
- Utilizing IDR plans may end up costing you more money in the long run!
- Be aware and keep track of negative amortization (monthly payments under IDR can be less than the interest that accrues, causing the loan to increase).

IDR → PSLF

Another Aspect to Consider:

IDR is also designed to help students make affordable payments while on the **Public Service Loan Forgiveness (PSLF)** track!

PUBLIC SERVICE LOAN FORGIVENESS

- Will forgive remaining federal loan debt after 10 years of eligible employment and qualifying loan payments.
- This program is for people with federal student loans who work in a wide range of "public service" jobs, including jobs in government and nonprofit 501(c)(3) organizations.

PUBLIC SERVICE LOAN FORGIVENESS

- Must make 120 on-time payments (12 payments per year for 10 years) while employed “full-time” in a public service job.
- Does not have to be 10 consecutive years!
- IDR is recommended
- **ALL federal loans have to be in the Direct Loan program!**

PSLF

Qualifying Employment:

- **Government**
 - local, State, Federal, and Tribal governments
 - government organizations, agencies, and entities
 - but **not** service as a member of the U.S. Congress
- **501(c)(3) Non-profit**
- **AmeriCorps Positions**
- **Peace Corps**
- **“Public Service Organizations”**

The organization provides specific listed services including “public interest law services” and:

- gets at least some government funding and;
- is not "a business organized for profit, a labor union, a partisan political organization, or an organization engaged in religious activities..."

PSLF – “FULL-TIME” EMPLOYMENT:

- Working in qualifying employment in one or more jobs for the greater of...
 - An annual average of at least 30 hours per week, or
 - For a contractual or employment period of at least 8 months, an average of 30 hours per week; or
 - Unless the qualifying employment is with two or more employers, the number of hours the employer considers full-time.

KEEPING TRACK OF PSLF ELIGIBILITY

Eligible borrowers *should* complete the Department of Education's PSLF **Employment Certification Form**. The form is not required, but it is strongly recommended.

Borrowers should complete the PSLF Employment Certification Form once they start working full-time in their public sector job AND they've entered repayment with their federal student loans.

The form will:

- Verify whether the borrower's employer/employment qualifies for PLSF.
- Verify whether the borrower's student loan repayment plan and payments qualify for PLSF.
- If the above two items qualify for PLSF, FedLoan will start to keep track of the qualifying payments.

The onus is (still) on the borrower to prove his/her eligibility for PSLF, to keep track (save docs), and to follow through!

APPLYING FOR PLSF

- After you make your 120th qualifying payment, you will need to submit the **PSLF application to receive loan forgiveness.**
- You must be working for a qualified public service organization at the time you submit the application for forgiveness and at the time the remaining balance on your loan is forgiven.

- Throughout the 10 year process save all employment records (pay stubs, hours worked, history, etc.) in chronological order (match up each payment w/employment record).
- DOE/Direct Loans will have a record of your qualifying loan payments.
- **It's the borrower's (your) responsibility to prove it!!**

IBR & PSLF EXAMPLE:

Eligible Debt: \$115,000

Starting Salary: \$50,000

Monthly Payment Year 1: \$430

Monthly Payment Year 10: \$635

Total Paid: \$63,220

Total Forgiven: \$129,980

Tax Implication On Loan Forgiveness

- **IBR 1 & REPAYE: 25 year forgiveness – *TAXABLE!***
- **PAYE & IBR 2: 20 year forgiveness – *TAXABLE!***
- **PSLF: 10 year forgiveness – *NOT TAXABLE!***

Federal Public Service Loan Forgiveness

The New York Times

28000 Public Servants Sought Student Loan Forgiveness.
96 Got It.

10 days ago

[Data Shows 99% Of Applicants For A Student **Loan Forgiveness** ...](#)

NPR - Sep 21, 2018

The U.S. Department of Education released new data that show the popular **Public Service Loan Forgiveness** program is out of reach for most ...

[Just 96 of 30000 people who applied for **public service loan** ...](#)

CNBC - Sep 21, 2018

Earlier this month, CNBC tracked down one of the first people to qualify for student debt cancellation under the **public service loan forgiveness** ...

[Barriers to **Loan Forgiveness**](#)

Inside Higher Ed - Sep 27, 2018

While just a handful of borrowers have received **Public Service Loan Forgiveness** so far, the real payouts -- and renewed debates about the ...

