

# **Public Service Loan Forgiveness**

**Fall 2013**

**HEATHER JARVIS**  
*Student Loan Expert*

... AT THE RATE  
I'M GOING,  
MY STUDENT  
LOANS SHOULD  
BE PAID OFF IN  
3 YEARS...



THE  
UNIVERSITY  
CARTOONIST

THAT'S GREAT,  
DAD...



# Today's Plan

- Public Service Loan Forgiveness overview
- Ideas for minimizing the cost of your debt
- Qualifying employment
- Which loans are which and why it matters
- How to decide whether or not to consolidate
- Choosing a repayment plan
- Other Loan Repayment Assistance Programs
- Ask Heather

# **Minimizing the total cost of student loan debt**

- Pay the debt quickly and avoid capitalization to minimize interest charges over time
- If necessary, pay the debt slowly and steadily. If it makes sense, take steps to maximize forgiveness and prepare for tax consequences.
- If inclined, commit to public service and take steps to earn forgiveness
- In any event, reevaluate often

# **Public Service Loan Forgiveness is earned by making payments**

**120**

**“qualifying”  
payments**

\$100,000 debt, \$54,000 AGI - increasing 3%, family size: 1

<b>Without PSLF</b>		
	<b>IBR</b>	<b>Pay As You Earn</b>
Time in Repayment	25 years	20 years
	\$209,362	\$102,257
	\$64,644	\$142,743
<b>With PSLF</b>		
	<b>IBR</b>	<b>Pay As You Earn</b>
Time in Repayment	10 years	10 years
	\$68,438	\$45,625
	\$107,812	\$129,375

**Income driven forgiveness is taxable as income!**

**But PSLF is NOT taxable as income - wow**

# **Five Steps to Public Service Loan Forgiveness**



# Remember these 5 steps:

1. **Make the right kind of payments,**
2. **on the right kind of loans,**
3. **while working in the right kind of job.**
4. **Repeat 120 times.**
5. **Prove it.**





