
Step-by-Step Student Loan Guide for Public Service Employers

A Collection of Tools You Can
Use to Recruit and Retain
the Best and the Brightest in
Spite of Their Student Loan Debt

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Introduction

Today's public service attorneys begin their careers with unprecedented student debt burdens but have access to a comprehensive federal Public Service Loan Forgiveness program. Public Service Employers with an understanding of the available assistance can educate recruits and experienced staff attorneys about the financial benefits Public Service Loan Forgiveness affords to those who commit a career to public service.

Staff attorneys and others working full-time for pay in the government, a 501(c)(3) nonprofit, or a qualifying public interest organization should research available loan repayment assistance programs, determine how much they might benefit from Public Service Loan Forgiveness, and take the steps necessary to benefit from the available programs.

American Bar Association data indicate that a typical law student borrows \$75,728 to attend a public law school, or \$124,950 to attend a private one.

Employers can help by taking the following steps:

1. Let recruits and all staff know that your organization is a qualifying public service employer — 501(c)(3) organizations and state, local, federal or tribal government employers are qualifying public service employers.
2. Tell recruits and staff if your organization requires a particular number of hours to qualify as a full-time employee. Your staff will have to meet your full-time standard if it is greater than an annual average of 30 hours per week.
3. Annually certify employment using the U.S. Department of Education's Employment Certification for Public Service Loan Forgiveness (in this packet). Retain copies in your employee's file.

NALP's own student loan expert, Heather Jarvis, compiled this comprehensive packet of resources designed to help your attorneys manage student loans.

Public service lawyers with student loan debt have unique financial concerns.

Key Student Loan Information for Public Service Employers

To qualify for Public Service Loan Forgiveness, a borrower must:

- make the right kind of payments, (under an income-driven repayment option)
- on the right kind of loans, (Federal Direct loans ONLY)
- while working in the right kind of job,
- for 10-years.

Encourage consideration of the income-driven repayment options.

Qualifying monthly payments include only those made under an income-driven repayment plan or a payment of at least the amount due under a standard ten-year repayment schedule. Payments must be made on time, because late payments don't count toward forgiveness.

Income-Driven Repayment Options

- “Pay As You Earn” (PAYE) became available on December 21, 2012 for those who (1) got their first student loan on or after October 1, 2007, and (2) got a student loan on or after October 1, 2011 (one loan can count for both requirements). Under PAYE, annual payments are capped at 10 percent of “discretionary income” and any remaining loan balance is forgiven after 20 years of qualifying payments.
- Income-Based Repayment (IBR) is available for those of us who got our first student loan before October 1, 2007. Under IBR, annual payments are capped at 15 percent of “discretionary income” and any remaining loan balance is forgiven after 25 years of qualifying payments.
- Income-Contingent Repayment (ICR) is also available and should be considered, although it will not be as beneficial as IBR or PAYE for most borrowers. The formula used to calculate monthly payment amounts under ICR tends to result in higher monthly payments.

Useful calculators for comparing repayment options are available at studentaid.ed.gov.

Federal student loans borrowed from a bank or private lender through the FFEL program (Federal Family Education Loans) MUST be consolidated to be eligible for forgiveness.

Because only Federal Direct Loans are eligible for Public Service Loan Forgiveness, some staff will need to consolidate to get older federal loans into Federal Direct so that the loans are eligible for Public Service Loan Forgiveness. Borrowers should take care in deciding whether to consolidate Perkins loans, because they have their own cancellation provisions that would be lost upon consolidation. Borrowers typically choose to consolidate towards the end of their grace period.

Public Service employers can assist by completing the employment verification form annually.

Encourage good record keeping so staff can prove they earned forgiveness. Student loan borrowers will need to apply for forgiveness and demonstrate that they met the requirements of the program. They must verify income and family size annually and may submit an employment certification form (included in this toolkit) each year.

Many staff attorneys need to consolidate before they can begin making payments that count towards forgiveness.

Staff attorneys should be encouraged to evaluate what actions they must take to benefit from Public Service Loan Forgiveness.

Appendix of Materials for Public Service Attorneys with Student Loans

1. U.S. Department of Education's Fact Sheets:

- Pay As You Earn Fact Sheet
- Income-Based Repayment Fact Sheet
- Income-Based Repayment Questions and Answers
- Dear Borrower Letter (PSLF)
- Public Service Loan Forgiveness Fact Sheet
- Public Service Loan Forgiveness Questions and Answers

2. U.S. Department of Education's Public Service Loan Forgiveness Employment Certification

- Dear Borrower Letter (PSLF)
- Instructions for completing the Public Service Loan Forgiveness Employment Certification form
- Public Service Loan Forgiveness Employment Certification Form

3. Direct Consolidation Loan Application Self-Help Package:

- Self-help package of instructions and forms provided by the National Consumer Law Center

4. Essential Tools for Student Loan Borrowers:

- How to Use NSLDS by American Student Assistance
- Federal Student Loan Repayment Options by Heather Jarvis
- List of Useful Resource Sites by Heather Jarvis
- Student Loan Interest Deduction by Heather Jarvis
- Five Easy Steps to Public Service Loan Forgiveness by Heather Jarvis
- The Right Kind of Payments by Heather Jarvis
- The Right Kind of Loans by Heather Jarvis
- The Right Kind of Job by Heather Jarvis
- Pages from IRS Publication 970 regarding taxation of forgiveness
- Information letter from IRS regarding exclusion of PSLF from taxable income

U.S. Department of Education's Fact Sheets

What is Pay As You Earn?

Pay As You Earn is a repayment plan for eligible Direct Loans that is designed to limit your required monthly payment to an amount that is affordable based on your income and family size.

What federal student loans are eligible to be repaid under the Pay As You Earn plan?

Only loans made under the Direct Loan Program are eligible for repayment under Pay As You Earn. Eligible loans are Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans made to graduate or professional students, and Direct Consolidation Loans that did not repay any PLUS loans that were made to parent borrowers. Loans that are currently in default, Direct PLUS Loans made to parents, Direct Consolidation Loans that repaid PLUS loans made to parents, and Federal Family Education Loan (FFEL) Program loans are NOT eligible for repayment under Pay As You Earn.

Who is eligible for Pay As You Earn?

You must be a new borrower. You are a new borrower if you had no outstanding balance on a Direct Loan or FFEL Program loan as of Oct. 1, 2007, or if you had no outstanding balance on a Direct Loan or FFEL Program loan when you received a new Direct Loan or FFEL Program loan on or after Oct. 1, 2007. In addition, you must have received a disbursement of a Direct Subsidized Loan, Direct Unsubsidized Loan, or Direct PLUS Loan for graduate or professional students on or after Oct. 1, 2011, or you must have received a Direct Consolidation Loan based on an application that was received on or after Oct. 1, 2011.

In addition to your being a new borrower, your federal student loan debt must be high relative to your income. While your loan servicer will perform the calculation to determine your eligibility for Pay As You Earn, you can use the U.S. Department of Education's Pay As You Earn calculator at <http://studentaid.ed.gov/PayAsYouEarn> to estimate whether you would likely qualify for the Pay As You Earn plan. The calculator looks at your income, family size, and state of residence to calculate your Pay As You Earn monthly payment amount. If that amount is lower than the monthly payment you would be required to pay on your eligible loans under a 10-year Standard Repayment Plan, then you are eligible to repay your loans under the Pay As You Earn plan.

If you are married and you and your spouse file a joint federal tax return, and if your spouse also has eligible federal student loans, your spouse's eligible loan debt is taken into account when determining whether you are eligible for Pay As You Earn. In this case, the required monthly payment amount under a 10-year Standard Repayment Plan is determined based on the combined amount of your and your spouse's eligible loans. If the combined monthly amount you and your spouse would be required to pay under Pay As You Earn is lower than the combined monthly amount you and your spouse would pay under a 10-year Standard Repayment Plan, you and your spouse are eligible for Pay As You Earn.

Although only Direct Loans may be repaid under Pay As You Earn, your (and, if you are married and file a joint federal tax return, your spouse's) eligible FFEL Program loans will also be taken into account when determining whether you qualify for Pay As You Earn based on the amount of your federal student loan debt relative to your income. For this purpose, eligible FFEL Program loans are Subsidized and Unsubsidized Federal Stafford Loans, FFEL PLUS Loans for graduate or professional students, and FFEL Consolidation Loans that did not repay any PLUS loans for parents. FFEL Program loans that are currently in default, FFEL PLUS Loans for parents, and FFEL Consolidation Loans that repaid PLUS loans for parents are not counted as eligible loan debt.

What are the benefits of Pay As You Earn?

- **LOWER SCHEDULED MONTHLY PAYMENT:** Under Pay As You Earn, your monthly payment amount will be less than the amount you would be required to pay under a 10-year Standard Repayment Plan, and may be less than under other repayment plans.
- **INTEREST PAYMENT BENEFIT:** If your monthly Pay As You Earn payment amount does not cover the full amount of interest that accrues on your loans each month, the government will pay your unpaid accrued interest on your Direct Subsidized Loans (and on the subsidized portion of your Direct Consolidation Loans) for up to three consecutive years from the date you begin repaying your loans under Pay As You Earn.
- **20-YEAR CANCELLATION:** If you repay under the Pay As You Earn plan, any remaining balance will be forgiven after 20 years of qualifying repayment.
- **10-YEAR PUBLIC SERVICE LOAN FORGIVENESS:** On-time, full monthly payments you make under Pay As You Earn (or certain other repayment plans) while employed full-time in a public service job will count toward the 120 monthly payments that are required to receive loan forgiveness through the Public Service Loan Forgiveness (PSLF) Program. Through this program, you may be eligible to have the remaining balance of your Direct Loans forgiven after you have made the 120 qualifying payments as described above. PSLF is available only for Direct Loans, but you may be eligible to consolidate FFEL Program loans into the Direct Loan Program to take advantage of PSLF. For more information, visit StudentAid.gov/publicservice.

Are there any disadvantages to repaying under Pay As You Earn?

- **YOU MAY PAY MORE INTEREST:** The faster you repay your loans, the less interest you pay. Because a reduced monthly payment under the Pay As You Earn plan generally extends your repayment period, you may pay more total interest over the life of the loan than you would under other repayment plans.
- **YOU MUST SUBMIT ANNUAL DOCUMENTATION:** To set your payment amount each year, your loan servicer needs updated information about your income and family size. If you do not provide the documentation, your monthly payment amount will be the amount you would be required to pay under a 10-year Standard Repayment Plan, based on the amount you owed when you began repaying under Pay As You Earn.

How is the Pay As You Earn amount determined?

Under Pay As You Earn, the amount you are required to repay each month is based on your adjusted gross income (AGI) and family size. If you are married and file a joint federal tax return with your spouse, your AGI includes both your income and your spouse's income. The annual Pay As You Earn repayment amount is 10 percent of the difference between your AGI and 150 percent of the Department of Health and Human Services Poverty Guideline for your family size and state. This amount is then divided by 12 to get the monthly Pay As You Earn repayment amount.

The following chart shows the maximum Pay As You Earn monthly payment amounts for a sample range of incomes and family sizes using the Poverty Guidelines that were in effect as of Jan. 26, 2012, for the 48 contiguous states and the District of Columbia.

Pay As You Earn Monthly Payment Amounts

| Annual Income | Family Size | | | | | | |
|---------------|-------------|-------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| \$10,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$15,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$20,000 | \$27 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$25,000 | \$69 | \$19 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$30,000 | \$110 | \$61 | \$11 | \$0 | \$0 | \$0 | \$0 |
| \$35,000 | \$152 | \$103 | \$53 | \$0 | \$0 | \$0 | \$0 |
| \$40,000 | \$194 | \$144 | \$95 | \$45 | \$0 | \$0 | \$0 |
| \$45,000 | \$235 | \$186 | \$136 | \$87 | \$37 | \$0 | \$0 |
| \$50,000 | \$277 | \$228 | \$178 | \$129 | \$79 | \$30 | \$0 |
| \$55,000 | \$319 | \$269 | \$220 | \$170 | \$121 | \$71 | \$33 |
| \$60,000 | \$360 | \$311 | \$261 | \$212 | \$162 | \$113 | \$95 |
| \$65,000 | \$402 | \$353 | \$303 | \$254 | \$204 | \$155 | \$105 |

After the determination of your eligibility for Pay As You Earn, your payment may be adjusted each year based on changes in your income and family size. However, as long as you remain on the Pay As You Earn repayment plan, your required monthly payment amount will never be more than what you would be required to pay under a 10-year Standard Repayment Plan.

Are there examples of borrowers who are eligible for Pay As You Earn and borrowers who are not?

Example 1: Based upon the Pay As You Earn repayment formula, a borrower with a family size of one and an AGI of \$30,000 would have a Pay As You Earn calculated payment amount of \$110 per month. If this borrower had total eligible student loan debt of \$25,000 when the loans initially entered repayment, and the loan balance had increased to \$30,000 when the borrower requested Pay As You Earn, the calculated monthly repayment amount under a 10-year standard plan would be based on the higher of the two amounts. Using an interest rate of 6.8%, the 10-year standard payment amount for \$30,000 would be \$345. Since the \$110 Pay As You Earn calculated amount is less than the 10-year plan amount of \$345, the borrower would be eligible to repay under Pay As You Earn at a monthly amount of \$110. However, if this borrower's total eligible loan debt used to calculate the 10-year standard amount was only \$5,000, the 10-year standard payment would be \$58 per month, which is less than the Pay As You Earn amount of \$110. Therefore, the borrower would not be eligible.

Example 2: A borrower with a family size of four and income of \$50,000 would have a Pay As You Earn calculated monthly payment amount of \$129. If this borrower had total eligible student loan debt of \$20,000 when the loans initially entered repayment, and this amount had not changed when the borrower requested Pay As You Earn, the calculated monthly repayment amount under a 10-year standard plan would be based on \$20,000. Using an interest rate of 6.8%, the 10-year standard repayment amount for \$20,000 would be \$230. Since the \$129 Pay As You Earn calculated amount is less than the 10-year plan amount of \$230, the borrower would be eligible to repay under Pay As You Earn at a monthly amount of \$129. However, if the borrower's total eligible loan debt used to calculate the 10-year standard amount was only \$10,000, the 10-year calculated amount would be \$115 per month, which is less than the Pay As You Earn amount of \$129. Therefore, the borrower would not be eligible.

For more information on other repayment plans and links to calculators, visit StudentAid.gov/repay-loans/understand/plans.

How do borrowers apply for Pay As You Earn?

This fact sheet provides only a summary of the basic requirements of the Pay As You Earn Repayment Plan. For more information and to apply for Pay As You Earn, contact the servicer(s) of your student loan(s). Not sure who services your loan? Check www.nsls.ed.gov.

FEDERAL STUDENT AID

Income-Based Repayment Plan for the Direct Loan and FFEL Programs

www.studentaid.ed.gov

What is Income-Based Repayment?

Income-Based Repayment (IBR) is a repayment plan for the major types of federal student loans that caps your required monthly payment at an amount intended to be affordable based on your income and family size.

What federal student loans are eligible to be repaid under an IBR plan?