[Very Few Borrowers Qualify For **Public Service Loan Forgiveness**](#)

Forbes - Sep 20, 2018

According to data released by the U.S. Department of Education, only 96 borrowers have qualified for **public service loan forgiveness** as of ...

Public Service Loan Forgiveness (PSLF) Program Data

Data as of 6/30/2019

Public Service Loan Forgiveness (PSLF) Application Information

8	Unique Borrowers Submitting PSLF Applications	90,962
9	Total Number of PSLF Applications	110,729
10	PSLF Applications Pending Processing	8,677
11	PSLF Applications with Processing Complete	102,051
12	Count of PSLF Applications approved by the servicer	1216
	1) Government	76%
	2) Non-Profit - Section 501(c)(3)	24%
	3) Non-Profit - Other	0%
13	Count of PSLF applications rejected	100,835
14	Most common reasons for PSLF Application rejection	
	Qualifying Payments	55%
	Missing Information	24%
	No Eligible Loans	15%
	Employment Dates	2%
	Employer Not Eligible	2%
15	Total balance discharged for borrowers with approved PSLF application	\$52,045,282
16	Unique Borrowers with PSLF discharges processed	845
17	Average balance discharged for borrowers with approved PSLF application	\$61,592
18	Distribution of repayment plans for borrowers with approved PSLF Apps	
	Income Driven Repayment Plans	90%
	Fixed Payment, Extended Term	5%
	Standard Repayment	2%
	Other plans (<1% each)	3%



PROPOSED CHANGES

OTHER LOAN FORGIVENESS PROGRAMS

- **District Attorney and Indigent Legal Services Attorney Loan Forgiveness Program (NY State)**
 - Receive up to \$20,400 (lifetime), \$3,400 per year.
 - Has been admitted to practice law in New York State for not more than eleven years.
 - Has been employed as a District Attorney, Assistant District Attorney, or Indigent Legal Services Attorney in New York State for at least four years and is within the Eligible Period.
 - Eligible amounts may be reduced if participating in other loan forgiveness programs.

Visit: **www.hesc.com**

OTHER LOAN FORGIVENESS PROGRAMS

- **John R. Justice Student Loan Repayment Program**
 - Provides loan repayment assistance for state and federal public defenders and state prosecutors who agree to remain employed as public defenders and prosecutors for at least three years. Repayment benefits cannot exceed \$10,000 in any calendar year or an aggregate total of \$60,000 per attorney.
 - Federal program administered by each state!
 - Check with employer regarding program
 - Visit: www.equaljusticeworks.org &
 - www.ojp.usdoj.gov/BJA/ (Bureau of Justice Assistance)

OTHER LOAN FORGIVENESS PROGRAMS

• ~~Civil Legal Assistance Attorney Student Loan Repayment Program (CLAARP)~~ *Eliminated in Obama's 2012 budget!*

- Federal program established to encourage qualified individuals to enter and continue employment as civil legal assistance attorneys.
- An eligible student loan borrower, with one or more eligible loans, may receive up to \$6,000 in student loan repayment for each year of completed service up to an aggregate total of \$40,000.
- The borrower is employed full-time as a civil legal assistance attorney and will remain employed as a civil legal assistance attorney for a period of not less than three years after the Service Agreement is signed.
- Application available each year through the Dept. of Ed.
- Conflicts with the Public Service Loan Forgiveness Program!
- Visit: <http://studentaid.ed.gov>

www.equaljusticeworks.org

OTHER LOAN FORGIVENESS PROGRAMS

- State-Based LRAPs
- Employer-Based LRAPs
- Visit: www.americanbar.org
www.equaljusticeworks.org
www.finaid.org

CARDOZO'S LRAP

LAURIE M. TISCH LOAN REPAYMENT ASSISTANCE PROGRAM



The Laurie M. Tisch Loan Repayment Assistance Program at Cardozo benefits Cardozo graduates who have chosen to pursue careers in public service by providing “forgivable loans” to assist them in overcoming their educational debt.

In 2017 a total of \$294,100 was awarded to 127 alumni who graduated in the prior 6 years. They were provided awards ranging

from \$100 - \$6,250.