**The right kind of job**

**full-time  
paid work**



Government

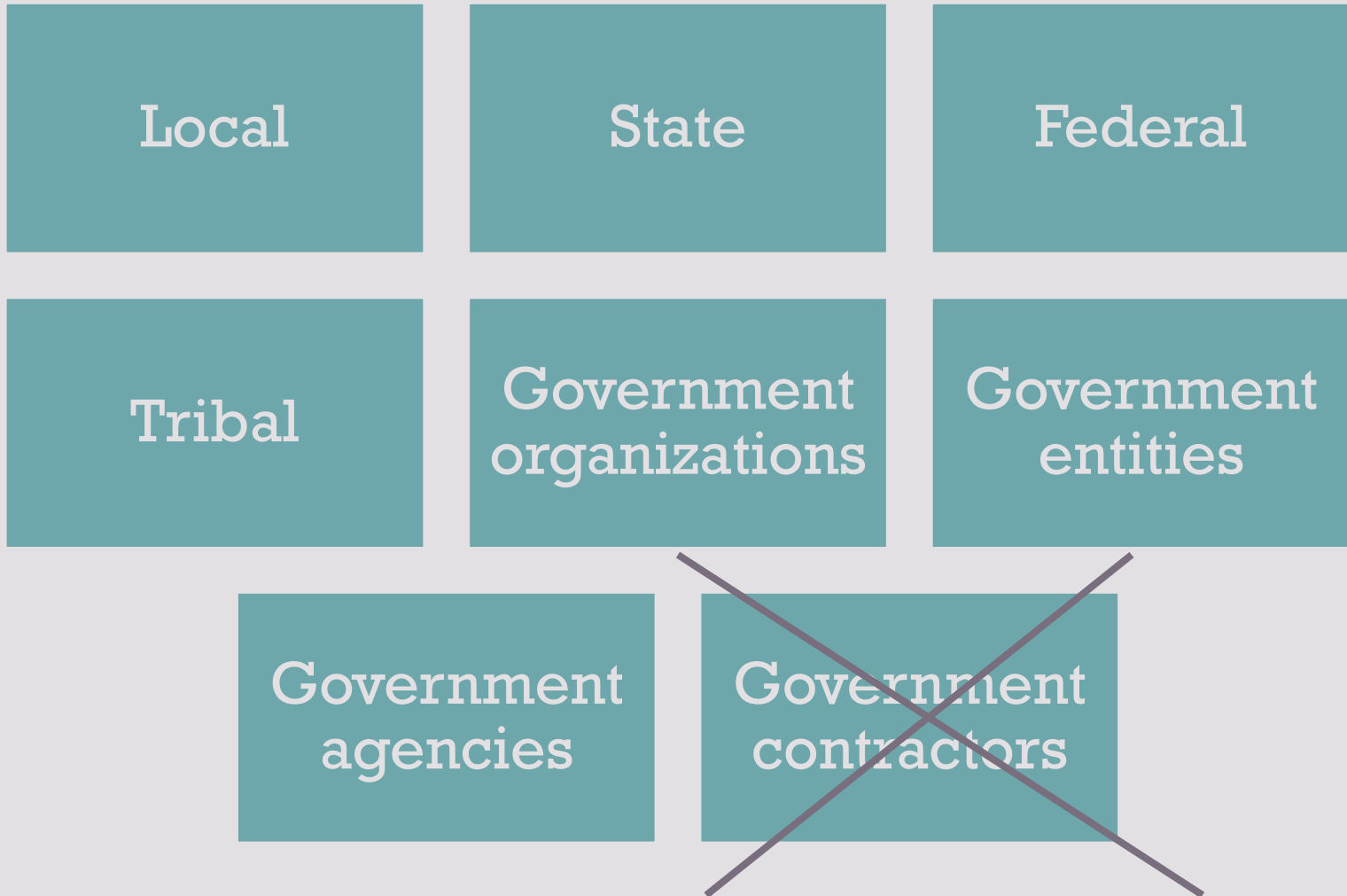
501(c)(3)  
Non-profit

AmeriCorps  
Position

Peace Corps

Public  
Service  
Organization

# Government



**Full-time**

**30 hours**

# The right kind of payments



Income driven repayment

NOT long term repayment plans

– be cautious about

“standard” repayment terms

# Income-driven repayment options have several advantages

- Affordable monthly payments
- Interest subsidy
- Capitalization benefits
- Possibility of forgiveness that is NOT tied to employment
  - Occurs after **making payments based on income for 20-25 years** (depending on the income driven repayment plan)
  - IF a balance still remains at that point
- Eligible repayment plan for Public Service Loan Forgiveness

**on the right kind of loan**

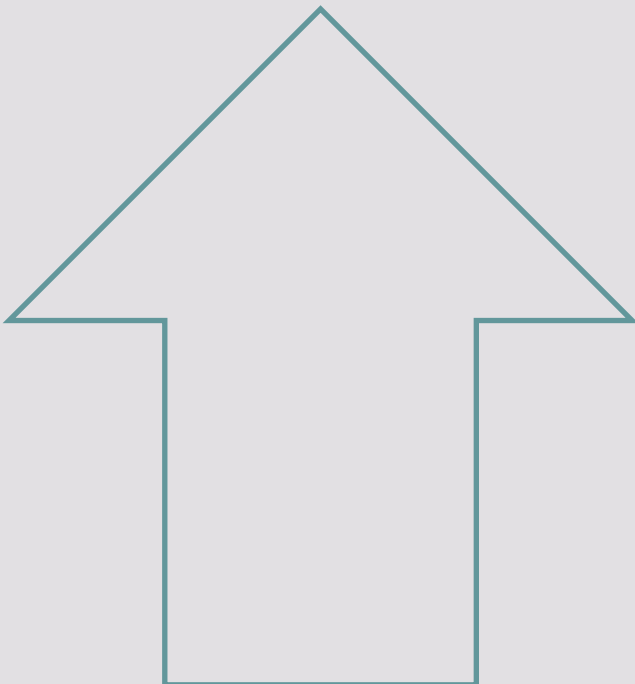


**ONLY  
FEDERAL  
DIRECT**

- There are many different types of student loans
- Most of us have more than one type of student loan
- A student loan borrower may have as many as five different loans from each semester of school

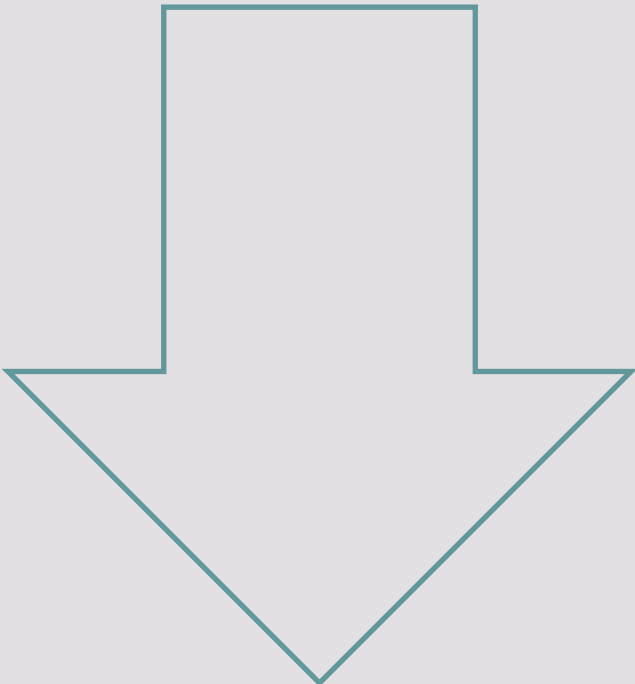
**The options available to you depend upon what TYPE of loans you have and the STATUS of those loans**





