Agenda

O Background

O Eligibility Requirements

    O Loan types

    O Repayment plans

    O Employment

O How to Apply

O Pitfalls to Watch For

O Politics and Future

Disclaimer

The presenter is not an attorney and the information shared within this presentation is not legal advice.

The materials provided are for informational purposes only

Background

O Not the "Obama Forgiveness Program"

O Signed into law by Bush 9/27/2007

O Intended to

  O "...encourage individuals to **enter and continue** in full-time public service employment by forgiving the remaining balance of their Direct Loans after they satisfy the public service and lona payment requirements."

The Numbers

O 42 million federal student loan borrowers

O $1.3 trillion outstanding

O 25% of US labor force working for an eligible employer

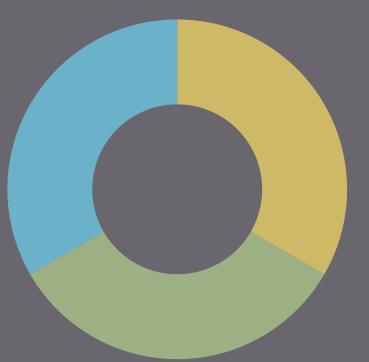O 23 million for government

O 11 million for non-profits

O 139 borrowers set to receive PSLF in next two years

O 14K within the next six years

O 600K have submitted ECF

O 241K have made no eligible PSLF payments

Eligibility

Loans, Payment Plans and Employment Requirements

To Obtain Forgiveness

All of these, At the Same Time

- 120 Eligible Payments
- On Eligible Loans
- While Working for an Eligible Employer

Eligible Loans

O Federal Direct Loans including

  O Subsidized and Unsubsidized Stafford Loans

  O Graduate PLUS Loans

  O Parent PLUS Loans

  O Consolidation Loans

O Made at any time

O Any Stafford, Plus or consolidation loan made after July 1, 2010 is a Direct Loan.

Loans Eligible If Consolidated Under Direct Loans

O Federal Family Education Loan Program Loans including
- O Subsidized and Unsubsidized Stafford Loans
- O Graduate and Parent Plus Loans
- O FFELP Consolidation Loans

O Federal Nursing Loans

O Federal Perkins Loans

O Health Education Assistance Loans

O Nurse Faculty Loans

O Loans for Disadvantaged Students

O Health Profession Student Loans

O www.studentloans.gov to consolidate

O Payments made prior to consolidation do not count towards PSLF

Loans That Are Never Eligible

O State Loans

O Private Loans

O Institutional or School loans (borrowed directly from the school)

O Loans not in the eligible employees name

O Other types of credit used to pay for school
  O Home equity
  O Credit cards
  O Personal loans

A Word About Defaulted Loans

O Defaulted federal loans, even Direct Loans, are not eligible for PSLF however

O Defaulted loans can be made eligible if
   O Rehabilitated or
   O Consolidated

O Eligible payments made prior to default still count unless you consolidate out of default

O www.freestudentloanadvice.org for info on getting out of default

Eligible Employers

O It doesn't matter what you do, it matters who you work for

O Must be full time as defined by your employer or

O Must be at least 30 hours per week if working part time for multiple eligible employers

O Time spent in religious instruction, proselytizing or worship services counts against your full time hours

O To verify your employer is eligible, submit the employment certification (ECF) form.

    O Recommend this form be filed annually

O www.freestudentloanadvice.org forms page for ECF form

Eligible Employers

O Any government employer including
  O Federal
  O State
  O Local
  O Tribal
  O Contractors are not government employers even if you work in a government building. You must be directly employed by the eligible employer.

O Serving full time for
  O The military
  O The Peace Corps
  O Americorps

Eligible Employers

O Any 501(c)(3) non-profit
O Other non-profits whose primary focus is one of the following:
  - O Emergency management
  - O Military service: service on behalf of the U.S. armed forces or the National Guard
  - O Public safety
  - O Law enforcement: crime prevention, control or reduction of crime, or the enforcement of criminal law
  - O Public *interest* law services
  - O Early childhood education:
  - O Public service for individuals with disabilities and the elderly
  - O **Public health: includes nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in health care practitioner occupations and health support occupations, as such terms are defined by the Bureau of Labor Statistics**
  - O Public education:
  - O Public library services
  - O School library or other school-based services

Non-Eligible Employers

O Labor unions

O Partisan political organizations

O For-profit organizations

O Not-for-profit organizations that are not tax-exempt under Section 501(c)(3) of the Internal Revenue Code and that do not provide a qualifying public service as their primary function

A Few Things to Remember

O You must be employed by an eligible employer:
- O At the time you make all 120 of your PSLF eligible payments
- O At the time you apply for forgiveness AND
- O At the time the feds review your forgiveness application

