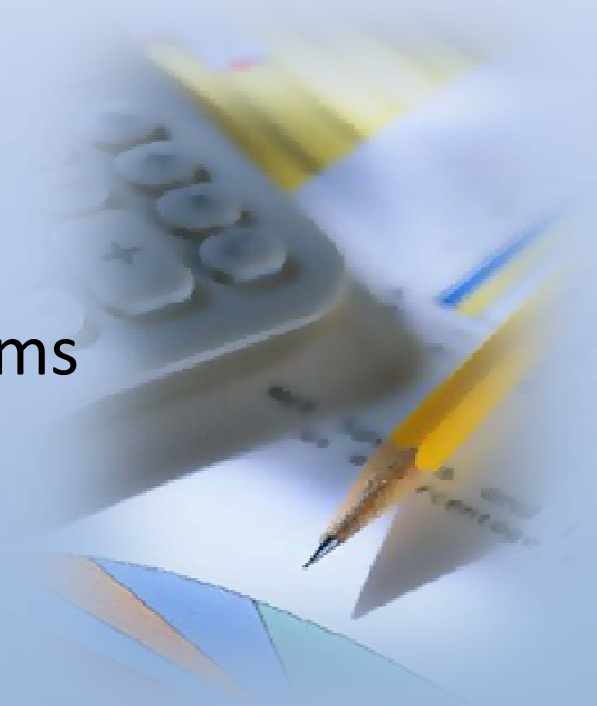


Managing the Repayment of Your Student Loans



OVERVIEW

- Recent Market and Regulatory Changes
- Identify your Loans
- Evaluating Federal Consolidation
- Federal Loan Payment Relief Programs
- Public Service Loan Forgiveness
- LRAP – IBR vs. Standard Track



Recent Market and Regulatory Changes

- Income-Based-Repayment (IBR) as of July 1, 2009
- Public Service Loan Forgiveness Program (PSLF)
- Private Bar Study Loans are more difficult to obtain and more expensive

Debt Management Strategies Have Become More Complex

Identifying Your Loans

Loan Type	Interest Rate	Grace Period	Public Service Loan Forgiveness -Eligible
DIRECT Stafford subsidized	6.8%	6 months	yes
DIRECT Stafford unsubsidized	6.8%	6 months	yes
DIRECT Grad PLUS	7.9%	optional*	yes
<u>Perkins</u>	5%	9 months	no**
Private	variable	various by lender	no
UC Bar Study Loan	8%	19 months	no
Private Bar Study Loan	variable	various by lender	no
Other Loans: (<u>FFEL</u> , State, Non-profit, etc.)		various by lender	no FFEL**

***Request grace period and/or forbearance**

****Qualify for PSLF if consolidated with Direct Lending**

- **Why should I consolidate?**

- Lock in your current variable rate
ONLY if you still have variable rate loans from undergrad or pre-Boalt.
- Administrative Simplicity or Loan Forgiveness (*FFEL & Perkins loans*)
Public Service Loan Forgiveness program requires Direct Loan payments.
If you have **multiple lenders for your federal loans**, this could be valuable but **no monetary savings**.
- Lower Monthly Payments – **NO**
Extended payment plans (12-30 years) are available, if you have over \$30,000 in total debt.
- Superior Benefits – **NO**
Due to recent regulatory changes, it is doubtful benefits on consolidations will be superior to those associated with the underlying loans.

Postpone Payments:

Economic Hardship Deferment (EHD)

- Based solely on income, amount of debt no longer a factor
- no payments, and **government pays interest** on subsidized loans **(\$1,734)***

Forbearance

- No subsidy savings
- at lender's discretion

Significantly Reduce Payments:

Income Based Repayment Plan (IBR) – New program effective 7/1/2009

- Must qualify
- Limits payments to 15% of discretionary income
- Subsidized interest not covered by reduced payment is paid by the government
- Subsidy limited to first 3 years of participation
- After 25 years remaining debt forgiven remains a taxable income

Extended Repayment Plans

- Unconsolidated debt must be at least \$30,000
- Consolidation loans start at \$7,500