Federal  
student  
loan

Flexible, but  
excessively  
complicated



Private  
student  
loan

Simple, but  
frustratingly rigid

# annualcreditreport.com

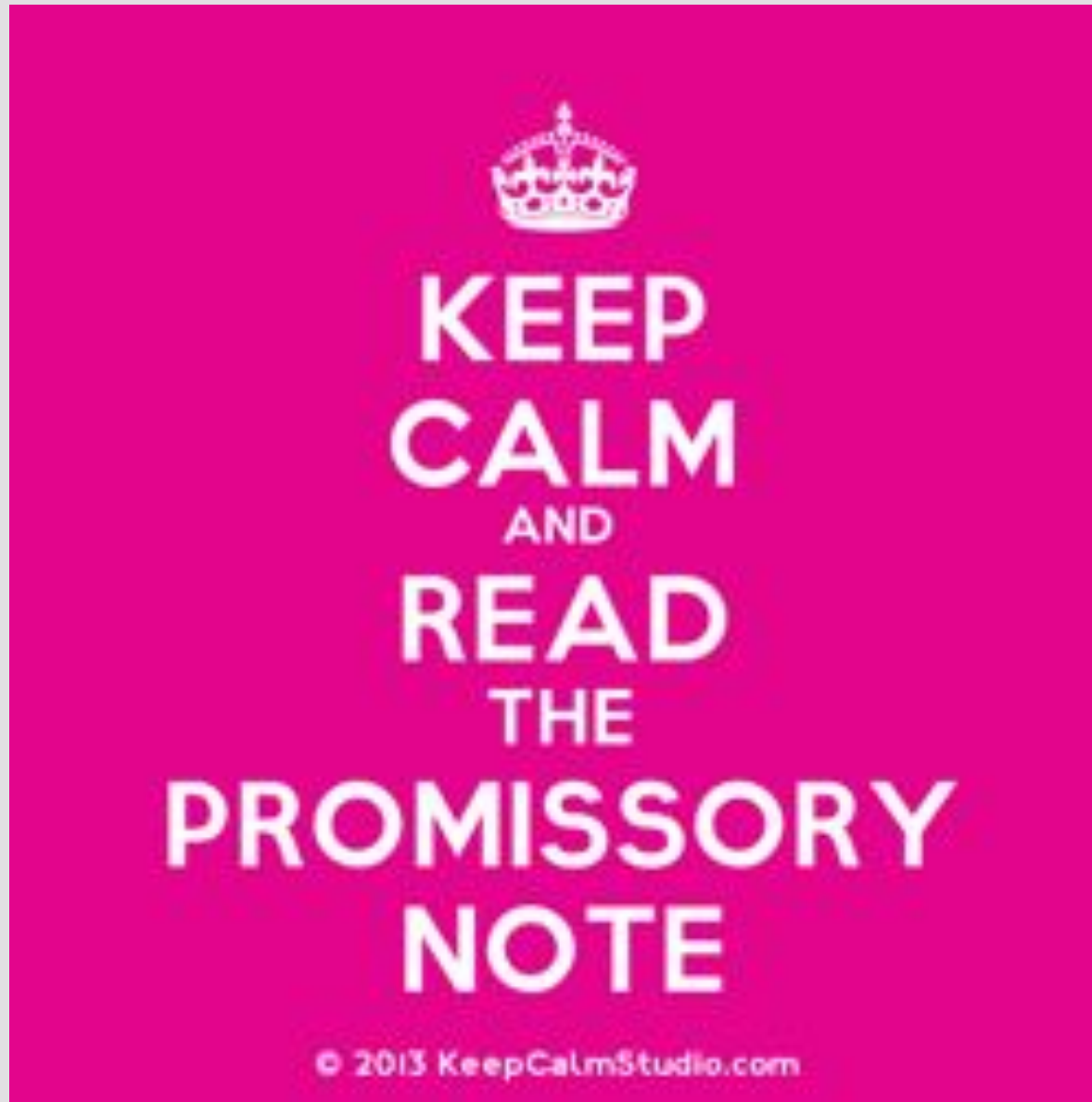
## FREE Annual Credit Reports

AnnualCreditReport.com is the **ONLY** authorized source to get your free annual credit report under federal law.