All Stafford, PLUS, and Consolidation Loans made under either the Direct Loan or FFEL Program are eligible for repayment under IBR, EXCEPT loans that are currently in default, parent PLUS Loans (PLUS Loans that were made to parent borrowers), or Consolidation Loans that repaid parent PLUS Loans. The loans can be new or old, and for any type of education (undergraduate, graduate, professional, job training).

Who is eligible for IBR?

You may enter IBR if your federal student loan debt is high relative to your income and family size. While your loan servicer will perform the calculation to determine your eligibility, you can use the U.S. Department of Education's IBR calculator at www.studentaid.ed.gov/ibr to estimate whether you would likely qualify for the IBR plan. The calculator looks at your income, family size, and state of residence to calculate your IBR monthly payment amount. If that amount is lower than the monthly payment you would be required to pay on your eligible loans under a 10-year standard repayment plan, based on the greater of the amount you owed on your loans when they initially entered repayment or the amount you owe at the time you request IBR, then you are eligible to repay your loans under IBR.

If you are married and you and your spouse file a joint federal tax return, and if your spouse also has IBR-eligible loans, your spouse's eligible loan debt is taken into account when determining whether you are eligible for IBR. In this case, the required monthly payment amount under a 10-year standard repayment plan is determined based on the combined amount of your IBR-eligible loans and your spouse's IBR-eligible loans, using the greater of the amount owed when the loans initially entered repayment or the amount owed at the time you or your spouse request IBR. If the combined monthly amount you and your spouse would be required to pay under IBR is lower than the combined monthly amount you and your spouse would pay under a 10-year standard repayment plan, you and your spouse are eligible for IBR.

What are the benefits of IBR?

- **PAY AS YOU EARN:** Under IBR, your monthly payment amount will be less than the amount you would be required to pay under a 10-year standard repayment plan, and may be less than under other repayment plans. Although lower monthly payments may be of great benefit to a borrower, these lower payments may result in a longer repayment period and additional accrued interest.
- **INTEREST PAYMENT BENEFIT:** If your monthly IBR payment amount does not cover the interest that accrues on your loans each month, the government will pay your unpaid accrued interest on your Subsidized Stafford Loans (either Direct Loan or FFEL) for up to three consecutive years from the date you began repaying your loans under IBR.
- **25-YEAR CANCELLATION:** If you repay under the IBR plan for 25 years and meet certain other requirements, any remaining balance will be canceled.
- **10-YEAR PUBLIC SERVICE LOAN FORGIVENESS:** If you work in public service, on-time, full monthly payments you make under IBR (or certain other repayment plans) while employed full-time in a public service job will count toward the 120 monthly payments that are required to receive loan forgiveness through the Public Service Loan Forgiveness Program. Through this program, you may be eligible to have the remaining balance of your Direct Loans forgiven after you have made the 120 qualifying payments as described above. The Public Service Loan Forgiveness Program is available only for Direct Loans. If you have FFEL loans, you may be eligible to consolidate them into the Direct Loan Program to take advantage of the Public Service Loan Forgiveness Program. However, only the on-time, full monthly payments made under IBR or certain other repayment plans while you are a Direct Loan borrower will count toward the required 120 monthly payments. For more information about this program, review the Department's Public Service Loan Forgiveness Program fact sheet at www.studentaid.ed.gov/pubs.

Are there any disadvantages to repaying under IBR?

- **YOU MAY PAY MORE INTEREST:** The faster you repay your loans, the less interest you pay. Because a reduced monthly payment in IBR generally extends your repayment period, you may pay more total interest over the life of the loan than you would under other repayment plans.
- **YOU MUST SUBMIT ANNUAL DOCUMENTATION:** To set your payment amount each year, your loan servicer needs updated information about your income and family size. If you do not provide the documentation, your monthly payment amount will be the amount you would be required to pay under a 10-year standard repayment plan, based on the amount you owed when you began repaying under IBR.



How is the IBR amount determined?

Under IBR, the amount you are required to repay each month is based on your Adjusted Gross Income (AGI) and family size. If you are married and file a joint federal tax return with your spouse, your AGI includes both your income and your spouse's income. The annual IBR repayment amount is 15 percent of the difference between your AGI and 150 percent of the Department of Health and Human Services Poverty Guideline for your family size and state. This amount is then divided by 12 to get the monthly IBR repayment amount.

The following chart shows the maximum IBR monthly payment amounts for a sample range of incomes and family sizes using the Poverty Guidelines that were in effect as of January 26, 2012, for the 48 contiguous states and the District of Columbia.

IBR Monthly Payment Amounts

| | Family Size | | | | | | |
|----------|-------------|-------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| \$10,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$15,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$20,000 | \$41 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$25,000 | \$103 | \$29 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$30,000 | \$166 | \$91 | \$17 | \$0 | \$0 | \$0 | \$0 |
| \$35,000 | \$228 | \$154 | \$80 | \$5 | \$0 | \$0 | \$0 |
| \$40,000 | \$291 | \$216 | \$142 | \$68 | \$0 | \$0 | \$0 |
| \$45,000 | \$353 | \$279 | \$205 | \$130 | \$56 | \$0 | \$0 |
| \$50,000 | \$416 | \$341 | \$267 | \$193 | \$119 | \$44 | \$0 |
| \$55,000 | \$478 | \$404 | \$330 | \$255 | \$181 | \$107 | \$33 |
| \$60,000 | \$541 | \$466 | \$392 | \$318 | \$244 | \$169 | \$95 |
| \$65,000 | \$603 | \$529 | \$455 | \$380 | \$306 | \$232 | \$158 |

After the initial determination of your eligibility for IBR, your payment may be adjusted each year based on changes in your income and family size, but your required monthly payment amount will never be more than what you would be required to pay under a 10-year standard repayment plan, based on your outstanding loan balance on the date you began repaying the loans under IBR (unless you choose to exit the IBR program).

Are there examples of borrowers who are eligible for IBR and borrowers who are not?

Example 1: Based upon the IBR repayment formula, a borrower with a family size of one and an AGI of \$30,000 would have an IBR calculated payment amount of \$166 per month. If this borrower had total eligible student loan debt of \$25,000 when the loans initially entered repayment, and the loan balance had increased to \$30,000 when the borrower requested IBR, the calculated monthly repayment amount under a 10-year standard plan would be based on the higher of the two amounts. Using an interest rate of 6.8%, the 10-year standard payment amount for \$30,000 would be \$345. Since the \$166 IBR calculated amount is less than the 10-year plan amount of \$345, the borrower would be eligible to repay under IBR at a monthly amount of \$166. However, if this borrower's total eligible loan debt used to calculate the 10-year standard amount was only \$10,000, the 10-year standard payment would be \$115 per month, which is less than the IBR amount of \$166. Therefore, the borrower would not be eligible for IBR.

Example 2: A borrower with a family size of four and income of \$50,000 would have an IBR calculated monthly payment amount of \$193. If this borrower had total eligible student loan debt of \$20,000 when the loans initially entered repayment, and this amount had not changed when the borrower requested IBR, the calculated monthly repayment amount under a 10-year standard plan would be based on \$20,000. Using an interest rate of 6.8%, the 10-year standard payment amount for \$20,000 would be \$230. Since the \$193 IBR calculated amount is less than the 10-year plan amount of \$230, the borrower would be eligible to repay under IBR at a monthly amount of \$193. However, if the borrower's total eligible loan debt used to calculate the 10-year standard amount was only \$15,000, the 10-year calculated amount would be \$173 per month, which is less than the IBR amount of \$193. This borrower would not be eligible for IBR.

For more information on other repayment plans and calculators, go to the Repayment Plans and Calculators page on the Federal Student Aid website at www.studentaid.ed.gov.

How do borrowers apply for IBR?

For more information and to apply for IBR, contact the servicer(s) of your student loan(s).

This fact sheet provides only a summary of the basic requirements of the Income-Based Repayment Plan. For more detailed information, review the Department's IBR Questions and Answers document at www.studentaid.ed.gov/ibr.

Updated March 2012



Income-Based Repayment Program Questions and Answers (Q&As)

Prepared by Federal Student Aid
U.S. Department of Education
February 7, 2011

The questions and answers (Q&As) that follow provide information about the Income-Based Repayment (IBR) Plan that is available to most borrowers of federal student loans. We have grouped the Q&As into five categories: General Information, Eligible Loans, Determination of IBR Monthly Payment Amount, Married Borrowers, Application Process, and Other Information. Note that following each answer is the date when we posted that response. We will include a new date each time we add a question or when we update a previously posted response.

Income-Based Repayment—General Information

Q1 What is Income-Based Repayment?

A1 Income-Based Repayment (IBR) is one of several repayment plan options for borrowers of student loans made under the William D. Ford Federal Direct Loan (Direct Loan) Program or the Federal Family Education Loan (FFELSM) Program. If you qualify for IBR, your required monthly payment will be capped at an amount that is intended to be affordable based on your income and family size, and will be less than what you would have to pay under a 10-year Standard Repayment Plan. [January 5, 2010]

Q2 What are the major benefits of IBR?

A2 In addition to making your monthly loan payments more affordable, the IBR Plan offers other benefits:

- If your IBR payment amount does not cover the full amount of interest that accrues on your loans each month, the government will pay any unpaid, accrued interest on your subsidized loans for up to three consecutive years from the date you begin repaying the loans under IBR. (You are responsible for paying the interest that accrues on your unsubsidized loans during this three-year period.)
- If you repay under IBR and meet certain other requirements, any remaining loan balance that you owe will be canceled after 25 years.
- Payments that you make under IBR count toward the 120 payments that are required for the Direct Loan Public Service Loan Forgiveness (PSLF) Program. [January 5, 2010]

Q3 What is the difference between Income-Based Repayment (IBR) and Income Contingent Repayment (ICR)?

A3 IBR and ICR share certain features, but there are also important differences between the two repayment plans.

Similarities between IBR and ICR include the following:

- Both plans are intended to provide borrowers with an affordable monthly payment amount based on income and family size.
- Under both plans, any remaining loan balance is forgiven after 25 years.
- Parent PLUS Loans may not be repaid under either IBR or ICR.

- Payments made by a Direct Loan borrower under both IBR and ICR count toward the 120 payments that are required for Public Service Loan Forgiveness.
- In both IBR and ICR, your monthly payment amount may be adjusted annually based on changes in your income.

These are some of the major differences between IBR and ICR:

- IBR is available under both the FFEL and Direct Loan programs. ICR is available only under the Direct Loan ProgramSM.
- To initially qualify for IBR, you must have a “partial financial hardship” as described in Q&A #4. There is no comparable requirement for ICR. Any Direct Loan borrower (other than a parent PLUS borrower) may choose ICR.
- The amount of your loan debt is not considered in determining your IBR payment amount *during any period when you have a “partial financial hardship”* (See Q&A #4). Your monthly IBR payment amount is determined based only on your income and family size. In contrast, the monthly payment under ICR takes into account your total Direct Loan debt in addition to income and family size. The required monthly payment under ICR is generally higher than under IBR, and in some cases it may be higher than the monthly payment amount under a 10-year standard repayment plan.
- With both IBR and ICR, your calculated monthly payment may not cover the full amount of interest that accrues on your loans each month. Under IBR, the government pays the remaining unpaid accrued interest on your subsidized loans for up to three consecutive years from the date you begin repaying the loans under IBR. This benefit is not available under ICR. Under ICR, you are responsible for paying all of the interest that accrues on your loans.
- Under IBR, unpaid interest is capitalized (added to your loan principal balance) only if you are determined to no longer have a “partial financial hardship,” or if you choose to leave the IBR Plan. Under ICR, unpaid interest is capitalized annually. [January 5, 2010]

Q4 How do I qualify for IBR?

A4 To qualify for IBR, you must have a “partial financial hardship.”

You have a partial financial hardship if the monthly amount you would be required to pay on your IBR-eligible loans (see Q&A #6) under a Standard Repayment Plan with a 10-year repayment period (based on the greater of the amount you owed on those loans when they initially entered repayment or the amount you owe when you request IBR) is higher than the monthly amount you would be required to repay under IBR.

If you are married and you and your spouse file a joint federal income tax return, and if your spouse also has IBR-eligible loans, the required monthly amount under a Standard Repayment Plan with a 10-year repayment period is determined based on the combined amount of your IBR-eligible loans and your spouse’s IBR-eligible loans, using the greater of the amount owed on the loans when they initially entered repayment or the amount owed at the time you or your spouse requested IBR. If this combined monthly payment amount for your loans and your spouse’s loans is higher than the combined monthly amount you and your spouse would be required to repay under IBR, you and your spouse are considered to have a partial financial hardship.

Example 1: You are single and you owed a total of \$40,000 in eligible student loans when the loans initially entered repayment; you now owe \$45,000 on those loans. Your monthly repayment amount under a 10-year Standard Repayment Plan would be \$518, based on \$45,000 and using an interest rate of 6.8%. If your IBR payment amount (calculated as explained in Q&A #11), is less than \$518, you would be eligible to repay your loans under IBR.

Example 2: You are married and you and your spouse file a joint federal income tax return. You owed a total of \$60,000 in eligible student loans when the loans initially entered repayment; you now owe \$55,000 on those loans. Your spouse owed a total of \$40,000 in eligible student loans when the loans

initially entered repayment, and currently owes the same amount. The combined monthly payment amount for your loans and your spouse's loans under a 10-year Standard Repayment Plan would be \$1,151 (based on \$100,000 and using an interest rate of 6.8%). If your IBR payment amount is less than \$1,151, you and your spouse would be eligible to repay your loans under IBR. [July 1, 2010]

Q5 How can I determine whether I qualify for the IBR Plan? Where can I get an estimated IBR monthly payment amount?

A5 The U.S. Department of Education's website includes an IBR calculator at www.studentaid.ed.gov/ibr. The IBR calculator allows you to determine whether you are likely to qualify for the IBR Plan and to estimate what your IBR monthly payment would be. However, for an official determination of your eligibility for IBR, or to apply for IBR, you'll need to contact your loan servicer. If you are unsure who holds your loans or who your loan servicer is, you can access the National Student Loan Data SystemSM (NSLDSSM) website at www.nslsds.ed.gov. [January 5, 2010]

Income-Based Repayment—Eligible Loans

Q6 Which Direct Loan or FFEL loan types can be repaid under IBR?

A6 All Direct Loan and FFEL loan types *except* PLUS Loans made to parents, Consolidation Loans that repaid PLUS Loans made to parents, or defaulted loans may be repaid under IBR. [January 5, 2010]

Q7 Are private loans taken into account when determining eligibility for IBR, and can private loans be paid under IBR?

A7 Only non-defaulted federal loans made through the FFEL Program or the Direct Loan Program (excluding PLUS Loans made to parent borrowers or Consolidation Loans that repaid parent PLUS Loans) are used to determine eligibility for IBR and only those types of federal loans may be repaid under IBR. [January 5, 2010]

Q8 I consolidated my Stafford Loans together with parent PLUS Loans that I took out to pay for my child's education. I know that parent PLUS Loans may not be repaid under IBR, but am I eligible for IBR on the portion of the Consolidation Loan that repaid my Stafford loans?