*Based on \$25,500 Subsidized Stafford at 6.8%; IBR varies by payment

- ***Overview of Requirements***

- Federal **DIRECT** loans only
- Income-Based (IBR) or 10-year Repayment
- Government or 501 (c) 3 nonprofit **employment**
- Must make 120 qualifying monthly payments on your Federal Direct loans....
 -while working in Public Service for 10 years

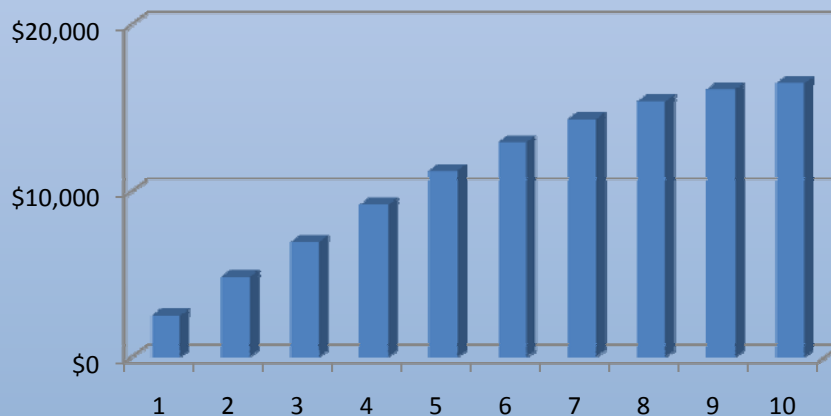
AFTER 10 YEARS: APPLY FOR LOAN FORGIVENESS

Public Service Loan Forgiveness

Student Loan Debt: \$122,300 (\$67,300 Stafford, \$55,000 GradPlus)
Weighted Rate: 7.29%

	<u>Year 1</u>	<u>Year 10</u>
AGI:	\$37,000	\$52,600
10-year Repayment:	\$1,438	\$1,438
IBR Payment:	\$260	\$455

Interest accrued in addition to principal



Total IBR Payments:	\$38,700
Amount Forgiven:	\$169,513

Total 10-Year Repayment:	\$172,080
Amount Forgiven:	\$0

- ***Overview of LRAP Eligibility Requirements***

- Public Service Employment [government or 501 (c) 3 nonprofit, domestic or international]
- Substantial use of law school training and law-related work responsibilities
- 1-year judicial clerkships qualify, if graduate pursues public service employment immediately following the clerkship
- Must enter the program within 3 ½ years after graduation
- For income greater than \$65,000 assistance will be prorated and capped at \$100,000
- Funds are provided in form of a forgivable loan, and according to the repayment schedule in which a graduate is actually enrolled
- Provided for up to 10 years

LRAP DOES NOT PAY YOUR LOANS!

LRAP Options

- **IBR – Track**

- ALL federal loans (IBR)
- Private loans borrowed while at Berkeley Law
- UC-Bar study loan and/or Private Bar study loan
 - up to \$10,000 (including accrued interest)

\$0 out-of pocket payments for federal and private loans!

- **Standard – Track**

- Federal or private loans while at Berkeley Law ONLY
 - Up to \$100,000 law school debt and may include a maximum bar study loan of \$10,000
- Interest rate is capped at 8.25%

Participant is responsible for out-of pocket payments for federal and private loans over \$100,000 and all pre-Berkeley Law loans



LRAP IBR –Track & Public Service Loan Forgiveness

- LRAP funds your IBR payments for up to 10 years
- Federal government will forgive remaining balance after 120 qualifying monthly payments while working in qualifying public service employment. *(Must apply for forgiveness)*
- Forgiven amount is not a taxable event

Benefits for Berkeley Law graduates:

- No out-of-pocket payments for Direct Loans and private (Boalt) loans
- Ability to direct discretionary income toward an emergency fund or other priorities
- Freedom to pursue a legal career in public service regardless of the size of your student loan portfolio

Please schedule an appointment for an individual assessment of your student loan portfolio and repayment options.

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