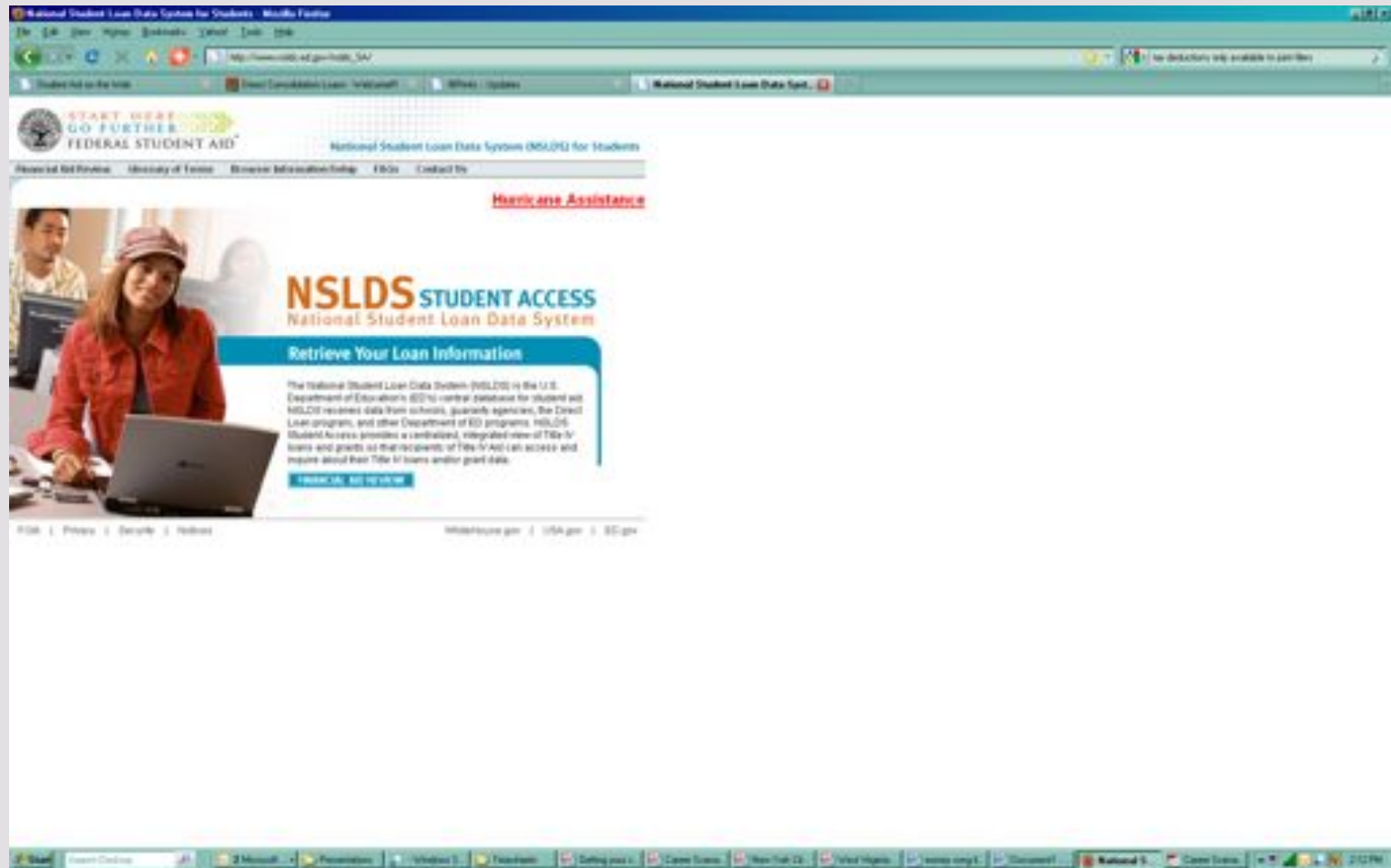




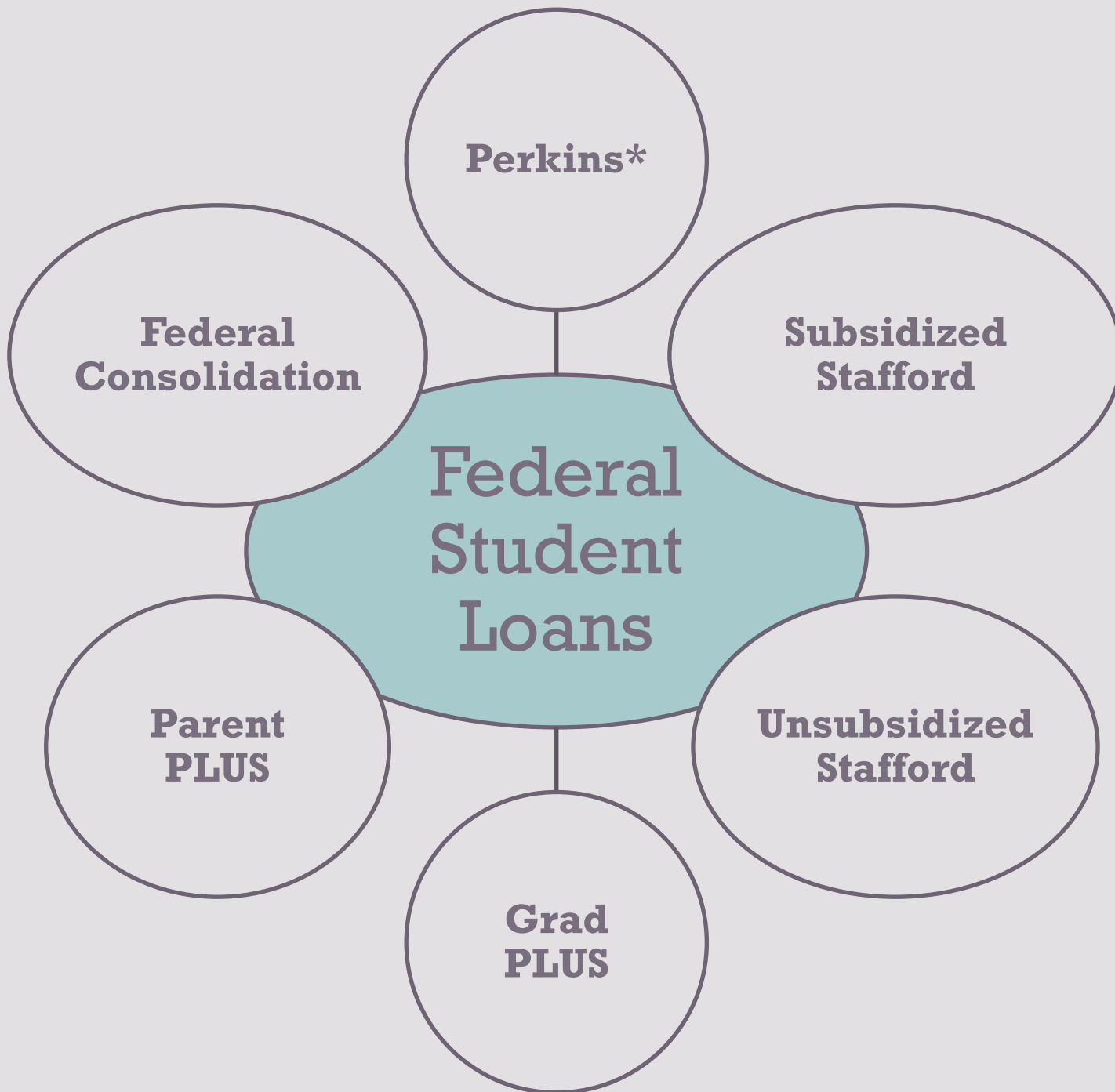
# Private student loans



# www.nslds.ed.gov



The image is a screenshot of a web browser displaying the NSLDS Student Access website. The browser's address bar shows the URL [http://www.nslds.ed.gov/html\\_SAA/](http://www.nslds.ed.gov/html_SAA/). The website header features the Department of Education logo and the text "START HERE GO FURTHER FEDERAL STUDENT AID" and "National Student Loan Data System (NSLDS) for Students". A navigation menu includes links for "Research and Reviews", "History of Events", "Borrower Information/Help", "FAQs", and "Contact Us". A red link for "Hurricane Assistance" is also visible. The main content area has a blue header "NSLDS STUDENT ACCESS National Student Loan Data System" and a sub-header "Retrieve Your Loan Information". Below this, a text block explains that NSLDS is a U.S. Department of Education (ED) central database for student aid, receiving data from schools, guaranty agencies, the Direct Loan program, and other ED programs. It states that 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. A blue button labeled "VIEW MY AID RECORD" is positioned below the text. At the bottom of the page, there is a footer with the text "NSLDS | Privacy | Security | Helpdesk" and "Welcome.gov | USA.gov | ED.gov". The browser's taskbar at the bottom shows several open applications, including Internet Explorer, Microsoft Word, PowerPoint, Windows Explorer, Yahoo! Messenger, eBay, Career Services, New York City, World Journal, Access.org, Document, National S, Career Services, and a system clock showing 2:12 PM.



**FFEL**



**Federal  
Direct**



**Federal  
Student  
Loans**

# Interest rates and consolidation

- Federal consolidation loans have fixed interest rates based on the weighted average of the underlying loans
- Before 2006, federal loans had **variable** interest rates
- Since 2006, new federal loans are at **fixed** interest rates set by Congress
  
- Beginning July 1, 2013, rates are tied to the market:
  - Rates for unsubsidized loans to graduate students are:
    - 10-year Treasury rate plus 3.60 percentage points (presently 5.41 percent), capped at 9.50 percent
  - Rates for GradPLUS and Parent PLUS loans are:
    - 10-year Treasury rate plus 4.60 percentage points, (presently 6.41 percent) capped at 10.50 percent



# Federal Loans Offer Many Repayment Options

Standard

Graduated

Extended

Income-  
Sensitive

“Alternative”

Income-  
Contingent

Income-Based

Pay As You Earn

**To consolidate or not to  
consolidate**

# Consolidation pros and cons

- Locking in a fixed interest rate (if applicable)
  - Access to Public Service Loan Forgiveness
  - Access to Pay As You Earn
- Good!
- Access to a longer repayment period and lower monthly payments
  - Group loans together with one lender
- Meh.
- Perkins cancellation lost
  - “Borrower Incentives” lost
- Not good, but not widely applicable.
- Limited options for private loan consolidation

# http://loanconsolidation.ed.gov/

The screenshot shows the Borrower Services website for Federal Direct Consolidation Loans. The page is titled "Federal Direct Consolidation Loans" and "Information Center". It features a navigation menu on the left with links such as "Home", "About", "FAQ", "Contact Us", "Borrower Info", "Apply Online", "New Income-Based Repayment (IBR) Plan Available", and "English Español".

**Welcome, Applicant!**

You may be able to combine your existing Federal education loans into one new consolidated loan that offers several advantages. Click on "Borrower Info" topics to the left for more information about advantages of consolidation.

Here you will find what borrowers need to know about Direct Consolidation Loans. If you don't find it here, [Ask Us](#).

**New Income-Based Repayment (IBR) Plan Available!**

If you would like eligibility information or to take advantage of this repayment option, [Click Here](#) for more information.

**Before Beginning 1**

**Get organized!**

To help you decide if you want to consolidate and/or to simplify the application process, gather and read required documents and other information ahead of time.

- Application and Promissory Note, Introductory Letter, and Instructions
- What Web Sites are Essential for Completing the online Application
- What Do Fees Used to Fill Out This Application?
- Check the Current Interest Rates
- What's New and Useful?
- Wait to Sign Your Promissory Note Online if you? Apply For a FID?

