

AFT Student Debt Clinic

April 30, 2021



A Union of Professionals

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.





Income-Driven Repayment Plans



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





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 \$39,300
(150% FPG)

Discretionary Income:
\$5,700

10% of Discretionary
Income is \$570
(Annual Payment)

Divide by 12 for
monthly payment:
\$47.50/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 \$32,580
(150% FPG)

Discretionary Income:
\$12,420

10% of Discretionary
Income is \$1,242
(Annual Payment)

Divide by 12 for
monthly payment:
\$103.50/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



Pros & Cons

- Cons

- Likely will have to pay taxes on amount forgiven after 20-25 years
- May pay more in interest

- Pros

- Social Safety net for student loans
- Better than a forbearance or deferment
- Necessary for and works in tandem with Public Service Loan Forgiveness



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.studentaid.gov
- Forgive My Student Debt: www.forgivemystudentdebt.org
- Consumer Financial Protection Bureau: www.consumerfinance.gov (or www.cfpb.gov)
- Summer: www.aft.org/benefits/Summer



If you have questions,
contact us!

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