

New Hope for
Loan Repayment

**Understanding IBR and
Loan Forgiveness
Options in 2009**

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New Hope for Loan
Repayment

- **Income-Based Repayment (IBR) plan**
- **Loan Forgiveness for Public Service Employees program**
- **Other loan forgiveness programs**

College Cost Reduction and
Access Act (CCRAA)
New Federal Loan Repayment Programs

P.L. 110-84 provides:

- **Income-Based Repayment (IBR) program**
- **Loan forgiveness for public service jobs**

Income-Based Repayment (IBR)

IBR—Who will qualify?

Approx. Maximum AGI Needed to Qualify for IBR at Specified Debt (2009 Poverty Guidelines)

Debt	AGI	Debt	AGI
\$5,000	\$20,848	\$65,000	\$76,087
\$10,000	\$25,451	\$70,000	\$80,690
\$15,000	\$30,055	\$75,000	\$85,293
\$20,000	\$34,658	\$80,000	\$89,896
\$25,000	\$39,261	\$85,000	\$94,500
\$30,000	\$43,864	\$90,000	\$99,103
\$35,000	\$48,467	\$95,000	\$103,706
\$40,000	\$53,071	\$100,000	\$108,309
\$45,000	\$57,674	\$105,000	\$112,912
\$50,000	\$62,277	\$110,000	\$117,516
\$55,000	\$66,880	\$115,000	\$122,119
\$60,000	\$71,484	\$120,000	\$126,722
		\$125,000	\$131,325

Assumptions: - Interest rate = 6.8%
- Household size of 1 residing in 48 contiguous states

IBR—Who will qualify?

Approx. Maximum AGI Needed to Qualify for IBR at Specified Debt (2009 Poverty Guidelines)

Debt	AGI	Debt	AGI
\$130,000	\$135,929	\$180,000	\$181,961
\$135,000	\$140,532	\$185,000	\$186,564
\$140,000	\$145,135	\$190,000	\$191,167
\$145,000	\$149,738	\$195,000	\$195,770
\$150,000	\$154,341	\$200,000	\$200,374
\$155,000	\$158,945	\$205,000	\$204,977
\$160,000	\$163,548	\$210,000	\$209,580
\$165,000	\$168,151	\$215,000	\$214,183
\$170,000	\$172,754	\$220,000	\$218,786
\$175,000	\$177,357	\$225,000	\$223,390

Assumptions: - Interest rate = 6.8%
- Household size of 1 residing in 48 contiguous states

Income-Based Repayment (IBR)

- **Effective date:**
 - July 1, 2009
- **Eligibility criteria:**
 - Available for repayment of FFEL/Direct Stafford, Grad PLUS and Federal Consolidation Loans (FCL)
 - Cannot be used to repay Parent PLUS Loans
 - Cannot be used to repay FCL that included payoff of a Parent PLUS Loan
 - You must have "Partial Financial Hardship"

Income-Based Repayment (IBR) "Partial Financial Hardship"

You are considered to have "Partial Financial Hardship" when:

- "The annual amount due on your total eligible federal student loan debt in repayment,
- when calculated using the Standard Repayment Plan based on a 10-year repayment period,
- exceeds 15% of your household AGI above 150% of the poverty line for your family size (includes spouse's income, if married, and filing joint federal tax return).
- If eligible, the IBR monthly payment is 1/12th of 15% of the AGI above 150% of the poverty line."

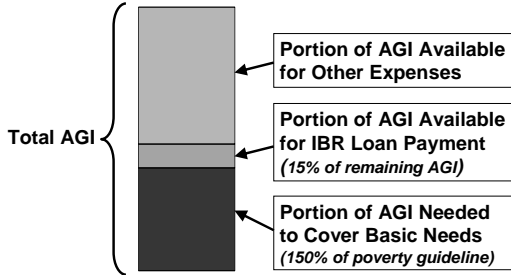
IBR
Partial financial hardship exists when ...