A8 A Consolidation Loan that repaid a parent PLUS Loan may not be repaid under IBR even if the Consolidation Loan also repaid one or more Stafford Loans. [January 5, 2010]

Q9 I consolidated my eligible federal student loans with a private lender into a private consolidation loan. Are those loans still considered eligible loans for purposes of determining my eligibility for IBR?

A9 Eligible federal student loans that have been consolidated with a private lender are no longer federal loans and therefore are not considered when determining your eligibility for IBR, and may not be paid under IBR. [January 5, 2010]

Q10 If my loan is in default, can I repay it under IBR?

A10 Defaulted loans are not eligible for repayment under IBR. [January 5, 2010]

Income-Based Repayment—Determination of IBR Monthly Payment Amount

Q11 How is the IBR monthly payment amount determined?

A11 The IBR monthly payment amount is based on your annual Adjusted Gross Income (AGI) and family size. Specifically, the maximum annual amount you are required to repay under IBR during any period

when you have a “partial financial hardship” (as discussed in Q&A #4 above) is 15 percent of the difference between your AGI and 150 percent of the U.S. Department of Health and Human Services (HHS) Poverty Guideline amount for your family size and state. This annual repayment amount is then divided by 12 to determine your monthly IBR repayment amount.

For example, 150 percent of the 2011 HHS poverty guideline amount for a family of three in the 48 contiguous states and the District of Columbia is \$27,795. If your AGI was \$40,000, the difference would be \$12,205. Fifteen percent of that is \$1,831; dividing this amount by 12 results in a monthly IBR payment amount of \$153. As noted in Q&A #4 above, this compares with a monthly payment amount of \$518 under a 10-year Standard Repayment Plan (based on an eligible loan debt amount of \$45,000).

If the calculated IBR payment amount using the formula described above is less than \$5.00, the monthly payment amount is zero. If the calculated payment is more than \$5.00 but less than \$10.00, the monthly payment is \$10.00. [February 7, 2011]

Q12 Paying less each month under IBR seems like a good thing. Using the example in Q&A #11, are there any downsides to paying less each month under IBR as compared to repaying under the 10-year Standard Repayment Plan?

A12 As with any loan or credit program, having a lower monthly payment normally means that payments will be made for a longer period of time. This means that you will pay more total interest under IBR than you would pay under a 10-year Standard Repayment Plan. This is why it is important for each borrower to carefully evaluate whether IBR is the best repayment plan. [January 5, 2010]

Q13 I claim my child every other year on my taxes as a dependent, but my ex-spouse has physical custody. I also pay child support and health insurance for my child. Do I count my child when reporting my family size?

A13 The IBR definition of family size specifies that a borrower’s children are included if the children receive more than half of their support from the borrower. You may count your child when determining your family size if you provide more than half of the child’s financial support, regardless of who claims the child for tax purposes or who has physical custody. If you do not provide more than one-half of your child’s support, you may not include the child in your family size for IBR purposes. [January 5, 2010]

Q14 Will I always pay the same amount each month under IBR?

A14 Each year, your loan holder will review your current income and family size. If your income or family size has changed from the prior year, your monthly IBR payment amount may increase or decrease as a result of using the new income or family size information in the calculation described in Q&A #11 above. [January 5, 2010]

Q15 What happens if my income increases so much that I no longer have a “partial financial hardship” as described in Q&A #4 above? Do I then lose eligibility to repay under IBR?

A15 If your IBR payment amount increases to the point where it is more than the monthly amount you would be required to repay under a 10-year Standard Repayment Plan, you would no longer be considered to have a “partial financial hardship.” In this situation, you may remain on the IBR Plan (to take advantage of some of the other IBR benefits, as described in Q&A #2), but your monthly payment will no longer be based on your income. Instead, you will be required to pay the amount you would have been required to pay under a 10-year Standard Repayment Plan based on the amount of your eligible loans that were outstanding when you began repaying under IBR. Your repayment period based on this recalculated amount may be more than 10 years. [January 5, 2010]

Q16 If I am repaying under IBR and my income increases so that I no longer have a partial financial hardship, but I stay in IBR and make the required, recalculated 10-year standard payment amount, is it still possible for me to receive loan forgiveness after 25 years?

- A16 As long as you remain on the IBR Plan (even if you no longer have a partial financial hardship) and you otherwise meet the requirements for loan forgiveness, you will qualify for forgiveness of any remaining loan balance at the end of the 25-year period. [January 5, 2010]
- Q17 What happens if, after it is determined that I no longer have a “partial financial hardship” and I am no longer making income-based payments (as explained in Q&A #15), my income goes down?**
- A17 If your income later decreases so that your calculated IBR payment amount is once again less than what you would be required to repay under a 10-year Standard Repayment Plan, you will return to making income-based payments, as described in Q&A #11 above.
- Q18 If my income goes down after I filed my most recent federal tax return (for example, because I lost my job or am now working part-time), does my loan holder have discretion to use my current income to determine my IBR payment amount, rather than the higher AGI amount that is shown on my most recent tax return?**
- A18 If your loan holder believes that your most recent AGI does not reasonably reflect your current income, your loan holder is authorized to use alternative documentation of your income that you provide. You should inform your loan holder of the change in your financial circumstances. [January 5, 2010]
- Q19 What happens if my income as reported on my federal tax return changes after I begin repaying under IBR?**
- A19 As long as you remain on the IBR Plan, your loan holder will annually review your current income to determine whether you continue to have a “partial financial hardship” and, if applicable, to adjust your monthly IBR payment amount. If your income increases or decreases there will generally be a corresponding increase or decrease in your required monthly payment amount. [January 5, 2010]
- Q20 What happens if my income significantly decreases well before the regularly scheduled annual review of my income? Do I have to wait until the annual review before my IBR payment can be adjusted?**
- A20 You should alert your loan holder to your changed circumstances. If your loan holder believes that your AGI does not reasonably reflect your current income, your loan holder is authorized to use alternative documentation of your income that you provide, and may adjust your required monthly IBR payment at any time during the year based on that documentation. [January 5, 2010]
- Q21 Do Social Security disability payments count as income for IBR?**
- A21 Social Security disability payments would be counted as income only if they are included as part of your AGI on your federal tax return in accordance with IRS requirements. [January 5, 2010]
- Q22 I have loans with more than one lender. How does each lender determine whether I have a partial financial hardship, as discussed in Q&A #2; and if I do have a partial financial hardship, how is my IBR payment calculated by each lender?**
- A22 If you wish to repay all of your loans under IBR, you must apply to each lender/servicer separately. When you apply, each lender will use the full amount of all of your eligible loans to determine whether you have a partial financial hardship, even if some of the loans are held by other lenders. Each lender will adjust your IBR payment amount by multiplying your calculated IBR payment by the percentage of the total outstanding principal amount of your eligible loans that the lender holds. For example, if 60% of your total outstanding eligible loan balance is held by Lender A and 40% is held by Lender B, and your calculated monthly IBR payment amount is \$140, you would be required to pay \$84 per month to Lender A and \$56 to Lender B. [January 5, 2010]

Q23 My spouse and I each have eligible loans that we want to repay under IBR. Assuming that we are both eligible for IBR, how will our individual IBR payment amounts be calculated?

A23 If you and your spouse file a joint federal income tax return, the IBR payment amount (calculated as described in Q&A #11) will be adjusted by multiplying the calculated IBR payment by the percentage of your total combined eligible loan debt that is owed by each of you. For example, if the calculated IBR payment for you and your spouse is \$200 and you owe 60 percent of your combined eligible loan debt and your spouse owes 40 percent, your individual IBR payment would be \$120, and your spouse's individual IBR payment would be \$80. If you or your spouse have loans with more than one loan holder, your individual IBR payment amounts will be further adjusted as described in Q&A #22.

If you and your spouse file individual federal tax returns, your individual IBR payments will be calculated as described in Q&A #11. If you or your spouse have loans with more than one holder, your individual payment amount will be adjusted as described in Q&A #22. [July 1, 2010]

Income-Based Repayment—Married Borrowers

Q24 Is my spouse's income included in the determination of my eligibility for IBR?

A24 If you are married and file a joint federal tax return, your eligibility for IBR will be determined based on your joint income and the amount of your eligible loans. If your spouse also has IBR-eligible student loans, your joint income and the combined amount of your eligible loans and your spouse's eligible loans will be used in determining your IBR eligibility.

For married borrowers who file separate federal tax returns, IBR eligibility is determined based on each individual spouse's income and eligible loan debt. [February 7, 2010]

Q25 My spouse and I file a joint federal tax return, but my spouse does not have any IBR-eligible student loans. Can my spouse's other indebtedness be included in determining my IBR legibility?

A25 Only eligible federal student loan debt is taken into consideration when determining your eligibility for IBR. Private loans and nonloan debt (either yours or your spouse's) are not considered. [July 1, 2010]

Q26 My spouse and I have a joint Consolidation Loan. My spouse is not employed, but the majority of the joint Consolidation Loan is attributable to loans that were originally borrowed by my spouse. Will the fact that my spouse has no income be considered when determining our eligibility to repay the joint Consolidation Loan under IBR?

A26 If you and your spouse file a joint federal tax return, your combined income will be used to determine your eligibility for IBR and your IBR payment amount. Joint Consolidation Loan borrowers must each request IBR since both individuals are jointly responsible for the full amount of the loan. Each borrower's eligibility for IBR is determined using joint income, the same family size, and the full amount of the joint Consolidation Loan. [January 5, 2010]

Q27 My spouse and I have separate student loans, and my spouse's calculated IBR monthly payment amount is \$40/month. Does that payment also cover my student loans?

A27 Spouses must apply separately for determination of eligibility for IBR and for calculation of each spouse's IBR payment amount. [January 5, 2010]

Q28 My spouse and I want to consolidate our loans together into a single joint Consolidation Loan and then apply for IBR. Is that possible?

A28 The law no longer allows married borrowers to consolidate their loans together into a single joint Consolidation Loan. If you want to repay under IBR, you and your spouse must apply separately to your individual loan holders. [January 5, 2010]

Income-Based Repayment – Application Process

Q29 How do I apply for IBR?

A29 You must contact each of the servicers that service your loans to apply for IBR. If you are unsure who holds your loans or who your loan servicer is, you can access the U.S. Department of Education's National Student Loan Data System (NSLDS) website at www.nsls.ed.gov or call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243; TTY 1-800-730-8913). [July 1, 2010]

Q30 How long will it take my loan servicer to process my IBR application and determine whether I am eligible to repay my student loans under IBR?

A30 The time varies, but it may take a few weeks since the servicer will need to obtain documentation of your income and family size. If you can't afford to continue making loan payments under your current repayment plan while your IBR application is being processed, contact your loan holder to discuss options such as a deferment or forbearance. [January 5, 2010]

Q31 How will my loan servicer get the income and family size information it will need to determine whether I am eligible for IBR, and if I am eligible, how much my monthly payment amount will be?

A31 Each loan servicer will have its own documentation process. However, you will be required to either submit copies of your most recent IRS tax return and/or a release form for the loan servicer to obtain your tax information directly from the IRS. [January 5, 2010]

Q32 If I am providing a tax return to my loan holder, does it have to include an original signature, or is a photocopy of my signed return acceptable?

A32 An original signature is not required. You may provide your loan holder with a photocopy of the original signed tax return that you submitted to the IRS. If your copy of your tax return was not signed (for example, if you submitted an electronic return), you may print a copy of the return, sign it, and then submit the signed return (or a photocopy) to your loan holder. Most lenders will also allow you to submit your return by fax or by e-mailing a scanned copy of the signed return. [January 5, 2010]

Income-Based Repayment—Other Information

Q33 Is it true that if I am repaying under IBR and I receive an economic hardship deferment, I will lose eligibility for IBR because I am no longer in repayment?

A33 If you are repaying your loans under IBR and you receive an economic hardship deferment (or any other type of deferment or forbearance), you are still considered to be in repayment under IBR. A deferment or forbearance simply allows you to temporarily stop making payments and does not affect your eligibility to remain on the IBR Plan or any other repayment plan. [January 5, 2010]

Q34 Can I apply for IBR while I am in an economic hardship deferment?

A34 You may apply for IBR during a period of economic hardship deferment, or during a period of any other type of deferment or forbearance. However, you would not begin making payments under IBR until the end of the deferment or forbearance period. [January 5, 2010]

Q35 Because I was in deferment and forbearance status for a number of years, my outstanding principal balance owed is now much higher than the original amount I borrowed as a student. My income is very low. If I start repaying my loans under IBR, will any of my past payments and periods of deferment or forbearance count toward the 25 years of repayment under IBR that are required to receive forgiveness of my remaining loan balance?

A35 Generally, payments or periods of economic hardship deferment before July 1, 2009 (the date IBR first became available) do not count toward the 25-year period necessary for forgiveness of any remaining loan balance under IBR. However, if you made payments under the Direct Loan Program's Income Contingent Repayment (ICR) Plan at any time before entering IBR, the 25-year period would begin on the date you began making payments under ICR. [January 5, 2010]

Q36 Q&A #2 stated that the government may pay some of the interest on my subsidized loans for the first three years. How does this work?

A36 Under the IBR Plan, your monthly payment amount may not cover all of the interest that accrues on your loans each month. (This is called negative amortization.) If this happens, the government will pay the remaining unpaid accrued interest that is due each month on your subsidized loans (including the subsidized portion of a Consolidation Loan) for up to three consecutive years from the date you begin repaying your loans under IBR. For example, if the monthly interest that accrues on your subsidized loans is \$40, but your monthly IBR payment only covers \$25 of this amount, the government will pay the remaining \$15.

You are responsible for paying all of the interest that accrues on your unsubsidized loans, as well as all of the interest that accrues on your subsidized loans after the end of the 3-year interest subsidy period. Interest that is not covered by your monthly payment will continue to accumulate and will be capitalized (added to your loan principal balance) when you are determined to no longer have a "partial financial hardship," or if you leave the IBR Plan.

The interest subsidy benefit for subsidized loans applies only for the first three consecutive years beginning on the date you enter IBR. Periods of economic hardship deferment are not included in the consecutive 3-year period, but periods of any other type of deferment or forbearance are counted. For example, if you receive the interest subsidy benefit for your first year of repayment under IBR, and then receive an economic hardship deferment for two years, you would still have two consecutive years of remaining eligibility for the interest subsidy benefit when the economic hardship deferment ends. However, if instead of receiving an economic hardship deferment, you return to school and receive an in-school deferment for two years following your first year of repayment under IBR, you would have no remaining eligibility for the interest subsidy benefit at the end of the deferment period. [January 5, 2010]

Q37 Does IBR have any effect on the six-month grace period for my Stafford Loans?

A37 Choosing IBR (or any other repayment plan) has no effect on your six-month grace period. You do not enter repayment until after your grace period has ended. If you want to repay your loans under IBR when you enter repayment, you should apply for IBR at least two months before the end of your grace period to allow time for application processing. [January 5, 2010]

Q38 Will my choice to repay my loans under IBR affect the interest rate of my loans?

