



**To err is human;
to forgive, divine.**

**There are two kinds of federal
loan forgiveness**

Mini checklist

- ✓ Analyze your circumstances
- ✓ Identify your needs
- ✓ Determine your options
- ✓ Develop an appropriate strategy and establish next steps

**If you still have a balance after
making income-driven payments
for 20 or 25 years**

**The balance is forgiven
but the forgiven amount is
taxed as income**

Tatiana begins with \$100,000 in student loans

Repayment Plan	Monthly Payment (Year One)	Years in Repayment	Total Payments	Total Forgiven
Standard 10-year term	\$1174	10	\$140,881	N/A
Consolidation 30-year term	\$682	30	\$245,583	N/A

**If you still have a balance after
making 120 “qualifying payments”
towards PSLF**

**You qualify for tax-free PSLF of
the entire remaining balance**

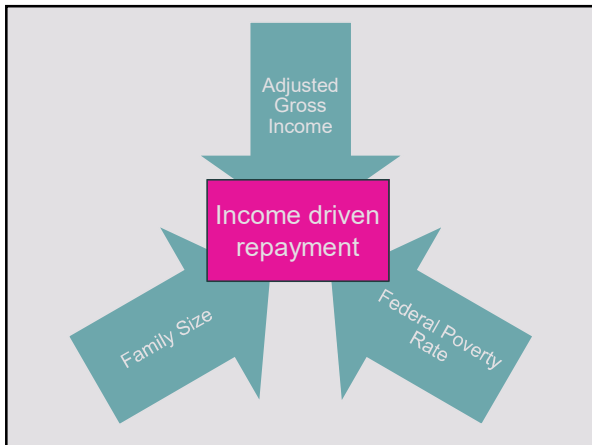
Forgiveness is tied to repayment

Income-driven repayment plans are necessary for BOTH long-term, income-driven forgiveness and public service forgiveness

Payments are **10 or 15 percent** of “discretionary income”

Long-term forgiveness takes either **20 or 25 years**

Public Service Loan Forgiveness takes **120 “qualifying” payments**



Married student loan borrowers must choose:

- File taxes jointly and have monthly payment based on joint AGI and combined student debt, *or*
- File taxes separately and have monthly payment based on individual AGI and individual student debt (except under REPAYE)

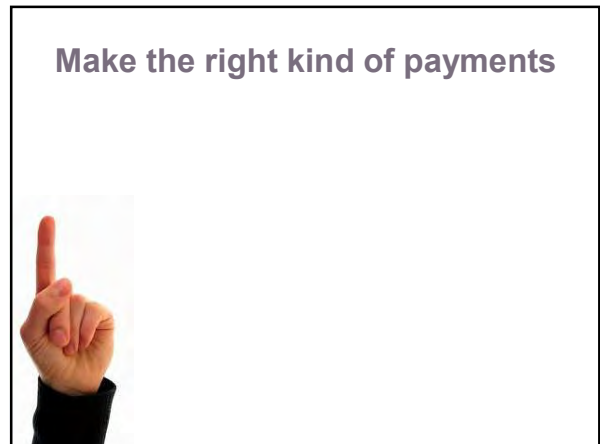
Monthly Payments

AGI	single		married with 2 kids	
	15%	10%	15%	10%
\$30,000	\$154	\$103	0	0
\$40,000	\$279	\$186	0	0
\$50,000	\$404	\$270	0	0
\$60,000	\$529	\$353	\$45	\$30
\$70,000	\$654	\$436	\$170	\$114
\$80,000	\$779	\$520	\$295	\$197
\$90,000	\$904	\$603	\$420	\$280
\$100,000	\$1,029	\$686	\$545	\$364

Tatiana begins with \$100,000 in student loans

Repayment Plan	Monthly Payment (Year One)	Years in Repayment	Total Repayment
Standard 10-year term	\$1174	10	\$11,740
Consolidation 30-year term	\$682	30	\$245,583

Taxable as income



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.
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Eligibility for specific repayment options

Depends on **WHEN** you got your first federal student loan

Tatiana in a Public Service Career

Repayment Plan	Monthly Payment (Year One)	Years in Repayment	Total Repayment
Standard 10-year term	\$1174	10	\$11,740
Consolidation 30-year term	\$682	30	\$245,583
15% of discretionary income	\$466	10	\$68,438
10% of discretionary income	\$310	10	\$45,625

Not taxable!