Your annual loan payment using the "Standard 10-year Fixed Repayment Plan"



15% of your annual AGI above 150% of the poverty line for your family size

Portion of AGI Available for Loan Payment in IBR



Calculators are available at: Finaid.Org/calculators and IBRinfo.org

IBR 2009 HHS Poverty Guidelines

Persons in Family or Household	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$10,830	\$13,530	\$12,460
2	14,570	18,210	16,760
3	18,310	22,890	21,060
4	22,050	27,570	25,360
5	25,790	32,250	29,660
6	29,530	36,930	33,960
7	33,270	41,610	38,260
8	37,010	46,290	42,560
For each added person, add	3,740	4,680	4,300

Source: *Federal Register*, Vol. 74, No. 14, January 23, 2009, pp. 4199-4201

IBR *More Payment Provisions*

- **IBR allows for negative amortization**
- **Unpaid interest that accrues on qualifying subsidized Stafford debt will be paid for up to 3 years**
- **Unpaid interest can be capitalized by your loan holder if you terminate IBR**
- **Repayment period using IBR can extend beyond 10 years**

IBR

A Few Things to Consider

- **Can reduce minimum monthly payment**
- **Will increase total cost of debt**
- **Does not replace Income Sensitive or Income Contingent Repayment options**
- **Extended Repayment – is an option that avoids negative amortization and annual income verification**

Extended Repayment vs. IBR

AGI = \$40,000

Eligible Federal Loan Debt	\$60,000	\$100,000	\$150,000
Standard Repayment - 10 yrs <i>Fixed monthly payment @ 6.8%</i>	\$690	\$1,151	\$1,726
Extended Repayment - 25 yrs <i>Fixed monthly payment @ 6.8%</i>	\$416	\$694	\$1,041
IBR Repayment – up to 25 yrs <i>Fixed monthly payment @ 6.8%, AGI=\$40,000, Household size = 1</i>	\$297	\$297	\$297
<i>Difference in 1st payment between Extended Repayment and IBR</i>	\$119	\$397	\$744

Loan Forgiveness for Public Service Employees

Public Service Loan Forgiveness
New Direct Loan Forgiveness Program

You'll qualify for loan forgiveness if ...

- **Your Federal Direct Loans are not in default**
- **You've worked full-time for a total of 120 months in a qualifying public service position on or after October 1, 2007**
- **You've made 120 qualifying loan payments on Federal Direct Loans during period of qualifying public service employment**

Public Service Loan Forgiveness
General Provisions

- **Effective for qualifying monthly Direct Loan payments made on or after October 1, 2007**
- **Loans eligible for forgiveness are limited to:**
 - **Federal Direct Stafford Loans**
 - **Federal Direct PLUS Loans**
 - **Federal Direct Consolidation Loans**
- **Any amount cancelled in this program will NOT be taxable in the calendar year it is cancelled**

Public Service Loan Forgiveness
Reconsolidation in Direct

- **Allows you to reconsolidate any existing FFELP Federal Consolidation Loan (FCL) in the Federal Direct Loan Program to take advantage of the new public service loan forgiveness program**

Public Service Loan Forgiveness
Qualifying Payment Requirements

- **You must be working full-time in an eligible public service position, AND**
- **Make qualifying payments using:**
 - Income Contingent Repayment, or
 - Income Based Repayment, or
 - Standard 10-year Fixed Repayment plan, or
 - Other plan, but monthly payment must be at least equal to amount required using Standard 10-year Fixed Repayment plan

Public Service Loan Forgiveness
Additional Eligibility Provisions

- **120 months do NOT have to be consecutive**
- **You must be working full-time in qualifying public service position at time of forgiveness**
- **Loan payments made on any loan prior to October 1, 2007 do NOT count toward the 120-month requirement**
- **Loan payments on non-eligible loans (e.g., FFELP loans, Federal Perkins Loans) do NOT count toward 120-month requirement**

Public Service Loan Forgiveness
Definition of "Public Service"

- In general, it's full-time employment in:***
- **A 501(c)(3) organization that is exempt from taxation under section 501(a) of the Internal Revenue Code of 1986, or**
 - **Government (federal, state, local, tribal) agency**

A Few Final Comments ...