A38 Your choice of repayment plan, including IBR, does not affect the interest rate of your loans. However, with IBR or any repayment plan that provides for a longer repayment period, you may pay more interest over the life of your loans. [January 5, 2010]

Q39 If I repay under IBR, will this affect my credit score or show up on my credit report?

A39 The repayment plan that you select is not reported to credit bureaus and has no effect on your credit score. However, your loan will be identified on your credit report as a student loan, and your loan holder

will report the status of your loan account (e.g., whether you are repaying on time or are delinquent or in default) to credit reporting organizations. Failure to repay your student loans on time may negatively affect your credit score. [January 5, 2010]

Q40 Can I claim student loan interest that I paid under IBR on my tax return?

A40 Regardless of your repayment plan, under current federal tax law you may deduct interest that you paid on qualified student loans in accordance with IRS rules. Your lender will send you a Form 1098-E showing the amount of interest that you paid. However, you are responsible for monitoring IRS materials and websites for any changes in federal tax law. [January 5, 2010]

Q41 I have both Stafford and Graduate PLUS Loans. My Stafford Loans are in grace and I have been making payments on the Graduate PLUS Loans. Should I apply for a deferment on my Graduate PLUS Loans until the grace period ends on my Stafford Loans before entering IBR? How would this affect payments already made on my Graduate PLUS Loans?

A41 If you are having difficulty making payments on your Graduate PLUS Loans, you may request a deferment or forbearance on the repayment of those loans. You could then request the IBR Plan for all of your loans at the time when the grace period ends on your Stafford Loans. Note that only payments that you made on your Graduate PLUS Loans after July 1, 2009 will count toward the 25 years of qualifying payments for IBR loan forgiveness.

If you request IBR on your Graduate PLUS Loans now and then begin repaying your Stafford Loans under IBR when they enter repayment at the end of the grace period, the 25-year period for IBR loan forgiveness will be tracked separately for the two loan types. [January 5, 2010]

Q42 When I make my required monthly IBR payment, can I specify how I want the payment to be applied between my subsidized and unsubsidized loans? For example, can I specify that I want all of my payment to be applied to my unsubsidized loans?

A42 You may not specify how payments are to be applied. If you have both subsidized and unsubsidized loans, your monthly payments will be applied proportionately to both loan types. [January 5, 2010]

Q43 If I am not making my minimum required monthly payment, am I eligible to remain on the IBR Plan?

A43 As with any other repayment plan, you are required to make the full required IBR payment each month, unless you have received a deferment or forbearance. While failure to make a full required payment will not automatically remove you from IBR, it could result in delinquency or default. Defaulted loans are not eligible for IBR or any other regular repayment plan. [January 5, 2010]

Q44 What are the penalties for late payments in the IBR program?

A44 Regardless of which repayment plan you choose, you are expected to make on-time payments. If you are delinquent in making payments, your loan holder may charge late fees in accordance with the terms and conditions of your promissory note. Late payments will not terminate your eligibility for IBR, but there may be other adverse consequences such as negative reporting to credit bureaus. Also, if you are repaying under IBR and planning to apply for Public Service Loan Forgiveness (PSLF), only on-time payments (made within 15 days of the payment due date) may be counted toward the required 120 PSLF payments. [January 5, 2010]



Dear Federal Student Loan Borrower:

Thank you for your interest in the Direct Loan Public Service Loan Forgiveness (PSLF) Program. The PSLF Program was established by Congress with the passage of the College Cost Reduction and Access Act of 2007, and was created to encourage individuals to enter lower-paying but vitally important public sector jobs such as military service, law enforcement, public education and public health professions. The PSLF Program allows eligible borrowers to cancel the remaining balance of their Direct Loans after they have served full time at a public service organization for at least 10 years, while making 120 qualifying loan payments.

This letter provides important information about the PSLF Program, including information on how to determine if your employment and loan payment history meet the program's loan forgiveness requirements. To better assist you, the Department of Education is providing a series of materials, including an employment certification form that allows you to keep track of eligible employment and loan payments. In addition, these materials will allow you to find out if your job and loan payments will qualify for loan forgiveness in the future. If you are eligible, these materials will assist you in determining how many payments you have left to make to qualify for loan forgiveness.

What must I do to have any remaining balances on my Direct Loans forgiven under the PSLF Program?

- ✓ You must make 120 on-time, full, scheduled, monthly payments on your Direct Loans. Only payments made *after* October 1, 2007 qualify.
- ✓ You must make those payments under a qualifying repayment plan.
- ✓ When you make each of those payments, you must be working full-time at a qualifying public service organization.

The following provides detailed information on the PSLF requirements.

What loans qualify for forgiveness?

Only loans you received under the William D. Ford Federal Direct Loan (Direct Loan) Program are eligible for PSLF. Loans you received under the Federal Family Education Loan (FFEL) Program, the Perkins Loan Program, or any other student loan program are not eligible for PSLF.

If you have FFEL and/or Perkins loans, you may consolidate them into a Direct Consolidation Loan to take advantage of PSLF. However, only payments you make on the new Direct Consolidation Loan will count toward the 120 month payment requirement for PSLF. Payments made on your FFEL or Perkins loans, even if they were made under a qualifying repayment plan, do not count as eligible PSLF payments.

If some or all of your loans are not eligible, you can consolidate.

If you are interested in consolidating your FFEL or Perkins loans into a Direct Consolidation Loan, please visit www.loanconsolidation.ed.gov for more information and an electronic application. If you do not know what type of loans you have, please visit www.nslds.ed.gov.

What are on-time, full, scheduled, monthly payments?

On-time payments are those that are received by your Direct Loan servicer no later than 15 days after the scheduled payment due date.

Full payments are payments on your Direct Loan in an amount that equals or exceeds the amount you are required to pay each month under your Direct Loan repayment schedule. If you make a payment for a month that is less than what you are required to pay for that month, that month's payment will not count as one of the required 120 monthly payments. If you make multiple, partial payments in a month and the total of those partial payments equals or exceeds the required full monthly payment amount, those payments will count as only one qualifying payment.

Scheduled payments are those that are made under a qualifying repayment plan after your servicer has billed you for the month's payment. They do not include payments made while your loans are in an in-school or grace status or in a deferment or forbearance period.

You must make separate monthly payments. Lump sum payments or payments you make as advance payments for future months are not qualifying payments. There are special rules on lump sum payments for borrowers whose public service employment is with AmeriCorps or the Peace Corps.



You can only make one qualifying payment per month.



What is a qualifying repayment plan?

To maximize your PSLF benefit, you should repay your loans on the Income-Based Repayment (IBR) Plan or the Income-Contingent Repayment (ICR) Plan, which are two of the repayment plans that qualify for PSLF.

Other PSLF-qualifying repayment plans are the 10-Year Standard Repayment Plan or any other repayment plan where your monthly payment amount equals or exceeds what you would pay under a 10-Year Standard Repayment Plan.

Before deciding which repayment plan you want to use to repay your Direct Loans, it is important that you understand the implications and costs of that decision. The longer you make PSLF-qualifying payments under a 10-Year Standard Repayment Plan, the lower the remaining balance on your loans will be when you meet all of the PSLF Program's eligibility requirements. In fact, if you make all of the required 120 monthly payments under the 10-Year Standard Repayment Plan, there will be no balance left on your loans to be forgiven.



PSLF is best under IBR or ICR.



Under the IBR and ICR plans, your monthly payment amount will likely be lower than under any of the other PSLF-qualifying repayment plans and your repayment period will likely be longer. Because of the longer repayment period, additional interest that will accrue on your loan, and the smaller monthly payment amount, you will be left with a higher loan balance that could be forgiven. However, if you ultimately do not meet the eligibility requirements for PSLF, you will be responsible for repaying the entire balance of your loan, including all accrued interest.

What kinds of employment qualify?

Qualifying employment is any employment with: a federal, state, or local government agency, entity, or organization (including entities such as a public transportation, public water, or public bridge district, or a public housing authority) or a non-profit organization that has been designated as tax-exempt by the Internal Revenue Service (IRS) under § 501(c)(3) of the Internal Revenue Code (IRC). The type of services that these public service organizations provide does not matter for PSLF purposes.

• • •
Many non-profit employees, teachers, law enforcement officers, and other government employees qualify.

A private non-profit employer that is not a tax-exempt organization under Section 501(c)(3) of the IRC may be a qualifying public service organization if it provides certain specified public services. These services include: emergency management, military service, public safety, law enforcement services; public health services; public education, public library services; school library and other school-based services; public interest law services, early childhood education; public service for individuals with disabilities and the elderly. The organization must not be a labor union or a partisan political organization.

Generally, the type or nature of employment with the organization does not matter for PSLF purposes. However, when determining full-time public service employment at a not-for-profit organization you may not include time spent participating in religious instruction, worship services, or any form of proselytizing.

What is full-time employment?

You must meet your employer's definition of full-time. However, for PSLF purposes, that definition must be at least an annual average of 30 hours per week. For purposes of the full-time requirement, your qualifying employment at a not-for-profit organization does not include time spent participating in religious instruction, worship services, or any form of proselytizing.

• • •
Most often, it's your employer's definition of full-time that counts.

If you are a teacher, or other employee of a public service organization, under contract for at least eight out of twelve months, you meet the full-time standard if you work an average of at least 30 hours per week during the contractual period and receive credit by your employer for a full year's worth of employment.

If you are employed in more than one qualifying part-time job simultaneously, you may meet the full-time employment requirement if you work a combined average of at least 30 hours per week with your employers.

What does it mean that my 120 Direct Loan payments must be made while I am working full-time at certain public service organizations?

For a payment to count as one of the required 120 qualifying monthly payments, you must be a full-time employee at a qualifying public service organization on the date that your Direct Loan servicer receives your monthly Direct Loan payment.

In addition, you must be a full-time employee at a qualifying public service organization at the time you apply for PSLF Program loan forgiveness and at the time forgiveness is granted.

How can I keep track of my eligibility?

Because it will take at least ten years for you to make the 120 qualifying payments necessary to receive PSLF, we have created a form that you should submit to us and a process that you should follow so that we can assist you in tracking your periods of qualifying employment and your qualifying payments.

The form allows you to get your employer's certification of employment while you are still employed at that organization or shortly after leaving. The process allows you to receive confirmation of qualifying employment and your Direct Loan payment eligibility. You may also submit the form less frequently than annually to cover more than one year's employment or for more than one employer.

● ● ●
The form and the
process make it
easy.

While use of this form and process is not required, if you want us to keep track of your progress toward meeting the PSLF eligibility requirements, you should follow the steps below. If you do not periodically submit the form, you will still be required to submit a form for each employer that you want considered for PSLF at the time that you apply for forgiveness.

Step 1 – Complete, with your employer's certification, the Employment Certification for Public Service Loan Forgiveness form (PSLF Employment Certification) annually or whenever you change jobs. The PSLF Employment Certification form is available at www.studentaid.ed.gov/publicservice.

Step 2 – Submit the completed form to FedLoan Servicing, the PSLF servicer, following the instructions on the form.

Step 3 – FedLoan Servicing will review your PSLF Employment Certification form, ensure that it is complete, and, based on the information provided by your employer, determine whether your employment is qualifying employment for the PSLF Program.

Step 4 – If the form you submit is incomplete or your employment does not qualify, FedLoan Servicing will notify you and you will have an opportunity to provide additional information.

Step 5 – If FedLoan Servicing cannot determine whether your employment qualifies, you may be asked to provide additional information or documentation to help establish whether you were employed by a qualifying public service organization. This documentation may include an IRS Form W-2, pay stubs, or other documents from your employer that substantiate your employment at the organization or documentation supporting your employer's eligibility as a public service organization.

Step 6 – If your employment qualifies and some or all of your federally held loans are not serviced by FedLoan Servicing, those loans will be transferred to FedLoan Servicing so you will have a single loan servicer for all of your federally held loans. Earlier payments made to other servicers will be evaluated to see if they are qualifying PSLF payments after those loans are transferred.

Step 7 – FedLoan Servicing will notify you whether your employment qualifies, and, if so, how many payments during the certification period were qualifying payments, the total number of qualifying payments you have made, and how many payments you must still make before you can qualify for PSLF.

What should I do after I become eligible for PSLF?

After you make your 120th qualifying payment, you will need to submit the PSLF application to receive loan forgiveness. The application is under development and will be available prior to the date when the first borrowers will be eligible for PSLF Program forgiveness, in October 2017. You must be working for a qualified public service organization at the time you submit the application for forgiveness and at the time the remaining balance on your loan is forgiven.

We look forward to working with you while you learn more about PSLF and work towards your goal of making 120 qualifying payments. If you have any more questions, look at the Question & Answer Page for PSLF at <http://studentaid.ed.gov/publicservice> or contact your Direct Loan servicer.

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Loan Forgiveness for Public Service Employees

www.studentaid.ed.gov/publicservice

March 2012

What is the Public Service Loan Forgiveness (PSLF) Program?

In 2007, Congress created the Public Service Loan Forgiveness Program to encourage individuals to enter and continue to work full time in public service jobs. Under this program, you may qualify for forgiveness of the remaining balance due on your eligible federal student loans after you have made 120 payments on those loans under certain repayment plans while employed full time by certain public service employers. Since you must make 120 monthly payments on your eligible federal student loans after October 1, 2007 before you qualify for the loan forgiveness, the first cancellations of loan balances will not be granted until October 2017.

What federal student loans are eligible for forgiveness under the PSLF Program?

Any non-defaulted loan made under the William D. Ford Federal Direct Loan Program (Direct Loan Program) is eligible for loan forgiveness. (See below for information on how non-Direct Loans may be eligible.) The Direct Loan Program includes the following loans:

- Federal Direct Stafford/Ford Loans (Direct Subsidized Loans)
- Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans)
- Federal Direct PLUS Loans (Direct PLUS Loans)—for parents and graduate or professional students
- Federal Direct Consolidation Loans (Direct Consolidation Loans)

NOTE: To qualify for forgiveness of a parent PLUS Loan you, the parent borrower, not the student on whose behalf you obtained the loan, must be employed by a public service organization.

How can other federal student loans become eligible for loan forgiveness under the PSLF Program?

Although loan forgiveness under this program is available only for loans made and repaid under the Direct Loan Program, loans made under other federal student loan programs may become eligible for forgiveness if they are consolidated into a Direct Consolidation Loan. However, only payments made on the Direct Consolidation Loan will count toward the required 120 monthly payments.

The following loans may be consolidated into the Direct Loan Program:

- Federal Family Education Loan (FFEL) Program loans, which include
 - Subsidized Stafford Loans
 - Unsubsidized Stafford Loans
 - Federal PLUS Loans—for parents and graduate or professional students
 - Federal Consolidation Loans (excluding joint spousal consolidation loans)
- Federal Perkins Loans
- Certain Health Professions and Nursing Loans

NOTE: To consolidate a Federal Perkins Loan or Health Professions or Nursing Loan into the Direct Loan Program, you must also consolidate at least one FFEL Program loan or Direct Loan. If you are unsure about what kind of loans you have, you can find information about your federal student loans in the U.S. Department of Education's National Student Loan Data System at www.nsls.ed.gov.

What are the borrower eligibility requirements for loan forgiveness under the PSLF Program?