**Apply Online 2**

**Complete the application**

The process asks about you, your financial information, your spouse, references and more.

- Apply Online and E-sign Your Promissory Note
- Apply Online and Print, Sign, and Mail Your Promissory Note
- References on In Progress, Signed Applications (Not Submitted)
- The online application process is the most efficient way to apply, but you could alternatively select "Forms & Publications" from the top menu to download (print) Forms to print, complete, sign, and mail.

**Follow-up 3**

**Post-Application Activities!**

You can check the status of your application, retrieve your submitted E-signed Promissory Note, application data, and other information.

- What Reasons After I Apply?
- File Your Application Status
- Retrieve Your Submitted E-signed Promissory Note and Other Consolidation Application Documents
- Add Loans to Your Consolidation
- Apply For a FID if you don't have one yet!



### Manage My Direct Loan

#### Sign In

Use your PIN to sign in  
[Why am I signing in?](#)

- Entrance Counseling
- Sign Master Promissory Note
- Complete PLUS Request Process
- Financial Awareness Counseling
- Endorse Direct PLUS Loan
- Income-Based Repayment Application**

Visit the PIN site if you are a new user or have forgotten your PIN.



### StudentLoans.gov

This site is your source for information from the U.S. Department of Education about how to manage your student loans.

### Learn More

- Find Information about Student Aid Programs
- Recent Changes to the Student Aid Programs
- Interest Rate Change for New Direct Subsidized Loans
- Direct Loan Overview
- What you Need for Direct Loans
- What to Expect for Direct Loans
- Glossary

### Tools and Resources

- Apply for PIN
- FAFSA
- Financial Awareness Counseling
- Exit Counseling
- Special Direct Consolidation
- Direct Loan Consolidation
- My Financial Aid History

### Managing Repayment

- Repaying Your Loans
- Repayment Plans & Calculators
- Trouble Making Payments?
- Loan Discharge
- Public Service Loan Forgiveness
- Teacher Loan Forgiveness
- Loan Servicers

# Who should consider choosing income-driven repayment

Government and nonprofit employees

Because they might benefit from Public Service Loan Forgiveness

High-debt graduate and professional borrowers

Borrowers with low income as compared to debt

Because they might benefit from income driven forgiveness

# **Income driven repayment options**

**Income-  
Contingent  
Repayment**

**Income-  
Based  
Repayment**

**Pay As You  
Earn**

# **Partial Financial Hardship**

Required debt to income ratio in order to  
qualify to choose IBR or PAYE



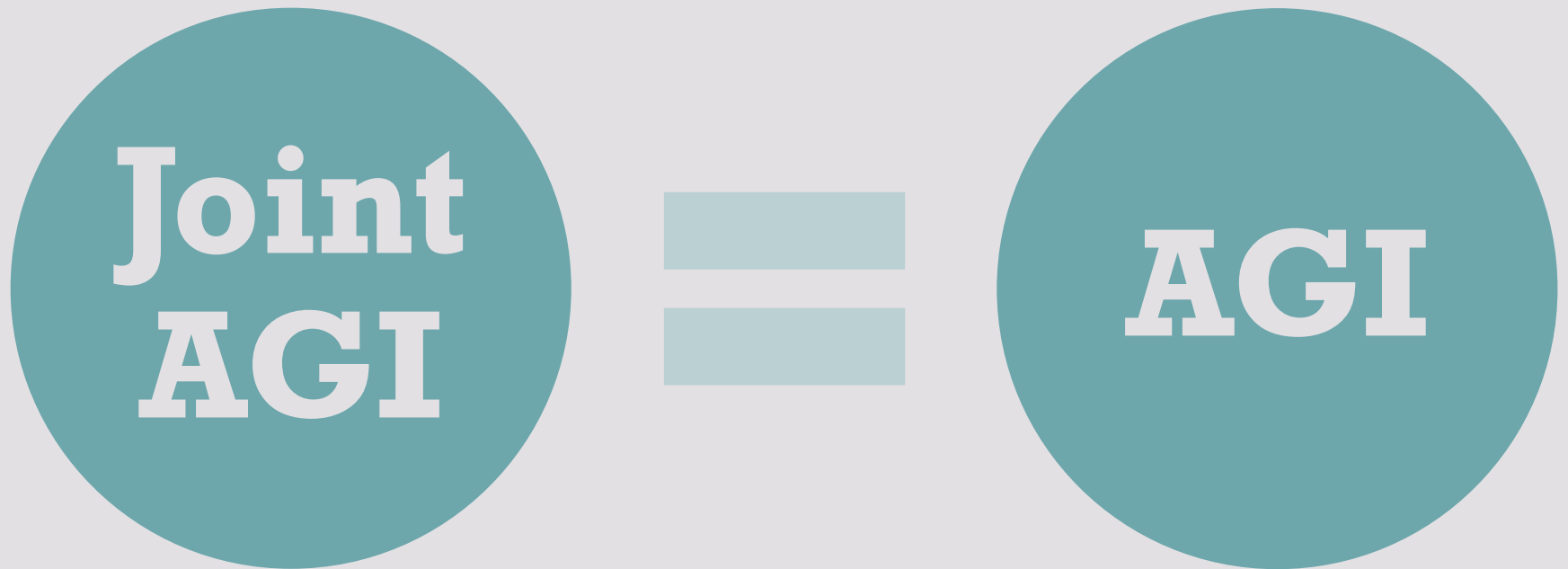
# Income-Based Repayment or Pay As You Earn