Repayment Plans

Federal Family Education Loan Program (FFELP)

- **Standard (Fixed) Repayment**
- **Graduated Repayment**
- **Extended Repayment**
- **Income-Sensitive Repayment**
- **Income-Based Repayment** (*available 7/1/2009*)

Choice of a repayment plan may depend on your eligibility for that plan. Once you choose a plan, you can change to a different plan once a year provided you qualify for that plan.

IBR

Pros and Cons

Potential Pros

- Lowest initial monthly loan payment
- Possible to exclude spouse's income
- ED will pay unpaid interest on subsidized Stafford for up to 3 yrs
- Loan cancellation after 25 years of eligible payments
- Entitlement

Potential Cons

- Increased interest will accrue and may have negative amortization
- If married might need to file separate tax returns
- Unpaid interest will be capitalized at some point
- Annual income and family size verification required
- Monthly payments could change each year

Public Service Loan Forgiveness
Pros and Cons

Potential Pros

- May make it possible financially for you to pursue public service career
- Portion of your debt may be forgiven
- Entitlement

Potential Cons

- "All or nothing" benefit; must put in full 10 years
- Only Direct Loans can be forgiven—you'll need to consolidate FFEL loans into Direct Loan Program to be eligible
- Will you have debt left to forgive?
- No confirmation that employment qualifies

For more information ...

- Schrag, Philip G., "Federal Student Loan Repayment Assistance for Public Interest Lawyers and other Employees of Governments and Nonprofit Organizations". Hofstra Law Review, Vol. 36, Fall 2007.
- Equal Justice Works at: EqualJusticeWorks.org
- Calculators available at: FinAid.Org/calculators, IBRinfo.org
- "Project on Student Debt" has created a special Website specifically about IBR at: IBRinfo.org

Questions

We're here to help you!

Access Group

800-282-1550

AccessGroup.Org

Optional Slides

Public Service Loan Forgiveness
Definition of "Public Service"

As defined in P.L. 110-84

Full-time employment in:

- Emergency management
- Government
- Military service
- Public safety
- Law enforcement
- Public health
- Public education (including early childhood education)
- Social work in a public child or family service agency
- ***MORE . . .***

Public Service Loan Forgiveness
Definition of "Public Service", cont.

As defined in P.L. 110-84

Full-time employment in:

- Public interest law services (including prosecution, public defense or legal advocacy in low-income communities at a nonprofit organization)
- Public child care
- Public service for individuals with disabilities
- Public service for the elderly
- Public library sciences
- School-based library sciences and other school-based services
- **MORE . . .**

Public Service Loan Forgiveness
Definition of "Public Service", cont.

As defined in P.L. 110-84

Full-time employment in:

- A 501(c)(3) organization that is exempt from taxation under section 501(a) of the Internal Revenue Code of 1986
- Teaching as a full-time faculty member at a Tribal College or University as defined in section 316(b)
- Other faculty teaching full-time in high-needs areas, as determined by the Secretary of Education

Public Service Loan Forgiveness
Questions Borrowers Should Consider

- **Will you work full-time in a qualifying public service position for at least 10 years?**
 - This forgiveness program can be very helpful to those who plan to make a career of public service and who have high federal student loan debt relative to their income
- **Will you be making qualifying loan payments during the entire 10 year period of public service employment?**
 - This is an "all or nothing" type of benefit, a benefit is received only if you make qualifying loan payments while employed in a qualifying position over a full ten years (120 months); there is no partial benefit

Public Service Loan Forgiveness
MORE Questions to Consider

- **What will you give up by consolidating your FFELP loans in the Federal Direct Loan Program in order to qualify for this forgiveness program?**
 - Money saving borrower benefits/payment incentives on your existing FFELP loans?
 - Positive customer service experience with your current FFELP loan holder/servicer?
 - Other value-added services offered by your current loan holder/servicer?