- You must not be in default on the loans for which forgiveness is requested.
- You must be employed full time by a public service organization
 - when making each of the required 120 monthly loan payments (certain repayment conditions apply—see below);
 - at the time you apply for loan forgiveness; and
 - at the time the remaining balance on your eligible loans is forgiven.

What are the specific loan repayment requirements for loan forgiveness under the PSLF Program?

- You must have made 120 separate monthly payments after October 1, 2007, on the Direct Loan Program loans for which forgiveness is requested. Earlier payments do not count toward meeting this requirement. Each of the 120 monthly payments must be made for the full scheduled installment amount within 15 days of the due date.



What are the specific loan repayment requirements for loan forgiveness under the PSLF Program? (Continued from previous page)

- The 120 required payments must be made under one or more of the following Direct Loan Program repayment plans:
 - Income Based Repayment (IBR) Plan (not available to parent Direct PLUS Loan borrowers)
 - Income Contingent Repayment Plan (not available to parent Direct PLUS Loan borrowers)
 - Standard Repayment Plan with a 10-year repayment period
 - Any other Direct Loan Program repayment plan; but only payments that are at least equal to the monthly payment amount that would have been required under the Standard Repayment Plan with a 10-year repayment period may be counted toward the required 120 payments

For more information about the repayment plans available in the Direct Loan program, please visit www.studentaid.ed.gov/repaying.

IMPORTANT NOTE: *The PSLF Program provides for forgiveness of the remaining balance of a borrower's eligible loans after the borrower has made 120 qualifying payments on those loans. In general, only borrowers who are making reduced monthly payments through the Direct Loan Income Contingent or Income Based repayment plans will have a remaining balance after making 120 payments on a loan.*

What types of public service jobs will qualify a borrower for loan forgiveness under the PSLF Program?

You must be employed full time (in any position) by a public service organization, or must be serving in a full-time AmeriCorps or Peace Corps position. Organizations that meet the definition of “public service organization” for purposes of the PSLF Program are listed below.

- A government organization (including a federal, state, local, or tribal organization, agency, or entity; a public child or family service agency; or a tribal college or university);
- A non-profit, tax-exempt organization under section 501(c)(3) of the Internal Revenue Code (includes most not-for-profit private schools, colleges, and universities);
- A private, non-profit organization (that is not a labor union or a partisan political organization) that provides one or more of the following public services:
 - Emergency management
 - Military service
 - Public safety
 - Law enforcement
 - Public interest law services
 - Early childhood education (including licensed or regulated health care, Head Start, and state-funded pre-kindergarten)
 - Public service for individuals with disabilities and the elderly
 - Public health (including nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in health care practitioner occupations and health care support occupations)
 - Public education
 - Public library services
 - School library or other school-based services

NOTE: *When determining full-time public service employment at a not-for-profit organization, you may not include time spent participating in religious instruction, worship services, or any form of proselytizing.*

How can I keep track of my eligibility?

The U.S. Department of Education has created the Employment Certification for Public Service Loan Forgiveness form and a process to help you monitor your progress toward making the 120 qualifying payments necessary to apply for PSLF. You should complete the form, including your employer's certification of employment, and submit it to FedLoan Servicing, the PSLF servicer, at the address listed in Section 6 of the Employment Certification form.

The form allows you to get your employer's certification of employment while you are still employed at that organization or shortly after leaving. The process allows you to receive confirmation of qualifying employment and Direct Loan payment eligibility. You may also submit the form less frequently than annually to cover more than one year's employment or for more than one employer.

While use of the form and process is not required, it will help you keep track of your progress toward meeting the PSLF eligibility requirements. If you do not periodically submit the form, you will still be required to submit a form for each qualifying employer at the time you apply for forgiveness and when forgiveness is granted.

Where can I find additional information?

This fact sheet provides only a summary of the basic requirements of the PSLF Program. For more detailed information, including how to monitor your progress toward qualifying for PSLF, review the PSLF Questions and Answers document at www.studentaid.ed.gov/publicservice or contact your Direct Loan servicer.



Public Service Loan Forgiveness Program

Questions and Answers (Q&As) for Borrowers

Prepared by Federal Student Aid
U.S. Department of Education
March 14, 2012

The following Questions & Answers (Q&As) for Borrowers provide information about the Public Service Loan Forgiveness (PSLF) Program that is available to borrowers with federal student loans made through the William D. Ford Federal Direct Loan Program (Direct Loan ProgramSM). We have grouped the Q&As into six categories: General Information, Eligible Loans, Qualifying Payments, Qualifying Repayment Plans, Qualifying Employment, and Receiving the Benefit. Following each answer is the date we posted that response. We will include a new date each time we add a question or when we update a previously posted response.

Public Service Loan Forgiveness – General Information

Q1 What is the Public Service Loan Forgiveness (PSLF) Program?

A1 The PSLF Program was established to encourage individuals to enter and continue in full-time public service employment by forgiving the remaining balance of their Direct Loans after they have made 120 qualifying monthly payments after October 1, 2007 (see [Q13](#)) under certain repayment plans (see [Q21](#)) while employed full-time (see [Q36](#)) by a public service organization (see [Q31](#) through [Q35](#)). (March 14, 2012)

Q2 What are the borrower eligibility requirements for loan forgiveness under the PSLF Program?

A2 You must be employed full-time by a public service organization when you make each of the required 120 qualifying monthly payments on your Direct Loans, at the time you apply for loan forgiveness after making the last of those 120 payments, and at the time you receive loan forgiveness. (March 14, 2012)

Q3 Are loan amounts forgiven under PSLF considered taxable by the IRS?

A3 No. According to the IRS, student loan amounts forgiven under PSLF are not considered income for tax purposes. For more information, you should check with the IRS or your tax advisor. (March 14, 2012)

Q4 Does my income level determine eligibility for PSLF?

A4 Not directly, but your income is a factor in determining your required monthly payment amount under the Income-Based Repayment (IBR) Plan and the Income Contingent Repayment (ICR) Plan, the two PSLF-eligible repayment plans that are the most likely to leave you with a remaining loan balance to be forgiven after you have made 120 qualifying monthly payments. These repayment plans are most likely to result in a balance to be forgiven if your income remains low in relation to the amount of your Direct Loan debt. (March 14, 2012)



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Q5 Can I be certain that the PSLF Program will exist by the time I have made my 120 qualifying payments?

A5 The Department cannot make any guarantees regarding the future availability of PSLF. The PSLF Program was created by Congress, and, while not likely, Congress could change or end the PSLF Program. (*March 14, 2012*)

Public Service Loan Forgiveness – Eligible Loans

Q6 If I have FFEL Program loans, Federal Perkins Loans, or Health Professions Loans, can I take advantage of PSLF?

A6 PSLF is available only for Direct Loans. However, borrowers with FFEL, Perkins, or Health Professions loans who are interested in PSLF may consolidate those ineligible loans into a Direct Consolidation Loan and then make 120 qualifying payments on the Direct Consolidation Loan while employed by a qualifying public service organization to receive PLSF. Note that payments you made on the FFEL, Perkins, or Health Professions loans before they were consolidated into the Direct Loan Program do not count toward the required 120 monthly payments. For more information about consolidating into the Direct Loan Program, go to www.loanconsolidation.ed.gov, or call 1-800-557-7392.

If you are a married borrower with a joint FFEL consolidation loan, see [Q11](#).

Also, Perkins Loan borrowers should be aware that certain cancellation and other benefits available under the Perkins Loan Program do not apply to a Direct Consolidation Loan that repaid a Perkins Loan. Your Perkins Loan servicer can provide you with details on any benefits you might be giving up if you include your Perkins Loans in a Direct Consolidation Loan. (*March 14, 2012*)

Q7 Will my interest rate change if I consolidate my FFEL, Perkins, or Health Professions loans into the Direct Loan Program to take advantage of PSLF?

A7 The interest rate on a Direct Consolidation Loan is the weighted average of the interest rates of the loans being consolidated, rounded up to the next higher one-eighth of one percent (with an interest rate cap of 8.25%). This is a fixed rate that applies for the life of the loan. Because of the rounding up, the fixed interest rate on the new Direct Consolidation Loan may be slightly higher than the combined interest rates on the loans you are consolidating. (*March 14, 2012*)

Q8 Are private, non-federal education loans eligible for PSLF?

A8 Private and other non-federal education loans are not eligible for PSLF, nor can they be consolidated into the Direct Loan Program. (*March 14, 2012*)



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Q9 Are loans that are in default eligible for PSLF?

A9 No. Defaulted loans are not eligible for PSLF. However, a defaulted loan may become eligible for PSLF if you consolidate or rehabilitate the loan. You can then make qualifying PSLF payments on the new Direct Consolidation Loan or the rehabilitated loan.

To consolidate a defaulted loan, you must first make satisfactory repayment arrangements on the loan. You can do this either by making three consecutive, voluntary, on-time, full monthly payments on the defaulted loan prior to consolidation, or by agreeing to repay the new Direct Consolidation Loan under the Income Contingent Repayment (ICR) Plan or the Income-Based Repayment (IBR) Plan. Any payments made as part of the satisfactory repayment arrangements prior to consolidating your defaulted loans do not count toward the 120 required payments for PSLF.

To rehabilitate a defaulted loan, you must contact the holder or servicer of the loan to establish a rehabilitation agreement under which you will be required to make nine on-time, voluntary, full monthly payments within 20 days of the scheduled due date within 10 consecutive months. For more information on the impact of rehabilitation on PSLF, see [Q30](#). (March 14, 2012)

Q10 I consolidated my Direct Loans after I made qualifying monthly payments on those loans while working in a qualifying public service organization. Do the payments made prior to the consolidation count toward the 120 payments required for PSLF, or will I be required to make 120 additional payments on the new Direct Consolidation Loan?

A10 You will need to make 120 qualifying monthly payments on the new Direct Consolidation Loan. Qualifying payments that you made on Direct Loans prior to consolidation do not count toward the 120 required payments for PSLF. (March 14, 2012)

Q11 Can a joint FFEL Consolidation Loan be consolidated into a Direct Consolidation Loan so that one or both borrowers working in qualified public service jobs can qualify for PSLF?

A11 No. The law no longer permits joint consolidation loans to be made, so joint FFEL consolidation borrowers may not reconsolidate their FFEL consolidation loan into a Direct Loan. In addition, since joint consolidation borrowers are jointly and severally liable for repayment of the joint consolidation loan for the life of that loan, one of the borrowers may not individually reconsolidate a joint FFEL consolidation loan into a new Direct Consolidation Loan to take advantage of PSLF. (March 14, 2012)



Q12 Are PLUS Loans eligible for PSLF?

A12 Yes. Like other Direct Loans, Direct PLUS Loans are eligible for PSLF. However, there are additional factors to consider if you are a parent PLUS borrower.

First, a parent PLUS borrower's eligibility for PSLF is based on the parent's qualifying public service employment, not on the employment of the dependent student on whose behalf the parent borrowed.

Second, parent PLUS loans may not be repaid under either the IBR or ICR Plan, the two repayment plans most likely to leave a borrower with a remaining balance to be forgiven under PSLF. The IBR Plan is also not available for Direct Consolidation Loans that repaid parent PLUS loans. However, a Direct Consolidation Loan that repaid parent PLUS loans may be repaid under the ICR Plan. For more information regarding loan consolidation, please see [Q6](#), [Q7](#), and [Q10](#).

Note that PLUS loans made to graduate and professional students may be repaid under either the IBR or ICR Plan. (*March 14, 2012*)

Public Service Loan Forgiveness – Qualifying Payments

Q13 What are the specific loan repayment requirements for loan forgiveness under the PSLF Program?

A13 You must have made 120 separate, on-time, monthly payments (after October 1, 2007) on the Direct Loan Program loans for which you are requesting PSLF forgiveness while employed full-time by a public service organization. Each of the monthly payments must have been made for the full scheduled installment amount within 15 days of the payment due date. Each payment also must have been made under a qualifying repayment plan (see [Q21](#)). (*March 14, 2012*)

Q14 I have been making payments on my Direct Loans since before October of 2007. Will these payments count towards the required 120 payments for PSLF?

A14 No. Under the law that established the PSLF Program, only payments made *after* October 1, 2007 may be counted towards the required 120 separate, on-time, monthly payments for PSLF. (*March 14, 2012*)

Q15 Must the 120 separate, monthly required payments for PSLF be consecutive payments?

A15 No. The payments do not have to be consecutive payments; but you must be employed by a qualifying public service organization at the time you make each of the 120 qualifying payments. (*March 14, 2012*)



Q16 If I pay more than my scheduled monthly student loan payment amount, can that additional amount be counted as more than one qualifying payment for PSLF? For example, if I make a single payment that is equal to three monthly payments, will that amount be counted as three separate payments toward the required 120 separate monthly payments?

A16 No. You must make 120 separate monthly payments. Lump sum payments that exceed the scheduled payment amount do not count as separate payments. There is a limited exception to this requirement for Peace Corps and AmeriCorps volunteers. See [Q19](#).

If you make a payment that exceeds the scheduled payment amount, the excess amount will be used to advance your next payment due date unless you request that the excess amount be applied directly to reduce the outstanding principal amount of your loans. Depending on the size of the excess payment, it is possible that your next due date could be a month or more in the future from the date you made the extra payment amount. If you make subsequent payments while your account is “paid ahead”, those payments will not count toward PSLF.

If you request that your extra payment amount not be applied to future scheduled payments, the excess will be applied toward any outstanding accrued interest and principal without advancing the due date of your next scheduled payment, and any subsequent monthly payments you make (if otherwise qualifying) will count toward the required 120 payments. (*March 14, 2012*)

Q17 If I return to school and qualify for an in-school deferment on my Direct Loans that are in repayment, can I decline the deferment and make qualifying PSLF payments while I am in school?

A17 Yes. You may decline an in-school deferment on your loans that are in repayment status and make payments on those loans while you are in school. If you decline your in-school deferment, any qualifying payments you make will count toward the 120 required payments for PSLF. Remember, you must be employed full-time by a public service organization while you attend school.

The option of declining an in-school deferment also applies to any new Grad PLUS loans you receive when you return to school. Grad PLUS Loans enter repayment after they are fully disbursed (while you are still in school), but are eligible for an in-school deferment while you are enrolled in school at least half time.

If you receive new Direct Subsidized/Unsubsidized Loans when you return to school, you will not be able to make qualifying PSLF payments on those loans while you are in school. Any new Direct Subsidized/Unsubsidized Loans you receive will not enter repayment until the end of the 6-month grace period that begins the day after you cease to be enrolled in school on at least a half-time basis. You cannot make payments under a PSLF-eligible repayment plan until a loan has entered repayment status. Although you could voluntarily make payments on your new Direct Subsidized/Unsubsidized Loans while you are in school or during your grace period, those payments would not count as PSLF-qualifying payments. (*March 14, 2012*)



Q18 May I waive the six-month repayment grace period on my Direct Subsidized/Unsubsidized Loans and begin making qualifying PSLF payments early?