AGI \$54,000; 3% annual increases; family size = 1

Did you have a balance on a federal student loan on:

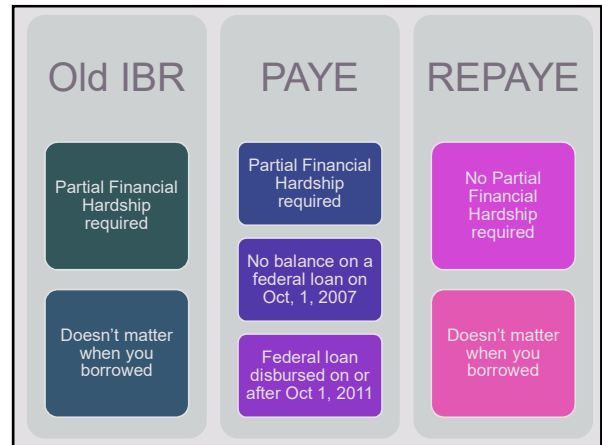
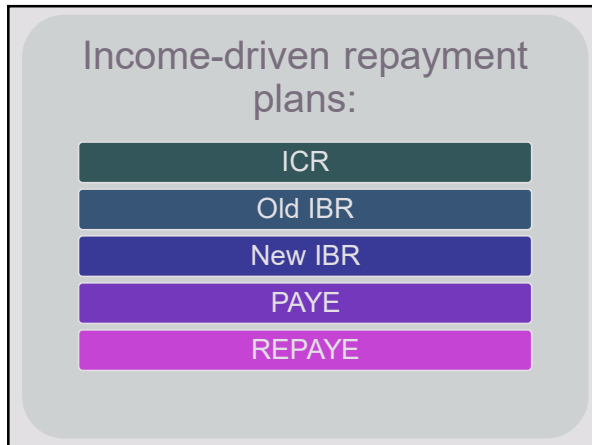
July 1, 2014?

October 1, 2007?

New IBR 10%, 20 years	• No balance on July 1, 2014
PAYE 10%, 20 years	• No balance on Oct 1, 2007 & • A loan from after Oct 1, 2011
Old IBR 15%, 25 years	• Loans from whenever
REPAYE 10%, 25 Years	• Loans from whenever

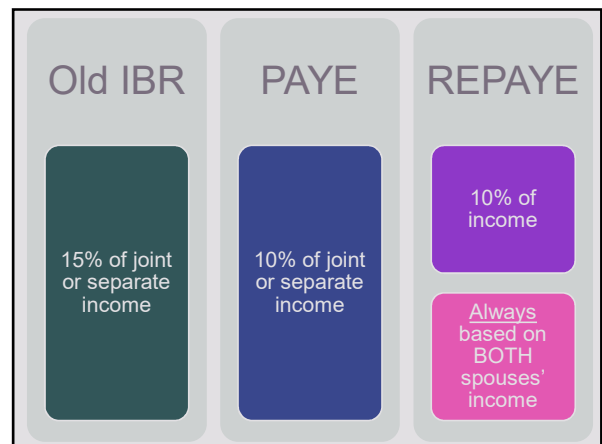
Partial Financial Hardship

**Required debt to income ratio
in order to qualify for most
income-driven repayment plans**



Friends don't let friends choose New IBR.

PAYE and REPAYE have better rules about interest accrual and capitalization



Old IBR	PAYE	REPAYE
Qualifies for PSLF	Qualifies for PSLF	Qualifies for PSLF
25 year forgiveness	20 year forgiveness	20 year forgiveness for borrowers with only undergrad loans
		25 year forgiveness for borrowers with any graduate or professional loans

Mary and Joe

- Mary earns \$45,000 as a social worker.
- Her husband Joe earns \$60,000 as a vet.
- Mary and Joe have no children.
- Joe owes \$25,000 on his eligible federal student loans
- Mary owes \$75,000 on her loans (She owes 75 percent of the total marital student loan debt).

Old IBR	PAYE	REPAYE
No special limitation to interest capitalization or accrual	Capitalization limited to 10 percent of principal balance	Just 50 percent of interest accrues during periods of negative amortization