Monthly  
payments are  
calculated  
based on:

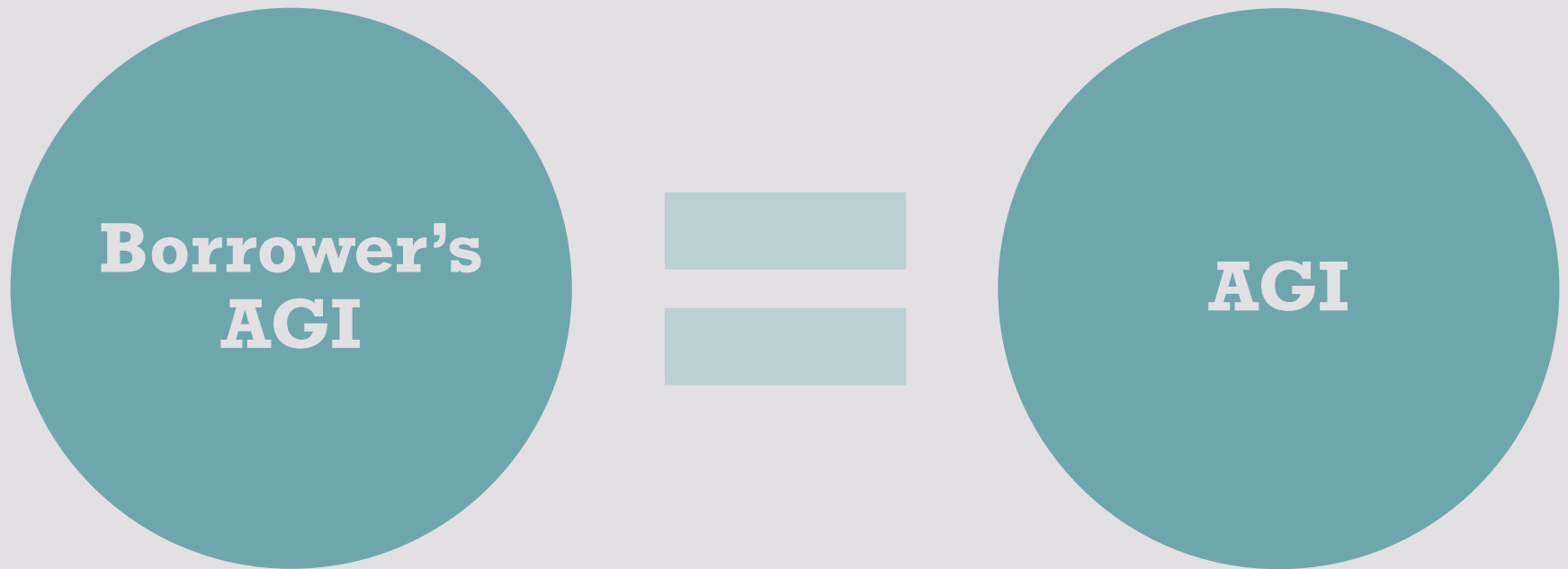
For married  
people, AGI  
depends on  
federal tax  
filing status

Family size is  
**NOT** measured  
by looking to  
your tax return

# Married filing jointly



# Individual or married filing separately tax filing status



# **Community property**

“Alternative Documentation of  
Income” for married couples

# **PAYE more generous than IBR**

**But PAYE is only for “new borrowers”:**

- **No balance on a federal loan on October 1, 2007**
- **Borrowed a federal loan on or after October 1, 2011**

**And PAYE is only available for Direct Loans**



BRBORPAYE

## Income-Based (IBR) / Pay As You Earn / Income-Contingent (ICR) Repayment Plan Request

William D. Ford Federal Direct Loan (Direct Loan) Program / Federal Family Education Loan (FFEL) Program

Use this form to request an available repayment plan based on your income, provide the required information for the annual reevaluation of your payment amount under one of these plans, or request that your loan holder recalculate your monthly payment amount early.

**WARNING:** Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying documents is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

OMB No. 1845-0122  
Draft Form  
Exp. Date 03-03-2025

### SECTION 1: BORROWER IDENTIFICATION

Please enter or correct the following information.

Check this box if any of your information has changed.

SSN [ ] [ ] [ ] - [ ] [ ] [ ] - [ ] [ ] [ ] [ ]

Name \_\_\_\_\_

Address \_\_\_\_\_

City, State, Zip Code \_\_\_\_\_

Telephone - Primary ( ) \_\_\_\_\_

Telephone - Alternate ( ) \_\_\_\_\_

E-mail Address (Optional) \_\_\_\_\_

### SECTION 2: REPAYMENT PLAN REQUEST

Before completing this form, carefully read the entire form, particularly Sections 7, 8, and 9. Type or print using dark ink. If you need help completing this form, contact your loan holder(s). Return the completed form and any required documentation to the address shown in Section 10. You may be able to complete your request online by visiting [studentloans.gov](http://studentloans.gov). In addition, repayment plan calculators are available at [studentaid.gov](http://studentaid.gov).