A18 No. Under the law that governs the Direct Loan Program, you may not waive the 6-month grace period on Direct Subsidized and Direct Unsubsidized loans that begins after you cease to be enrolled in school at least half-time. Direct Subsidized/Unsubsidized Loans only enter repayment at the end of the 6-month grace period. Any payments made on a loan during the grace period, when you have no legal requirement to make payments, will be applied to reduce loan principal and will not count as PLSF-qualifying payments. *(March 14, 2012)*

Q19 I'm thinking of serving as a Peace Corps or AmeriCorps volunteer and plan to request a deferment or forbearance on my Direct Loans, since I won't be able to afford to make loan payments while I am serving. If I'm not making payments during my service period, can my Peace Corps or AmeriCorps service and Segal Education Award or Transition Payment count for PSLF?

A19 Yes, under certain conditions. The PSLF regulations provide special treatment for Peace Corps and AmeriCorps volunteers to recognize their service as PSLF-qualifying service. However, Peace Corps and AmeriCorps volunteers must still meet the PSLF requirement to make 120 qualifying payments. Peace Corps volunteers receive a transition payment after completing their period of service, and AmeriCorps volunteers may receive a Segal Education Award after a year of service that they can designate be used toward student loan repayment.

If you use some or all of your Peace Corps transition payment or AmeriCorps Segal Education Award to make a lump sum payment on your Direct Loans, you will receive credit for up to 12 qualifying payments for PSLF. The number of payments for which you receive credit is determined by dividing the amount of your lump sum payment by your scheduled full monthly payment amount, but you may not receive credit for more than 12 monthly payments toward the PSLF payment requirement. *(March 14, 2012)*

Q20 If my scheduled monthly payment under IBR or ICR is zero, does each month during which my required monthly payment is zero count towards the required 120 separate, monthly payments?

A20 Yes. Any month when your scheduled, monthly payment under IBR or ICR is zero will count toward your required 120 monthly payments if you are also employed full-time by a qualifying public service organization during that month. *(March 14, 2012)*



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Public Service Loan Forgiveness – Qualifying Repayment Plans

Q21 What Direct Loan Program repayment plans qualify under the PSLF Program?

- A21 The 120 required qualifying payments must be made under one or more of the following [Direct Loan Program repayment plans](#)—
- The [Income Based Repayment \(IBR\) Plan](#);
 - The Income Contingent Repayment (ICR) Plan;
 - The Standard Repayment Plan with a maximum 10-year repayment period (see [Q22](#) and [Q24](#)); and
 - Any other Direct Loan repayment plan, but only payments that are at least equal to the monthly payment amount you would be required to pay under the Standard Repayment Plan with a 10-year repayment period may be counted toward the 120 qualifying payments for PSLF. (*March 14, 2012*)

Q22 I am repaying my Direct Consolidation Loan under the Standard Repayment Plan. Do payments I make under this plan count toward the required 120 payments?

- A22 Generally, no. The Standard Repayment Plan for Direct Consolidation Loans is not the same repayment plan as the 10-year Standard Repayment Plan for Direct Subsidized/Unsubsidized Loans and Direct PLUS Loans, and payments made under the Standard Repayment Plan for Direct Consolidation Loans do not qualify for PSLF purposes.

Under the Standard Repayment Plan for Direct Consolidation Loans, the maximum repayment period may be up to 30 years, depending on the amount of the consolidation loan and the amount of the borrower's other education loan debt. This longer repayment period results in a monthly payment amount that is less than the monthly payment amount required under the 10-year Standard Repayment Plan.

For a monthly payment made under any Direct Loan repayment plan other than IBR, ICR, or the 10-year Standard Repayment Plan to be eligible for PSLF purposes, the payment amount *must not be less than what it would be if the borrower repaid the loan under the 10-year Standard Repayment Plan*. For a Direct Consolidation Loan, the Standard Repayment Plan will result in a scheduled monthly payment that is equal to the monthly payment amount under the 10-year Standard Repayment Plan only if the amount of the consolidation loan and the borrower's other education loan debt is less than \$7,500. (*March 14, 2012*)

Q23 What other Direct Loan repayment plans would give me a monthly payment that is at least equal to the payment that would be required under a 10-year Standard Repayment Plan?

- A23 In some cases, payments made during the later portion of the repayment period under the Graduated Repayment Plan may equal or exceed the payment amount that would be required under a 10-year Standard Repayment Plan. Under the Graduated Repayment Plan, payments start out lower and then gradually increase, generally every two years. (*March 14, 2012*)



Q24 Although payments made under the 10-year Standard Repayment Plan are qualifying payments for PSLF, will I have any remaining balance to be forgiven if I make all my payments under a 10-year plan?

A24 No. Because the 10-Year Standard Repayment Plan requires you to fully pay off your loan within ten years (120 monthly payments), you will not have any remaining loan balance to be forgiven if you make all of your 120 required payments under a 10-Year Standard Repayment Plan.

The 10-year Standard Plan is included as an eligible repayment plan for PSLF purposes so that borrowers may receive credit toward the required 120 PSLF payments for payments they may have made under this plan before switching to either IBR or ICR or after leaving IBR or ICR. (March 14, 2012)

Q25 Is it always true that if I repay my Direct Loans under either the IBR or ICR plans I will have at least some of my Direct Loan amount forgiven?

A25 Not necessarily. Since your income is one factor that is used to determine your monthly loan payment amount under both the IBR and ICR plans, your required monthly payment may increase based on changes in your income. If your loan payment increases, in some cases there may be no remaining loan balance to be forgiven after you have made 120 payments, even if you are repaying under IBR or ICR.

Q26 In summary, what are my best repayment plan options to maximize my PSLF benefits?

A26 While payments under certain other repayment plans may be counted toward the required 120 payments, to receive any forgiveness under the PSLF Program, you will have to make most of your loan payments under the IBR or ICR Plan to have any remaining loan balance after 120 payments have been made. (March 14, 2012)

Q27 If I am repaying my Direct Loans under the IBR Plan, what will happen if I am determined to no longer have a partial financial hardship? Will my monthly payments continue to count for PSLF?

A27 Yes. Although you must have a partial financial hardship to initially qualify for IBR, you may remain in the IBR Plan even if you are later determined to no longer have a partial financial hardship. However, your monthly payment will be adjusted and will no longer be based on your income. As long as you remain in the IBR Plan, your monthly payments will count toward the required 120 payments for PSLF. (March 14, 2012)



Q28 What happens if I can't afford to make my scheduled monthly payments under the IBR Plan or the ICR Plan? Are other repayment options available to me if I want to qualify for PSLF?

A28 Payments made under certain other Direct Loan repayment plans may be counted toward the 120 separate, monthly payments required for PSLF. However, the IBR and ICR Plans generally provide the lowest monthly payments of the PSLF-qualifying plans. Therefore, changing from the IBR or ICR Plan to one of the other PSLF-qualifying repayment plans will generally not result in a lower monthly payment.

If you cannot afford to make your scheduled, monthly payment, you should contact your Direct Loan servicer to discuss deferment or forbearance options that would allow you to temporarily stop making your loan payments or temporarily make them for a lower amount. Although you will no longer be making PSLF-qualifying payments during an authorized period of deferment or forbearance, you will avoid becoming delinquent on repayment of your loan. *(March 14, 2012)*

Q29 Do partial payments under a qualifying repayment plan count towards eligible monthly payments?

A29 If you make multiple partial payments that total at least your full scheduled monthly payment amount, and you make those payments no later than 15 days after the scheduled due date for that month's payment, the series of partial payments will count as a one single qualifying, monthly payment for PSLF.

For example, if your required monthly payment under a PSLF-qualifying repayment plan is \$200 and you make a series of four \$50 payments toward your next, immediately due monthly payment amount, with the 4th payment made no later than 15 days after the scheduled due date for that payment, you would receive credit for one qualifying payment. *(March 14, 2012)*

Q30 I am in the process of rehabilitating a defaulted loan. Will my full, on-time, voluntary payments that I make as part of my loan rehabilitation agreement count toward the required 120 payments for PSLF?

A30 No. Payments made on a defaulted loan under a rehabilitation agreement are not payments that are made under a PSLF-eligible repayment plan and therefore are not PSLF-qualifying payments. *(March 14, 2012)*

Public Service Loan Forgiveness – Qualifying Employment

Q31 Which employers are “public service organizations” that are eligible employers for the PSLF Program?

A31 The term “public service organization” covers a broad range of employers, including any federal, state, or local government organization or agency (see [Q32](#)) and most not-for-profit organizations (see [Q33](#) and [Q34](#)). *(March 14, 2012)*



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Q32 What public (government) employers qualify as eligible employers for the PSLF Program?

A32 Any federal government, state government, local government, or tribal government entity is an eligible employer for the PSLF Program. This includes the U.S. military, public elementary and secondary schools, public colleges and universities, public child and family service agencies, and special governmental districts (including entities such as a public transportation, public water, or public bridge district, or a public housing authority). The U.S. government has a directory that includes most government agencies and departments at <http://www.usa.gov/Agencies.shtml>.

If you are employed by a private company under a contract with a government agency, see [Q43](#).

If you work for a foreign government or an international intergovernmental organization, see [Q49](#).

Service as an elected member of the U.S. Congress is not qualifying employment for PSLF. (*March 14, 2012*)

Q33 What not-for-profit organizations qualify as eligible employers for the PSLF Program?

A33 Eligible not-for-profit organizations include those that are tax-exempt under section 501(c)(3) of the Internal Revenue Code. These organizations include most private, not-for-profit elementary and secondary schools, private, not-for-profit colleges and universities, and thousands of other organizations, agencies, and charities. Your employer will easily be able to tell you if it is tax-exempt under section 501(c)(3) of the Internal Revenue Code. The IRS has a searchable database of 501(c)(3) organizations at <http://www.irs.gov/app/pub-78/>.

If your employer is a not-for-profit organization that is tax-exempt under section 501(c)(3) of the Internal Revenue Code, but you perform your work outside of the United States, see [Q47](#).

If your employer is a not-for-profit organization but not a tax-exempt under section 501(c)(3) of the Internal Revenue Code, your employment may still qualify if your employer meets the conditions specified in the answer to [Q34](#).

If your employer is engaged in religious activities, see [Q54](#). (*March 14, 2012*)



Q34 Can a private, not-for-profit employer that is not tax-exempt under section 501(c)(3) of the Internal Revenue Code qualify as a public service organization for the PSLF Program?

A34 Yes. If the not-for-profit employer provides one or more of the following public services:

- Emergency management,
- Military service,
- Public safety,
- Law enforcement,
- Public interest law services,
- Early childhood education (including licensed or regulated childcare, Head Start, and state-funded pre-kindergarten),
- Public service for individuals with disabilities and the elderly,
- Public health (including nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in health care practitioner occupations and health care support occupations),
- Public education,
- Public library services, or
- School library or other school-based services.

However, if the organization is a labor union or a partisan political organization it is not an eligible PSLF employer. If your employer is engaged in religious activities, see [Q54](#).

If your employer operates outside the United States or is a foreign charity that operates within the United States, please see [Q48](#). (March 14, 2012)

Q35 What types of public service jobs will qualify me for loan forgiveness under the PSLF Program?

A35 The specific job that you perform does not matter, as long as you are employed by an eligible public service organization. For example, if you are a full-time employee of a public school system, your employment would meet the requirements for PSLF, regardless of your position (teacher, administrator, support staff, etc.).

If your organization engages in religious activities, see [Q54](#) and [Q55](#) for more information regarding whether your employment qualifies. (March 14, 2012)



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Q36 What is considered full-time employment for PSLF?

A36 If you only have one employer, you must meet your employer's definition of full-time. However, for PSLF purposes, that definition must be at least an annual average of 30 hours per week.

If you are a contract employee, see [Q37](#).

If you have more than one employer, see [Q38](#).

See [Q52](#) for information regarding the treatment of vacation and leave time. (*March 14, 2012*)

Q37 If I work for an eligible PSLF employer under a contract for a period of employment that is less than a full year, will my employment be considered full-time for PSLF?

A37 Yes, in some cases. If you have an employment contract or other period of employment of at least 8 months, an average of 30 hours per week over that period of employment is considered full-time.

For example, if you are a teacher with an annual contract for a term of 8 or 9 months, and you work an average of 30 hours per week during that period of employment, it is considered full-time employment for PLSF purposes. (*March 14, 2012*)

Q38 I am working for more than one employer during the same period of time, but am not employed by any one of them on a full-time basis. Will my combined employment be considered full-time for PSLF?

A38 Yes. If you have more than one employer during the same period of time, full-time employment is an annual average of at least 30 hours per week, determined by adding together the annual average number of hours per week for each employer. Each employer must qualify as a public service organization for the employment to be included in determining whether you are employed on a full-time basis.

For example, if you worked for Public Service Organization A for an annual average of 10 hours per week and you concurrently worked for Public Service Organization B for an annual average of 20 hours per week, this would equal a combined annual average of 30 hours per week. (*March 14, 2012*)



Q39 Will the Department of Education track my qualifying employment and qualifying payments while I am working toward meeting the 120 months of required payments for PSLF?

A39 Yes, but only if you periodically submit the *Employment Certification Form* that has been developed by the Department of Education and is available at www.studentaid.ed.gov/publicservice. You are encouraged to submit the *Employment Certification Form* to the Department of Education's PSLF servicer, FedLoan Servicing (PHEAA), annually while you are working to fulfill the employment and payment requirements for PSLF so that you will receive feedback on the eligibility of your employment and payments for a specified employment period.

The PSLF servicer will review each *Employment Certification Form* you submit to confirm that your employer qualifies as a public service organization. If it is your first submission of an *Employment Certification Form*, all of your Department-held loans will be transferred to the PSLF servicer, which will then verify that the loan payments you made during the period covered by the *Employment Certification Form* are qualifying payments. After reviewing your *Employment Certification Form*, the PSLF servicer will tell you how many qualifying payments you have made toward the required 120 payments.

See [Q41](#) for guidance on keeping records of your qualifying employment. (*March 14, 2012*)

Q40 After I submitted the Employment Certification Form, I was notified that I would now have a different servicer for my federally held student loans. Why did my servicer change?

A40 One of the Direct Loan servicers (FedLoan Servicing/PHEAA) has been assigned responsibility for administering PSLF for all Direct Loan borrowers. As a result, if you submit an *Employment Certification Form*, all of your loans held by the Department of Education (including any of your loans that are not eligible for PSLF, such as FFEL Program loans that have been purchased by the Department) will be transferred to FedLoan Servicing. (*March 14, 2012*)

Q41 What kind of documentation do I need to keep to show that I worked for a qualifying PSLF employer while making the required 120 payments on my Direct Loan(s)?

A41 The PSLF servicer will confirm that your employer is a qualifying public service organization based on the information provided on the *Employment Certification Form* that you submit. In some cases, the PSLF servicer may require additional documentation about your qualifying employment. Therefore, you should keep records that identify your employer, demonstrate that your employer meets the definition of a public service organization, show your dates of employment with that employer, and demonstrate that you were a full-time employee.

Examples of such documents include, but are not limited to, IRS W2 forms and paystubs.

You should retain as many documents supporting your qualifying employment as possible. (*March 14, 2012*)



Q42 Is Peace Corps or AmeriCorps service considered qualifying employment for PSLF?