Comparing how much tax they'll pay

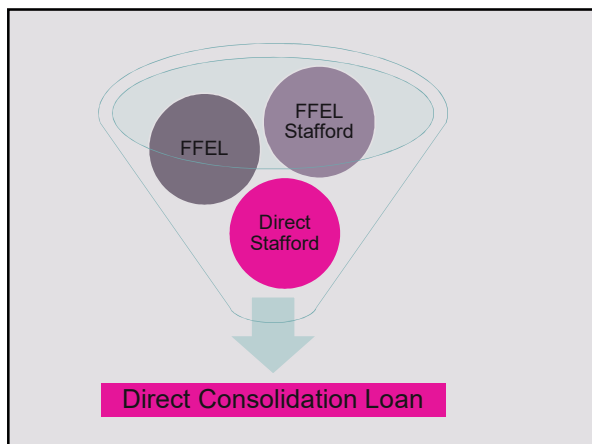
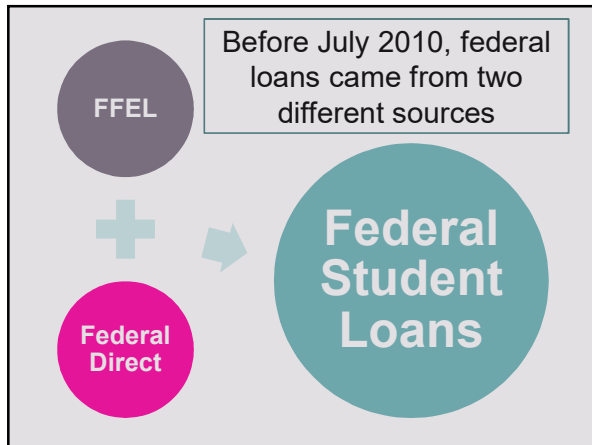
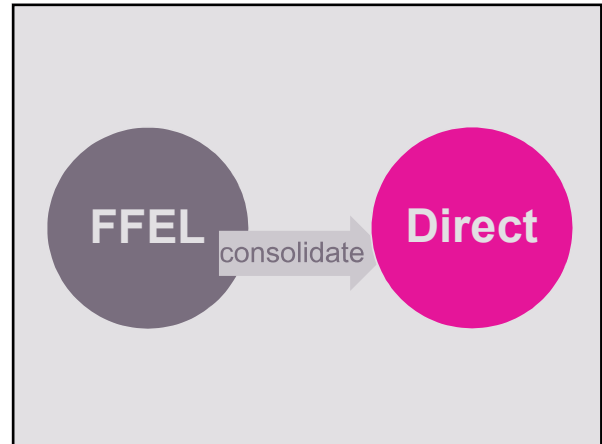
Tax Filing Status	Adjusted Gross Income		Annual Tax Due		Combined Annual Tax Due
Jointly	\$102,500		\$14,439		\$14,439
Separately	Hers: \$60,000	His: \$45,000	Hers: \$9,401	His: \$5,660	\$15,061
Difference					Filing jointly saves \$622 on this year's tax payment.

Comparing student loan payments

Tax Filing Status	Monthly IBR Payment		Combined Monthly IBR Payment	Combined Annual IBR Payment
Jointly	Hers: \$743 (75% of total)	His: \$248 (25% of total)	\$991	\$11,892
Separately	Hers: \$459	His: \$272	\$731	\$8,772
Difference	Filing jointly requires \$260 more monthly in student loan payments			Filing jointly requires \$3,120 more annually in student loan payments

on the right kind of loan

**ONLY
FEDERAL
DIRECT**



So if you started borrowing before the summer of 2010

You need to check NSLDS for loans that don't say "Direct" and consolidate those first


The right kind of job

**full-time
paid work**

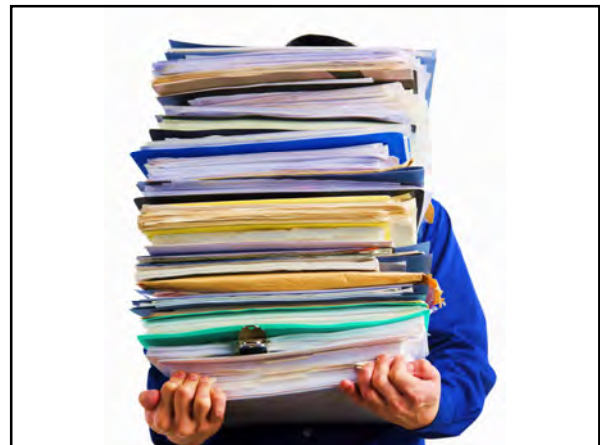


Prove it

apply for forgiveness



Government	501(c)(3) Non-profit	
AmeriCorps Position	Peace Corps	Public Service Organization



Repeat 120 times

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



The paperwork matters

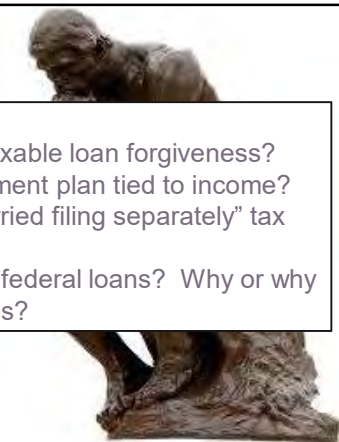
verify income & family size annually

↓

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



Should I:

- Anticipate any taxable loan forgiveness?
- Choose a repayment plan tied to income?
- Choose the “married filing separately” tax status?
- Consolidate any federal loans? Why or why not? Which loans?

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Mini checklist

- ✓ Analyze your circumstances
- ✓ Identify your needs
- ✓ Determine your options
- ✓ Develop an appropriate strategy and establish next steps

Questions?