1. Please select the reason that you are completing this request:

- I am requesting a repayment plan based on my income for the first time - Complete Section 2.
- I am submitting my annual documentation for the calculation of the payment amount under a repayment plan based on my income - Skip to Section 3.
- I am requesting that my loan holder recalculate my monthly payment amount early because my circumstances have changed - Skip to Section 3.

2. Check the repayment plan(s) you are requesting:

	Direct Loan Program Loans*	FFEL Program Loans*
IBR	<input type="checkbox"/>	<input type="checkbox"/>
Pay As You Earn	<input type="checkbox"/>	Not Available
ICR	<input type="checkbox"/>	Not Available
Determine which of the above plans I am eligible for, and place me on the plan with the lowest monthly payment amount.	<input type="checkbox"/> Only IBR will be considered for FFEL Program loans	

\* Not all loan types under the FFEL and Direct Loan Programs are eligible for these plans (see Section 8).

Note: Other repayment plans are available and may offer a lesser payment amount. Payment under the IBR, Pay As You Earn, or ICR plans may result in your paying more interest over time. Calculators and information about repayment plans is available at [studentaid.gov](http://studentaid.gov).

For Direct Loan borrowers, your request will apply to all loans that are eligible for the plan you choose. However, you will need to choose a different repayment plan

#### SECTION 4: FAMILY SIZE AND FEDERAL TAX INFORMATION

7.   Enter your family size (as defined in Section 8).

**Note:** If you do not enter your family size, your loan holder(s) will assume a family size of one. For purposes of these repayment plans, your family size may be different from the number of exemptions you claim on your federal tax return. By signing this form, you are certifying that the family size you enter above is correct.

8. Did you file a federal income tax return for either of the two most recently completed tax years?

Yes – Continue to Item 9

No – Skip to Section 5

9. Is your current income or your spouse's current income (if you completed Section 3 or file a joint federal income tax return) significantly different than the income used to determine the Adjusted Gross Income\* (AGI) reported to the IRS on your most recently filed federal income tax return?

Yes – Skip to Section 5.

No – Provide your most recently filed federal income tax return or IRS tax return transcript. Skip to Section 6.

\*You can find your Adjusted Gross Income on your most recently filed IRS Form 1040, 1040A, or 1040EZ.

#### SECTION 5: ALTERNATIVE DOCUMENTATION OF INCOME – To be completed only if you answer "no" to question 8 or "yes" to question 9.

To be completed if you answer "no" to question 8, "yes" to question 9, or your loan holder(s) informed you that alternative documentation of income is required.

10. Do you have taxable income? Check "No" if you do not have any income, receive only untaxed income, such as Supplemental Security Income, child support, or federal or state public assistance, are not required to file a federal income tax return based on the amount of your taxable income.

Yes – Provide documentation of this income, as described below.

No – By signing this form, you are certifying that you have no taxable income or are not required to file a federal income tax return based on the amount of your taxable income.

11. If you are married and completed section 3 or file a joint federal income tax return with your spouse, does your spouse have taxable income? Check "No" if your spouse does not have any income, receives only untaxed income, such as Supplemental Security Income, child support, or federal or state public assistance, or is not required to file a federal income tax return based on the amount of his/her taxable income.

Yes – Provide documentation of your spouse's income, as described below.

No – By signing this form, your spouse is certifying that he/she had no taxable income or is not required to file a federal tax return based on the amount of his/her taxable income.

You must provide documentation of your total annual taxable income that you currently receive from all sources (for example, income from employment, unemployment income, dividend income, interest income, tips, alimony). If you are married and file a joint federal income tax return, you must also provide documentation of your spouse's annual taxable income. **Do not report untaxed income such as Supplemental Security Income, child support, or federal or state public assistance.**

You must provide **one piece** of supporting documentation for each source of income (your's and your spouse's), for example, pay stubs, letters from your employers listing income, interest or bank statements, dividend statements, or, if these forms of documentation are unavailable, a signed statement from you

**For Public Service Loan Forgiveness  
(and Pay As You Earn),  
FFEL loans MUST be consolidated  
into federal direct**

<http://loanconsolidation.ed.gov/>



Federal Direct

- The one and only **RIGHT** kind of loan

FFEL, Perkins

**Must** be consolidated into  
Federal Direct

Private,  
alternative,  
commercial,  
bar study loan

- **WRONG** and can't ever be right

**Repeat 120 times**

**on time payments  
once a month for 10-years**



**Prove it**

**apply for forgiveness**



# Prove it

**verify income & family size annually**



**certify employment annually**

Must be in qualifying employment when each of 120 payments are made, AND when applying for forgiveness, AND when forgiveness is granted

**apply for forgiveness**

# Loan Repayment Assistance Programs and Loan Forgiveness

School-Based  
LRAPs

State-Based  
LRAPs

Employer  
LRAPs

Public Service  
Loan  
Forgiveness

Profession  
specific  
programs

Income-driven  
repayment plan  
forgiveness

# Questions?



***HEATHER JARVIS***  
***Student Loan Expert***

**[askheatherjarvis.com](http://askheatherjarvis.com)**