Student Loans: How to Lose Your Debt Without Losing Your Mind

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Goals of Presentation

Learn:
How the income based repayment plans can work for you!
Choose an Income Driven Repayment Plan

Pay as You Earn (PAYE)

- Payments are 10% of discretionary income (which is the difference between your adjusted gross income and 150% of the poverty guideline for your family).

Revised Pay As You Earn (REPAYE)

- Payments are 10% of discretionary income.
- No requirement to have low income.

Income Based Repayment (IBR)

- Payments are 15% of your discretionary income for borrowers who have loans before 07/01/14.
- Borrowers who are new after 07/01/14 pay 10% of their discretionary income.

Income Contingent Repayment (ICR)

- Pay lesser of 20% of your discretionary income or what you would pay over 12 years adjusted according to your income.

studentaid.ed.gov/repay-loans/understand/plans
**Pay As You Earn (PAYE)**

- Must be new borrower after October 1, 2007 and received a disbursement of direct loan after October 1, 2011
- Payment 10% of discretionary income
  - The difference between adjusted gross income and 150% of the poverty guideline for family size
- As of July 1, 2014 all new borrowers qualify
- Must have a partial financial hardship
- Payments change as income changes
- Only applies to Direct loans

[aspe.hhs.gov/poverty/index.cfm]
REPAYE
“Revised Pay As You Earn”
(New as of Dec. 17, 2015)

- No financial hardship requirement.
- No cap on payment amount. Always 10%.
- When income increases, payment amount increases.
REPAYE: Repayment

Make payments for **20 years**

Make payments for **25 years**
Income-Based Repayment (IBR)

To qualify you must have financial hardship defined as loan debt that is higher than your annual discretionary income or a significant portion of your income.

Payments change as income changes.

Those who borrow prior to 07/01/14 pay 15% of their discretionary income.

Borrowers who are new after 07/01/14 pay 10% of their discretionary income.
**Income-Contingent Repayment (ICR)**

Payments are based on your adjusted gross income, family size, and the total amount of your direct loans.

Unpaid monthly interest is not paid by the government like IBR and PAYE.

Payments are the lessor of:

- 20% of discretionary income or
- Fixed payment plan for 12 years adjusted according to your income.
Annual Recertification for IBR, ICR, PAYE, and REPAYE

• Borrowers must submit yearly
  – Updated Income Documentation
  – Certify Family Size

• 60 Days Prior to Anniversary Date

• Loans serviced by the Department of Education can use electronic application to recertify
Public Service Loan Forgiveness

Qualifications

• Qualifications:
  – Must be employed full time (30 hours/week) in public service
  – Must make 120 qualified payments
    • These payments do not have to be consecutive, but must be separate, on-time, and full monthly payments
    • Payments must be made under Income-Driven Repayment Plans
      – Income Based Repayment
      – Income Contingent Repayment
      – Pay As You Earn
  – Cannot be in default
Public Service Loan Forgiveness
Qualifying Employment

PUBLIC SERVICE ORGANIZATIONS

- Federal, State, or Local Government Agency
- Public Elementary, Secondary Schools, College or University
- Military Service or Law enforcement
- Public child or family service agency
- Non-profit organization under section 501(c)(3)
- A private organization that provides public services

www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check
www.usa.gov/Agencies.shtml
Public Service Loan Forgiveness
What is a Qualifying Payment?

**On Time Payments**
- Received by loan servicer no later than 15 days after the scheduled payment due date

**Full Payments**
- Amount that equals or exceeds the amount you are required to pay each month under your repayment schedule-pay the amount on your bill

**Scheduled, Separate Monthly Payments**
- Don’t make a payment until you get that month’s bill
You Should Know...

- Only federal direct loans qualify for loan forgiveness.
- You may consolidate most federal loans into a new direct loan to qualify for student loan forgiveness or income driven repayment plans.
- Parent Plus Loan consolidated with Direct Loan is not eligible for Income Based Repayment.
- Think twice before consolidating a Perkins loan. There are many generous cancellation plans for Perkins loans.
- Consolidation comes at a cost. Do your research before consolidating your loans.

Trusted Resources

• NIU Student Financial Aid
  – www.niu.edu/fa/

• Consumer Protection Bureau
  – www.consumerfinance.gov

• Federal Student Aid on the Web
  – studentaid.ed.gov or studentloans.gov or nslds.ed.gov

• Student Loan Borrower Assistance
  – www.studentloanborrowerassistance.org