O You do not have to work for the same employer for the entire 120 payments

O You do not have to have consecutive eligible employment

Resources for Lists of Eligible Employers

O https://www.usa.gov/federal-agencies/a

    O List of most government agencies and departments

O https://www.irs.gov/charities-non-profits/exempt-organizations-select-check

    O IRS searchable database of non-profits

    O Note, this is not a complete list, but will contain most 501(c)(3)'s

Eligible Payments

O Must be made on time (within 15 days of the due date)

O Must be made on or after October 1, 2007

O Cannot be made while in default

O Must be made while working full time for an eligible employer

O Must be made on a federal Direct Loan

O Does not matter who makes the payment

Eligible Payment Plans

O 10 Year Standard repayment

O Income based repayment

O Pay As You Earn

O Revised Pay As You Earn

O Income contingent repayment

    O This is the only income driven plan Parent Plus borrowers can use, and only if they consolidate under Direct Loans

O Does not have to be the same plan for all 120 payments

O These plans only count if made on Direct Loans

Non-Eligible Payment Plans

0 Standard plan under consolidation does not count unless the term is ten years or less, which is unlikely

0 Graduated repayment
  0 Unless payments are more than then ten year standard

0 Extended repayment
  0 Unless payments are more than the ten year standard

How the IDR's Work

O 10% or 15% of your discretionary income minus an allowance for family size

O Discretionary income is AGI – 150% of poverty level for your family size

  O That result is divided by 12
  O If amount is less than poverty level payment is zero per month
  O Zero dollar payments DO count for PSLF if under an IDR
  O Your spouse's income may be taken into account

O IDR's also forgive the balance but after 20 or 25 years depending on the plan

  O Forgiven amount is taxed as income.
  O PSLF forgiven amount is not taxed

Income Contingent Repayment

O Best option for Parent Plus loans

O Must consolidate at www.studentloans.gov to access for Parent Plus borrowers

O Payment is calculated as:

   O 20 percent of your discretionary income or

   O what you would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to your income

O https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action

Example

Repayment Plan	First Monthly Payment	Last Monthly Payment	Total Amount Paid	Public Service Loan Forgiveness	Repayment Period
Standard ❶	$921	$921	$110,477	$0	120 months
Graduated ❶	$531	$1,593	$118,880	$0	120 months
Extended Fixed ❶	$555	$555	$166,577	$0	300 months
Extended Graduated ❶	$453	$793	$180,432	$0	300 months
Revised Pay As You Earn (REPAYE) ❶	$214	$396	$35,764	$89,318	120 months
Pay As You Earn (PAYE) ❶	$214	$396	$35,764	$98,636	120 months
Income-Based Repayment (IBR) ❶	$321	$593	$53,646	$80,754	120 months
IBR for New Borrowers ❶	$214	$396	$35,764	$98,636	120 months
Income-Contingent Repayment (ICR) ❶	$563	$814	$86,323	$37,454	120 months

Example Two

Repayment Plan	First Monthly Payment	Last Monthly Payment	Total Amount Paid	Public Service Loan Forgiveness	Repayment Period
Standard	$921	$921	$110,477	$0	120 months
Graduated	$531	$1,593	$118,880	$0	120 months
Extended Fixed	$555	$555	$166,577	$0	300 months
Extended Graduated	$453	$793	$180,432	$0	300 months
Revised Pay As You Earn (REPAYE)	$714	$1,171	$111,231	$3,718	120 months
Pay As You Earn (PAYE)	$714	$921	$103,254	$12,635	120 months
Income-Based Repayment (IBR)	-	-	-	-	-
IBR for New Borrowers	$714	$921	$103,254	$12,635	120 months
Income-Contingent Repayment (ICR)	$1,036	$1,121	$104,765	$0	98 months

How to Apply

O Submit ten years of ECF forms

O When first is submitted, loans will transfer to FedLoan Servicing

O They will count your eligible payments

O After payment 120, submit the PSLF forgiveness form

   O Found on the forms page of www.freestudentloanadvice.org

O Loans will be placed in forbearance during application review

O Any overpayments will be refunded

Pitfalls to Watch For

O The name of the game is to pay the least over time, not forgiveness

O Program could change for new loans, don't borrow assuming forgiveness

O Ensure you are on an eligible plan and have eligible loans

O Ensure you submit your ECF forms

O Parent Plus borrowers must use ICR

O Consolidate only if you have to, and if so right away

PSLF Politics

O Nothing actively on the table today to change PSLF

O Past proposals, including PROSPER ACT only made changes to future loans

O Congress has NEVER retroactively removed a student loan benefit from existing loans

O PSLF likely to change for new loans

  O Limit forgiveness amount

  O Limit eligible employer definition

O The Department of Education has no authority to change the law or retroactively change the regulations

Resources

- www.freestudentloanadvice.org
  - The Institute of Student Loan Advisors (TISLA)
  - Information, advice and PSLF forms
- www.studentloans.gov
  - The Department of Educations website
  - Where to consolidate into Direct Loans if needed
- Repayment Estimator
  - https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action#view-repayment-plans