AFT Student Debt Clinic

Peralta Federation of Teachers
October 7th, 2019
Agenda

- Overview
- Income-Driven Repayment Plans
- Public Service Loan Forgiveness
- Q & A
- Closing
Overview

- 45 million people have student debt
- Student debt disproportionately affects women and minorities
- Student debt is a cross-generational issue, with older borrowers being more likely to default
We Are Not Experts!

Please see a financial advisor to help sort through your budget.
Common Types of Federal Student Loans

- FFEL Stafford Loans
- Direct Subsidized and Unsubsidized Loans
- Federal Perkins Loans
- Direct PLUS Loans for Graduate/Professional Students
- Direct Subsidized and Unsubsidized Consolidation Loans
- FFEL Plus Loans for Graduate/Professional Students
- FFEL Plus Loans for Parents
- Direct PLUS Loans for Parents
- Direct PLUS Consolidation Loans
Important Definitions

• Discretionary Income
  – The difference between your Adjusted Gross Income (AGI) and 150% of the Federal Poverty Guideline for your family size.

• Family Size
  – Always includes you, your spouse, and your children, regardless of where they live
  – Includes unborn children if they will be born in the year for which you are filing
  – Includes other people living with you if you are covering more than one-half of their living expenses
Income-Driven Repayment Plans

- **Revised Pay As You Earn (REPAYE)**
  - For all Direct Loans
  - Payment: 10% of your discretionary income
  - Loan Forgiveness: After 20 years of payments for undergraduate loans, after 25 years for graduate loans.
Income-Driven Repayment Plans

• **Pay As You Earn**
  - For Direct Loans taken out since 2007 (with Partial Financial Hardship)
  - Payment: Capped at 10% of your discretionary income
  - Loan Forgiveness: After 20 years of payments
Income-Driven Repayment Plans

- **Income-Based Repayment (IBR)**
  - For Federal Family Education Loans (FFEL) or Direct Loans (with Partial Financial Hardship)
  - Payment: Capped at 15% of your discretionary income
  - Loan Forgiveness: After 25 years of payments
Income-Driven Repayment Plans

**Income-Contingent Repayment (ICR)**

- For Direct Loans
- Payment: Capped at whichever is LESS - 20% of your discretionary income OR fixed payment in a 12 year repayment plan adjusted for income
- Loan Forgiveness: After 25 years of payments
I think I got it... but just in case tell me the whole thing again. I wasn't listening.
Meet Anna

Adjusted Gross Income of $45,000

Married with 2 children (Family size of 4)

Has a Direct Loan of $30,000

Would pay $311/month under a Standard 10 Year repayment plan
What Will Anna owe in Pay As You Earn?

AGI: $45,000

Subtract $38,625 (150% FPG)

Discretionary Income: $6,375

10% of Discretionary Income is $637.50 (Annual Payment)

Divide by 12 for monthly payment: $53.13/mo
Meet Melissa

Adjusted Gross Income of $45,000

Married with 1 child (Family size of 3)

Has a Direct Loan of $30,000

Would pay $311/month under a Standard 10 Year repayment plan
How much would Melissa owe in Pay As You Earn?

AGI: $45,000
Subtract $31,995
(150% FPG)
Discretionary Income: $13,005
10% of Discretionary Income is $1,300.50 (Annual Payment)
Divide by 12 for monthly payment: $108.38/mo
Keep in Mind When You’re Applying for IDR Plans...

- You must recertify your income at least annually!
  - You can certify a lower income before the annual recertification
- Check the Box for “PAYE” on Question 2 of IDR Enrollment
- Parent Plus loans only qualify for ICR, but must be consolidated first
Public Service Loan Forgiveness
Am I eligible for Public Service Loan Forgiveness?

You must answer “YES” to all 5 of these questions to qualify for PSLF:

- Do you work in the “public service”?
- Do you work “full time”?
- Does your student loan qualify?
- Does your repayment plan qualify?
- Do your payments qualify?
Important Tips

• Call your servicer!

• If your servicer gives you problems or inaccurate information, report them to the Consumer Financial Protection Bureau: www.consumerfinance.gov/

• Recertify annually
  – You are required to recertify your income annually for IDR plans
  – We recommend you recertify your PSLF employment certification every 6 months

• Diligently keep your records!
Important Resources

- U.S. Department of Education student loan website: [www.studentloans.gov](http://www.studentloans.gov)

- Forgive My Student Debt: [www.forgivemystudentdebt.org](http://www.forgivemystudentdebt.org)

If you have questions, contact us!

Name/email

debtclinic@aft.org for general inquiries.