Mini checklist

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

Tatiana begins with $100,000 in student loans

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Monthly Payment (Year One)</th>
<th>Years in Repayment</th>
<th>Total Payments</th>
<th>Total Forgiven</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard 10-year term</td>
<td>$1174</td>
<td>10</td>
<td>$140,881</td>
<td>N/A</td>
</tr>
<tr>
<td>Consolidation 30-year term</td>
<td>$682</td>
<td>30</td>
<td>$245,583</td>
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</table>

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

To err is human; to forgive, divine.

There are two kinds of federal loan forgiveness

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

Count 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)

<table>
<thead>
<tr>
<th>Monthly Payments</th>
<th>single</th>
<th>married with 2 kids</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>$30,000</td>
<td>$154</td>
<td>$103</td>
</tr>
<tr>
<td>$40,000</td>
<td>$279</td>
<td>$186</td>
</tr>
<tr>
<td>$50,000</td>
<td>$404</td>
<td>$270</td>
</tr>
<tr>
<td>$60,000</td>
<td>$529</td>
<td>$353</td>
</tr>
<tr>
<td>$70,000</td>
<td>$654</td>
<td>$436</td>
</tr>
<tr>
<td>$80,000</td>
<td>$779</td>
<td>$520</td>
</tr>
<tr>
<td>$90,000</td>
<td>$904</td>
<td>$603</td>
</tr>
<tr>
<td>$100,000</td>
<td>$1,029</td>
<td>$686</td>
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Tatiana begins with $100,000 in student loans

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<tr>
<td>15% of discretionary income</td>
<td>$466</td>
<td>10</td>
<td>$68,438</td>
<td>$107,812</td>
</tr>
<tr>
<td>10% of discretionary income</td>
<td>$310</td>
<td>10</td>
<td>$45,625</td>
<td>$129,375</td>
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AGI $54,000; 3% annual increases; family size = 1

Make the right kind of payments

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.

Eligibility for specific repayment options

Depends on WHEN you got your first federal student loan

Tatiana in a Public Service Career

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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

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

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**Income-driven repayment plans:**

- **ICR**
- **Old IBR**
- **New IBR**
- **PAYE**
- **REPAYE**

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**Friends don’t let friends choose New IBR.**
PAYE and REPAYE have better rules about interest accrual and capitalization

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**Old IBR**
- Partial Financial Hardship required

**PAYE**
- Partial Financial Hardship required
- No balance on a federal loan on Oct, 1, 2007
- Federal loan disbursed on or after Oct 1, 2011
- Doesn’t matter when you borrowed

**REPAYE**
- No Partial Financial Hardship required
- Doesn’t matter when you borrowed

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**Old IBR**
- 15% of joint or separate income

**PAYE**
- 10% of joint or separate income

**REPAYE**
- 10% of income
  - Always based on BOTH spouses’ income
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).

Comparing how much tax they’ll pay

<table>
<thead>
<tr>
<th>Tax Filing Status</th>
<th>Adjusted Gross Income</th>
<th>Annual Tax Due</th>
<th>Separated Annual Tax Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jointly</td>
<td>$102,500</td>
<td>$14,439</td>
<td>$14,439</td>
</tr>
<tr>
<td>Separately</td>
<td>Hers: $60,000</td>
<td>His: $45,000</td>
<td>Hers: $9,401</td>
</tr>
<tr>
<td>Difference</td>
<td>Filing jointly saves $622 on this year’s tax payment.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comparing student loan payments

<table>
<thead>
<tr>
<th>Tax Filing Status</th>
<th>Monthly IBR Payment</th>
<th>Combined Monthly IBR Payment</th>
<th>Combined Annual IBR Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jointly</td>
<td>Hers: $743 (75% of total)</td>
<td>His: $248 (25% of total)</td>
<td>$991</td>
</tr>
<tr>
<td>Separately</td>
<td>Hers: $459</td>
<td>His: $272</td>
<td>$731</td>
</tr>
<tr>
<td>Difference</td>
<td>Filing jointly requires $260 more monthly in student loan payments</td>
<td>Filing jointly requires $3,120 more annually in student loan payments</td>
<td></td>
</tr>
</tbody>
</table>
Before July 2010, federal loans came from two different sources:

- **FFEL** loans
- **Direct** loans

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?

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

Questions?

HEATHER JARVIS
Student Loan Expert

askheatherjarvis.com