CARDOZO'S LRAP

- JD alum who qualify may apply to Cardozo's LRAP within six years of graduation
- Must (re)apply annually
- Employed full-time in a law related public sector job (gov't or non-profit)
- Income Requirement: \$68K or less
- Student loan debt requirement: \$60K or more

CARDOZO'S LRAP

- Eligible recipients will receive one check (per year)
- Funding is made in the form of a forgivable loan!
- Funding level (currently...subject to change)...approximately 40% - 50% of a recipient's monthly payment
- Can be used towards federal, private, and/or institutional student loans.
- Yearly application available April 1st...Due June 1st
- Checks distributed in fall
- **www.cardozo.yu.edu/lrap**

SHORT-TERM & LONG-TERM PLANNING

*Student loan borrowers **NEED** to know:*

1. Loan type(s)
2. Loan servicer(s)
3. Loan amounts (each loan and the total)
4. Loan terms
5. Loan repayment options
6. **Game plan / repayment strategy**
 - Type of employment (private or public)
 - Income
 - Retirement
 - Family status (married, children, etc.)
 - Financial resources
 - Lifestyle
 - Career Objectives (5, 10, 20 years, etc.)

SHORT-TERM & LONG-TERM PLANNING

Private Sector

Solo, small, mid, large law firms

Starting salary

Bonuses

Salary projection

Retirement

Federal Student loan repayment plan options – fixed plans or IDR?

 IDR short or long term (loan forgiveness 20 – 25 years)

 Make larger payments above minimum required – pay down loan more aggressively?

Private student loans? Make larger payments above minimum required – pay down loan more aggressively?

Refinance options – federal and non-federal loans?

SHORT-TERM & LONG-TERM PLANNING

Public Sector (Public Interest / Government)

Starting salary

Salary projection

Retirement

Federal Student loan repayment plan options – IDR?

 IDR while pursuing PSLF!

 Other LRAPs while on IDR pursuing PSLF

 Only pay minimum required amount under IDR in order to maximize potential loan forgiveness through PLSF.

Private student loans? Make larger payments above minimum required – pay down loan more aggressively?

Refinance options for non-federal loans only!

PUTTING IT ALL TOGETHER

- Following graduation, Thurgood lands a job at The Legal Aid Society in Manhattan.
- Starting salary is \$53,000 per year.
- He is single.
- He has \$160,000 in federal student loans.
- He begins repaying his loans about 6 months after graduation using the PAYE plan at \$298 per month.
- One year later he receives \$2,000 in LRAP funding from Cardozo. His PAYE increased by 5%, and with his LRAP funding, his actual out of pocket is about \$156 per month! He reapplies five years in a row, receiving about 50% of his annual total loan payments.

Long Range Outcome:

Over the course of 10 years, Thurgood paid approximately \$45,000 toward his federal loans under PAYE. \$13,750 was in the form of LRAP funding (making his actual out of pocket \$31,250). Well over \$100,000 in remaining principle and interest was forgiven...tax free!

IN CONCLUSION

- Good Rule of Thumb – never assume! If you are not 100% sure about any aspect of your student loans, do not assume! Reach out to your loan servicer(s) and/or the financial aid office at Cardozo and/or undergrad school.
- Take advantage of the federal repayment and forgiveness programs, and other forgiveness programs (state, employer, school).
- If you have any difficulty making your payments, at any time, reach out to your loan servicer(s). You should be able to either set up a forbearance or deferment (temporary postponement of your required payments), change or readjust your loan repayment plan.
- Do not default on your student loans!
- Disputes and problems with your federal loan servicer – contact the Dept of Ed's Office of the Ombudsman
 - 877-557-2575
 - www.ombudsman.ed.gov

WEBSITES...

- Debt Management:
www.cardozo.yu.edu/debtmanagement
- Direct Loan Servicers: www.studentaid.ed.gov
- IBR & PSLF:
 - www.studentaid.ed.gov
 - www.finaid.org
- Personal Federal Loan Account: www.nslds.ed.gov
- DL Consolidation: www.loanconsolidation.ed.gov
- Equal Justice Works: www.equaljusticeworks.org
- Heather Jarvis (Student Loan Expert):
 - www.askheatherjarvis.com

CONTACT...

Office of Student Finance

- Phone: 212-790-0392
- Email: clфинаid@yu.edu
- Website: www.cardozo.yu.edu/studentfinance