A42 Yes, if you are serving as a full-time Peace Corps or AmeriCorps volunteer.

During their service periods, Peace Corps and AmeriCorps volunteers are generally not required to make monthly payments on their student loans because the volunteers are eligible for a deferment or forbearance on those loans. A volunteer who declines the deferment or forbearance and continues to make monthly payments while serving would be treated like any other borrower working to qualify for PSLF.

Volunteers who receive a deferment or forbearance and who do not make monthly payments during their period of service may still receive credit for their PSLF-qualifying service and for making qualifying payments if they use their Segal Education Award or Peace Corps transition payment to make a lump sum payment on the eligible loan(s) for which they are seeking forgiveness. See [Q19](#) for more information. (*March 14, 2012*)

Q43 I am employed full-time by a for-profit, private company, doing work for a government agency or for an otherwise qualifying PSLF not-for-profit organization under a contract my company has with the agency or organization. Does this employment qualify for PSLF?

A43 No. You must be directly employed full-time by the public service organization. (*March 14, 2012*)

Q44 I know that employment with a public school qualifies for PSLF. What about employment with a private school?

A44 Most private elementary and secondary schools and private colleges and universities are not-for-profit entities that are tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code. If a private school has this status, it would qualify as a public service organization for PSLF purposes.

If the private school, college, or university is not tax-exempt under section 501(c)(3) of the Internal Revenue Code, it may also be a qualifying public service organization as a not-for-profit organization offering public education. However, employment with a for-profit private school, college, or university is not eligible employment for PSLF purposes.

If you are employed by a parochial or other religious school, see [Q54](#) and [Q55](#) for more information regarding whether your employment qualifies for PSLF. (*March 14, 2012*)

Q45 Do I need to have the same job while making all of the required 120 payments for PSLF and still be eligible for forgiveness?

A45 No. As long as you can provide documentation demonstrating that you were employed full-time by one or more public service organizations during the period of time you made each of the required 120 separate, monthly payments, and at the time you apply for and receive loan forgiveness. (*March 14, 2012*)



Q46 If I receive my pay in the form of a stipend, will my employment qualify for PSLF?

A46 The form of payment you received from your employer does not matter. What matters is whether you made each of the required 120 separate, monthly payments on time while you were employed full-time by a public service organization. For PSLF purposes, you are considered an employee of an organization if you were hired and paid by that organization.

However, the source of the stipend may be relevant for purposes of determining whether you were employed by a qualifying public service organization. See [Q51](#) for more information. (*March 14, 2012*)

Q47 If I am employed by a not-for-profit organization that is tax-exempt under section 501(c)(3) of the Internal Revenue Code, but I perform this employment outside of the United States, would the employment qualify under the PSLF program?

A47 Yes. Full-time employees of organizations that are tax-exempt under section 501(c)(3) of the Internal Revenue Code may perform their work anywhere. (*March 14, 2012*)

Q48 I am a full-time employee of a foreign not-for-profit organization that does not operate in the United States and is not a 501(c)(3) organization under the Internal Revenue Code. Will my employment with this not-for-profit organization qualify for PSLF?

A48 No. If your public service organization does not operate in the U.S. and is not a not-for-profit, tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, your employment would not qualify for PSLF purposes.

However, if you work for a foreign not-for-profit organization that is not tax-exempt under section 501(c)(3) of the Internal Revenue Code, but which operates within the United States, your employment may qualify if it meets the conditions specified in the answer to [Q34](#).

See [Q56](#) for the definition of “the United States” for PSLF purposes. (*March 14, 2012*)

Q49 Does employment by a foreign government or international, intergovernmental organization (e.g., the United Nations, Organization for Economic Cooperation and Development, Organization of American States, North Atlantic Treaty Organization, etc.) qualify as public service employment?

A49 No. Only U.S. federal, state, local and tribal government organizations, agencies, or entities qualify as public service organizations for purposes of PSLF.

However, if you work for the United States delegation to an international, intergovernmental organization, such as the U.S. mission to the United Nations, then your employment qualifies because you are employed by the Federal government, not the international, intergovernmental organization. (*March 14, 2012*)



- Q50 Does full-time volunteer service for a public service organization qualify for PSLF?**
- A50 No. Unless you are an AmeriCorps or Peace Corps volunteer, you must be a full-time employee who is hired and paid by a public service organization. (*March 14, 2012*)
- Q51 I am serving a fellowship with a qualifying public service organization. Does this qualify as eligible employment for PSLF?**
- A51 It depends on the particular terms of your fellowship. If your fellowship is one in which you are considered an employee who is hired and paid by the public service organization, the fellowship would qualify. However, if you are not considered an employee of the public service organization, then your work will not qualify for PSLF. (*March 14, 2012*)
- Q52 Are vacation or leave periods considered when determining whether I am a full-time employee?**
- A52 Employer-provided vacation or leave time is equivalent to hours worked in determining whether you meet the full-time employment requirement. This includes leave taken for a qualifying condition under the Family and Medical Leave Act of 1993. (*March 14, 2012*)
- Q53 I am the only official that can certify my employment. Can I certify my own qualifying employment?**
- A53 Yes, you may self-certify your own employment if you are the only employee of the organization that can do so. However, the Department reserves the right to request additional documentation concerning your employment for this organization, such as earnings statements, IRS W-2 forms, your application for tax exempt status, or any other documentation required to be filed with the IRS on a period basis regarding the conduct of the organization. (*March 14, 2012*)
- Q54 I am employed full-time by a qualifying not-for-profit organization that engages in religious activities. Does my employment qualify for PSLF?**
- A54 It depends on how much of your job is related to religious activities. When determining full-time public service employment you may not include time spent participating in religious instruction, worship services, or any form of proselytizing. (*March 14, 2012*)
- Q55 I am employed full-time by a qualifying not-for-profit organization that does not engage in religious activities, but some of my job responsibilities are of a religious nature. Does my employment qualify for PSLF?**
- A55 It depends on how much of your job is related to religious activities. When determining full-time public service employment you may not include time spent participating in religious instruction, worship services, or any form of proselytizing. (*March 14, 2012*)



Q56 I am employed full-time by an eligible public service organization in one of the islands that have a legal relationship with the United States. Will that employment qualify for PSLF purposes?

A56 Yes. In addition to the 50 states and the District of Columbia, full-time employment with an otherwise eligible public service organization in American Samoa, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau qualifies. These locations are considered part of the United States for PSLF purposes. (*March 14, 2012*)

Q57 What if I make made my 120th qualifying payment while working for a qualified public service organization, but then leave that job to work for a for-profit corporation before applying for the PSLF benefit. Am I still eligible for PSLF?

A57 No. To be eligible for forgiveness, you must be employed full-time by a qualifying public service organization at the time you made each of the 120 qualifying payments, at the time you apply for loan forgiveness, and at the time you receive loan forgiveness.

Therefore, if you left your job at a public service organization after meeting the PSLF qualifying criteria but before you apply for loan forgiveness, you would not be eligible for forgiveness since you need to be working for the public service organization at the time you apply for and receive forgiveness. However, if you then find employment at another public service organization, you could regain eligibility. (*March 14, 2012*)

Public Service Loan Forgiveness – Receiving the Benefit

Q58 What do I do after I have made all of the 120 qualifying payments?

A58 You will need to submit an application for Public Service Loan Forgiveness.

Please note that the earliest any borrower could qualify for Public Service Loan Forgiveness is October of 2017. Therefore, there is no application for forgiveness yet. The application is under development and will be released closer to the time when the first borrowers will qualify for forgiveness. (*March 14, 2012*)



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Q59 When I have made my 120th qualifying payment while working for a qualifying public service organization and am ready to submit my loan forgiveness application, do I need to submit any other documents to the PSLF servicer?

A59 Yes. Even if you had submitted *Employment Certification Forms* to the Department's PSLF servicer during the entire period when you were making your 120 qualifying payments, you will need to submit one additional *Employment Certification Form* to verify your current full-time employment with a qualifying public service organization at the time you submit your PSLF application.

If you did not submit any *Employment Certification Forms*, or if you did not submit *Employment Certification Forms* for some of your employers or for only some of the time, you will need to provide one or more *Employment Certification Forms*, as necessary, to cover your entire period of qualifying public service employment (including your current employment) at the time you submit your loan forgiveness application.

Q60 I made some qualifying payments when I worked for a qualifying public service organization in the past, but I have not made 120 payments, and it is unlikely that I will be employed by a public service organization again in the future. Can I qualify for partial forgiveness based on the number of qualifying payments that I made?

A60 No. There is no partial loan forgiveness. To receive loan forgiveness under the Public Service Loan Forgiveness Program, you must make all 120 qualifying payments while providing qualifying public service. (*March 14, 2012*)

Q61 When I submit my application for loan forgiveness after making the 120 required monthly payments, how long will it take the Department's PSLF servicer to process my application and forgive my remaining loan balance?

A61 We estimate that in most cases it will take approximately 30-60 days to process a PSLF application. Processing times may vary depending on factors such as whether documentation of employment was previously submitted for review or only at the time of application for loan forgiveness, the number of employers, gaps in employment or payment history, and any required follow-up with the applicant. (*March 14, 2012*)

Q62 What will happen if the Department's PSLF servicer denies my PSLF application for loan forgiveness?

A62 If the Department determines that you are not eligible for loan forgiveness, you will be notified of this determination and will be provided with the reason you were determined to be ineligible. The Department's PSLF servicer will then resume billing on your loans. The Department will grant forbearance of payments of principal and interest to cover the period when collection activity was suspended during the application processing period. Interest that accrues during a period of suspended collection activity may be capitalized if you are not granted forgiveness.

Capitalization means that we add accrued interest to the unpaid principal amount of your loan. Capitalization increases the unpaid principal balance of your loan, and we will then charge interest on the increased principal amount. (*March 14, 2012*)



Q63 I am a teacher and I plan to apply for federal Teacher Loan Forgiveness after completing five years of qualifying teaching service. Will I also be able to qualify for PSLF?

A63 Yes. However, you may not receive a benefit under both the Teacher Loan Forgiveness Program and the Public Service Loan Forgiveness Program for the same period of teaching service. For example, if you make payments on your loans during your five years of qualifying employment for Teacher Loan Forgiveness and then receive loan forgiveness for that service, the payments you made during that five-year period will not count toward the 120 payments required for PSLF. (March 14, 2012)

Q64 If I am employed by an eligible public service organization and receive a student loan repayment benefit from my employer under the Federal Student Loan Repayment Program or under another employer-based student loan repayment program, can I also receive PSLF based on the same employment?

A64 Yes. You may receive benefits under both an employer loan repayment plan, including the Federal Student Loan Repayment Program, and the PSLF Program for the same period of qualifying public service. A monthly payment made by your employer to cover the amount of your required monthly student loan payment under a qualifying PSLF repayment plan will count toward the 120 qualifying payments required for PSLF.

If your employer makes a single lump sum payment that covers multiple monthly student loan payments, it will only count as one qualifying monthly payment, and may affect whether future payments qualify. See [Q16](#) for more information.

More information about the Federal Student Loan Repayment Program may be found on the U.S. Office of Personnel Management's Web site at <http://www.opm.gov/oca/pay/studentloan/>. (March 14, 2012)



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Public Service Loan Forgiveness Program

Questions and Answers (Q&As) for Employers

Prepared by Federal Student Aid
U.S. Department of Education
March 14, 2012

The Questions & Answers (Q&As) for Employers that follow provide information about the Public Service Loan Forgiveness (PSLF) Program that is especially relevant to employers. We have grouped the Q&As into three categories: General Information, Forms, and Qualifying Employment. Following each answer is the date we posted that response. We will include a new date each time we add a question or when we update a previously posted response.

Public Service Loan Forgiveness – General Information

Q65 What is the PSLF Program?

A65 The PSLF Program was established to encourage individuals to enter and continue in full-time public service employment by forgiving the remaining balance of their William D. Ford Federal Direct Loan Program loans (Direct LoansSM) after the Direct Loan borrower has made 120 qualifying monthly payments (after October 1, 2007) while employed full-time by a public service organization. (March 14, 2012)

Public Service Loan Forgiveness – Employment Certification for Public Service Loan Forgiveness Form

Q66 What is the "Employment Certification for Public Service Loan Forgiveness Form" and why am I being asked to complete it?

A66 To be eligible for loan forgiveness under the PSLF Program, a borrower must make 120 qualifying payments while employed full-time by a qualifying public service organization. The *Employment Certification for Public Service Loan Forgiveness Form* collects employment information that is needed to determine whether your organization and the employee meet the employment eligibility requirements for PSLF. (March 14, 2012)

Q67 Am I allowed to release information regarding my employees to the Department of Education or my employee's Direct Loan servicer for PSLF purposes?

A67 Yes. The PSLF *Employment Certification Form* includes the borrower's authorization for you to release information about the status of the employee (e.g. full-time, part-time) and the period of employment that you are certifying. (March 14, 2012)

Q68 What will the information on the *Employment Certification Form* be used for?

A68 The information that you and your employee provide on the *Employment Certification Form* will *only* be used to determine whether your employee's work qualifies for the Public Service Loan Forgiveness Program.



- Q69 Do I have the right to obtain information about my employee’s student loans (e.g., the outstanding loan balances, payment status, etc.)?**
- A69 No. The Privacy Act of 1974, as amended, generally prohibits the Federal government from releasing any personal information it retains to third parties. (*March 14, 2012*)
- Q70 My employee (or former employee) submitted to me only an *Employment Certification Form*. Is there also an application for loan forgiveness that needs to be completed and submitted?**
- A70 Borrowers may not apply for loan forgiveness until after they have made 120 separate monthly qualifying loan payments while being employed full-time at a qualifying public service organization, and only payments made after October 1, 2007 count toward the required 120 separate, monthly payments. The earliest date that any borrower will be eligible to apply for PSLF is October 2017. Therefore, no application is currently available. However, the Department developed the *Employment Certification for Public Service Loan Forgiveness Form* so that Direct Loan borrowers could submit information on a periodic basis (recommended annually) so that confirmation of qualifying PSLF employment could be provided to the borrower. (*March 14, 2012*)
- Q71 The *Employment Certification Form* asks for an employment end date, but the employee for whom I am providing the information is currently employed by my organization. Do I leave this field blank?**
- A71 No. If the employee will continue working for your organization after you certify the form, report the employment end date as the date on which you sign the form. You may not certify an employment ending date that is after the date you sign the form. (*March 14, 2012*)
- Q72 I completed an *Employment Certification Form* for one of my employees last year. Why am I being asked to do so again this year?**
- A72 The Department recommends that borrowers obtain certification of qualifying public service employment on an annual basis. This will make the final PSLF application process easier for the borrower. (*March 14, 2012*)

Public Service Loan Forgiveness – Qualifying Employment

- Q73 My organization recently lost its 501(c)(3) status and I just had an employee ask me to complete the ECF. Can I complete the form?**
- A73 Yes, you may complete the form but you may not certify an employment end date beyond the date when your organization lost its 501(c)(3) status. However, your organization may meet the eligibility requirements for other private not-for-profit organizations that provide certain public services, as explained in [Q34](#). If your organization qualified as an eligible public service organization for the borrower’s full period of employment despite the loss of its 501(c)(3) status, you should complete a separate ECF for the period of employment after your organization’s loss of its 501(c)(3) status. (*March 14, 2012*)

Q74 My organization is an otherwise qualifying religiously affiliated not-for-profit organization. Does my employee's work qualify for PSLF?

A74 It depends on how much of your employee's job is related to religious activities. When determining full-time public service employment your employee may not include time spent on participating in religious instruction, worship services, or any form of proselytizing.

When an authorized official signs the *Employment Certification Form*, the official is certifying that the number of hours worked on the form do not include any of the activities above. (March 14, 2012)

Q75 My organization is an otherwise qualifying not-for-profit, but my employee's job duties include participating in religious activities. Does my employee's work qualify for PSLF?

A75 It depends on how much of your employee's job is related to religious activities. When determining full-time public service employment your employee may not include time spent on participating in religious instruction, worship services, or any form of proselytizing.

When an authorized official signs the *Employment Certification Form*, the official is certifying that the number of hours worked on the form do not include any of the activities above. (March 14, 2012)

Q76 May my part-time employees take advantage of PSLF?

A76 Yes, if the employee works for another qualifying public service organization concurrently with your organization and works a combined annual average of at least 30 hours per week.

You do not need to determine whether your employee meets this requirement as long as you appropriately certify that the individual is a part-time employee and provide the annual average number of hours worked per week at your organization. (March 14, 2012)

**U.S. Department of Education's
Public Service Loan
Forgiveness Employment
Certification Package**



Dear Federal Student Loan Borrower:

Thank you for your interest in the Direct Loan Public Service Loan Forgiveness (PSLF) Program. The PSLF Program was established by Congress with the passage of the College Cost Reduction and Access Act of 2007, and was created to encourage individuals to enter lower-paying but vitally important public sector jobs such as military service, law enforcement, public education and public health professions. The PSLF Program allows eligible borrowers to cancel the remaining balance of their Direct Loans after they have served full time at a public service organization for at least 10 years, while making 120 qualifying loan payments.

This letter provides important information about the PSLF Program, including information on how to determine if your employment and loan payment history meet the program's loan forgiveness requirements. To better assist you, the Department of Education is providing a series of materials, including an employment certification form that allows you to keep track of eligible employment and loan payments. In addition, these materials will allow you to find out if your job and loan payments will qualify for loan forgiveness in the future. If you are eligible, these materials will assist you in determining how many payments you have left to make to qualify for loan forgiveness.

What must I do to have any remaining balances on my Direct Loans forgiven under the PSLF Program?

- ✓ You must make 120 on-time, full, scheduled, monthly payments on your Direct Loans. Only payments made *after* October 1, 2007 qualify.
- ✓ You must make those payments under a qualifying repayment plan.
- ✓ When you make each of those payments, you must be working full-time at a qualifying public service organization.

The following provides detailed information on the PSLF requirements.

What loans qualify for forgiveness?

Only loans you received under the William D. Ford Federal Direct Loan (Direct Loan) Program are eligible for PSLF. Loans you received under the Federal Family Education Loan (FFEL) Program, the Perkins Loan Program, or any other student loan program are not eligible for PSLF.

If you have FFEL and/or Perkins loans, you may consolidate them into a Direct Consolidation Loan to take advantage of PSLF. However, only payments you make on the new Direct Consolidation Loan will count toward the 120 month payment requirement for PSLF. Payments made on your FFEL or Perkins loans, even if they were made under a qualifying repayment plan, do not count as eligible PSLF payments.

If some or all of your loans are not eligible, you can consolidate.

If you are interested in consolidating your FFEL or Perkins loans into a Direct Consolidation Loan, please visit www.loanconsolidation.ed.gov for more information and an electronic application. If you do not know what type of loans you have, please visit www.nslds.ed.gov.

What are on-time, full, scheduled, monthly payments?

On-time payments are those that are received by your Direct Loan servicer no later than 15 days after the scheduled payment due date.

Full payments are payments on your Direct Loan in an amount that equals or exceeds the amount you are required to pay each month under your Direct Loan repayment schedule. If you make a payment for a month that is less than what you are required to pay for that month, that month's payment will not count as one of the required 120 monthly payments. If you make multiple, partial payments in a month and the total of those partial payments equals or exceeds the required full monthly payment amount, those payments will count as only one qualifying payment.

Scheduled payments are those that are made under a qualifying repayment plan after your servicer has billed you for the month's payment. They do not include payments made while your loans are in an in-school or grace status or in a deferment or forbearance period.

You must make separate monthly payments. Lump sum payments or payments you make as advance payments for future months are not qualifying payments. There are special rules on lump sum payments for borrowers whose public service employment is with AmeriCorps or the Peace Corps.



You can only make one qualifying payment per month.



What is a qualifying repayment plan?

To maximize your PSLF benefit, you should repay your loans on the Income-Based Repayment (IBR) Plan or the Income-Contingent Repayment (ICR) Plan, which are two of the repayment plans that qualify for PSLF.

Other PSLF-qualifying repayment plans are the 10-Year Standard Repayment Plan or any other repayment plan where your monthly payment amount equals or exceeds what you would pay under a 10-Year Standard Repayment Plan.

Before deciding which repayment plan you want to use to repay your Direct Loans, it is important that you understand the implications and costs of that decision. The longer you make PSLF-qualifying payments under a 10-Year Standard Repayment Plan, the lower the remaining balance on your loans will be when you meet all of the PSLF Program's eligibility requirements. In fact, if you make all of the required 120 monthly payments under the 10-Year Standard Repayment Plan, there will be no balance left on your loans to be forgiven.



PSLF is best under IBR or ICR.



Under the IBR and ICR plans, your monthly payment amount will likely be lower than under any of the other PSLF-qualifying repayment plans and your repayment period will likely be longer. Because of the longer repayment period, additional interest that will accrue on your loan, and the smaller monthly payment amount, you will be left with a higher loan balance that could be forgiven. However, if you ultimately do not meet the eligibility requirements for PSLF, you will be responsible for repaying the entire balance of your loan, including all accrued interest.

What kinds of employment qualify?

Qualifying employment is any employment with: a federal, state, or local government agency, entity, or organization (including entities such as a public transportation, public water, or public bridge district, or a public housing authority) or a non-profit organization that has been designated as tax-exempt by the Internal Revenue Service (IRS) under § 501(c)(3) of the Internal Revenue Code (IRC). The type of services that these public service organizations provide does not matter for PSLF purposes.

• • •

Many non-profit employees, teachers, law enforcement officers, and other government employees qualify.

A private non-profit employer that is not a tax-exempt organization under Section 501(c)(3) of the IRC may be a qualifying public service organization if it provides certain specified public services. These services include: emergency management, military service, public safety, law enforcement services; public health services; public education, public library services; school library and other school-based services; public interest law services, early childhood education; public service for individuals with disabilities and the elderly. The organization must not be a labor union or a partisan political organization.

• • •

Generally, the type or nature of employment with the organization does not matter for PSLF purposes. However, when determining full-time public service employment at a not-for-profit organization you may not include time spent participating in religious instruction, worship services, or any form of proselytizing.

What is full-time employment?

You must meet your employer's definition of full-time. However, for PSLF purposes, that definition must be at least an annual average of 30 hours per week. For purposes of the full-time requirement, your qualifying employment at a not-for-profit organization does not include time spent participating in religious instruction, worship services, or any form of proselytizing.

• • •

Most often, it's your employer's definition of full-time that counts.

If you are a teacher, or other employee of a public service organization, under contract for at least eight out of twelve months, you meet the full-time standard if you work an average of at least 30 hours per week during the contractual period and receive credit by your employer for a full year's worth of employment.

• • •

If you are employed in more than one qualifying part-time job simultaneously, you may meet the full-time employment requirement if you work a combined average of at least 30 hours per week with your employers.

What does it mean that my 120 Direct Loan payments must be made while I am working full-time at certain public service organizations?

For a payment to count as one of the required 120 qualifying monthly payments, you must be a full-time employee at a qualifying public service organization on the date that your Direct Loan servicer receives your monthly Direct Loan payment.

In addition, you must be a full-time employee at a qualifying public service organization at the time you apply for PSLF Program loan forgiveness and at the time forgiveness is granted.



Instructions for Completing Employment Certification for Public Service Loan Forgiveness (PSLF) William D. Ford Federal Direct Loan Program

OMB No. 1845-0110
Form Approved
Exp. Date 11/30/2014

Before You Begin

Carefully read the enclosed Dear Borrower Letter for information about the eligibility requirements of the Public Service Loan Forgiveness (PSLF) Program, the means by which you may track your qualifying public service employment, and the process for applying for loan forgiveness.

Instructions for the Borrower:

Use as many Employment Certification forms (pages 1-2 only) as needed to certify your full-time public service employment while making the required 120 separate, on-time, qualifying monthly payments. These 120 qualifying payments do not have to be consecutive. You must obtain an authorized official's certification on the Employment Certification form (ECF). **For periods in which you are/were concurrently working part-time with more than one public service employer and the total average hours you worked per week meets the definition of full-time employment, submit an ECF(pages 1-2) for each employer.**

The U.S. Department of Education contracts with servicers to answer questions about and manage the repayment of federally held loans. You should submit a completed ECF to the PSLF servicer at the address in Section 6. Once you submit a valid ECF, your loans will be transferred from your existing servicer to the PSLF servicer, who will take over management of your federally held loans throughout the repayment period or until you qualify for PSLF. **Submission of ECFs before you are eligible to apply for PSLF is optional but we encourage you to submit certifications annually or whenever you leave a qualifying position.** Validating your employment while you are still employed at a qualifying public service organization or soon thereafter is advisable in case your organization closes or is otherwise unable to provide a certification when you apply for PSLF. If you choose not to submit ECFs while making the required 120 qualifying monthly payments, you will have to submit them when you apply for PSLF.

The PSLF servicer will review each form you submit to ensure that it is complete, will determine whether your employer qualifies as a public service organization, and whether the loan payments you made during the period covered by the Employment Certification(s) are qualifying payments. Following this review, the PSLF servicer will notify you in writing or electronically of:

- The number of qualifying payments you have made while employed at a qualifying public service organization, and
- The remaining number of payments you must make before you are eligible to apply for PSLF.

You will also be notified if the PSLF servicer determines that the form(s) you submitted is incomplete or that your employment does not meet the qualifying criteria, including:

- The reason(s) for the determination(s),
- The steps you would need to take to complete the form, correct the information, and submit the corrected or additional information to the PSLF servicer.

The PSLF servicer will retain the form(s) you submit until you submit the Public Service Loan Forgiveness Application. If you submit the ECF(s) before you submit the application for PSLF you must still submit an ECF for the public service organization that employs you at the time you apply for loan forgiveness and at the time of forgiveness (if granted).

INSTRUCTIONS FOR COMPLETING AND SUBMITTING THE EMPLOYMENT CERTIFICATION FOR PUBLIC SERVICE LOAN FORGIVENESS

- Type or print using blue or black ink.
- Show dates as mm-dd-yyyy (for example, show "January 15, 2010" as "01-15-2010").
- If any information is crossed out or altered in Sections 1 or 2, you must initial beside the change; any changes in Section 3 must be initialed by your employer. If the alteration is not initialed, the PSLF servicer may return this form to you.
- **Keep a copy** of each completed Employment Certification form for your records.
- Mail the original completed Employment Certification form (pages 1-2 only) to the PSLF servicer (see Section 6 of the Employment Certification form).
- **You should also retain copies of additional documents** that confirm your qualifying employment with the public service organization(s), but do not submit these supporting documents to the PSLF servicer unless requested to do so. Such documents may include:
 - W-2 forms
 - Pay stubs
 - Any other documentation related to your qualifying employment or your employer(s) that you believe would establish eligibility as a public service organization(s).

SECTION 1: BORROWER IDENTIFICATION

Provide the requested information about yourself, if not preprinted:

- **Item 1a:** Enter your nine-digit Social Security Number.
- **Item 1b:** Enter your date of birth.
- **Item 2a:** Enter your last name, then your first name and middle initial.
- **Item 2b:** Enter any other name, such as a former or maiden name, under which you applied for and were granted Direct Loan(s) or made payments on Direct Loan(s).
- **Item 3:** Enter your permanent address (number, street, apartment number, or rural route number and box number, then city, state, zip code). If your mailing address is a post office box or general delivery, you must list **both** your permanent address and mailing address.
- **Item 4:** Enter the area code and telephone numbers for your home telephone and any other telephone at which you can easily be reached. (Do not list your work telephone number here.) If you do not have a telephone, enter N/A.
- **Item 5 (optional):** Enter your preferred e-mail address for receiving communications. If you provide it, we may use your e-mail address to communicate with you.

SECTION 2: BORROWER'S CERTIFICATION REQUESTS, AUTHORIZATIONS, AND UNDERSTANDINGS

Carefully read the requests, authorizations, and understandings in this section and sign and date the form. Before signing, carefully review the entire PSLF employment certification package, including the Employment Certification form, these Instructions and the Dear Borrower Letter.

SECTION 3: CERTIFICATION OF EMPLOYMENT

Enter your name and nine-digit Social Security Number at the top of page 2, if not preprinted.

An authorized official from the public service organization at which you are/were employed must complete Section 3. If any requested information is incomplete or missing, the PSLF servicer cannot determine if your employment qualifies.

Instructions for the Authorized Official (see Section 5 of the Employment Certification form for definition of Authorized Official):

Item 1: Provide the requested information about the public service organization at which the borrower is/was employed, including the organization's name, permanent address, and federally assigned Employer Identification Number (EIN), which will be used to verify information about your organization.

Item 2a: Provide the borrower's starting and ending dates of employment. If the borrower is still employed with your organization at the time the certification is completed, put today's date as the ending date.

Item 2b: Check the box that describes the borrower's employment status. Full-time employment must be in accordance with the definition in Section 5 of the form. Provide the average number of hours per week the borrower is/was employed, either full-time or part-time, at your public service organization.

Item 3: Check the box next to the category which best describes your public service organization (see Section 5 of the Employment Certification form for definition of public service organization). If your organization is a private organization that provides public service(s)—category (c) only—check the box(es) that describes the type(s) of public service(s) it provides. A private organization does not qualify as a public service organization if it does not provide one of the listed public services. For purposes of the full-time requirement, an individual borrower's qualifying employment under category (b) or (c) does not include time spent on job duties that are related to religious instruction, worship services, or any form of proselytizing.

Certification: Carefully read the certification statement. Print your full name and official title in the spaces provided and provide a telephone number where you can be reached if additional information or documentation is needed. Sign and date in the spaces provided. Show dates as mm-dd-yyyy.

Return the completed Employment Certification form to the borrower.

Instructions for the Borrower when there is no Authorized Official: If the organization has closed or you are otherwise unable to obtain certification from an authorized official, check the box under this heading, and complete Sections 1, 2, and 3. You will be required to provide to the PSLF servicer additional documentation with sufficient evidence in order to determine qualifying employment.

Final Notes

For help completing this form, call the PSLF servicer. If the PSLF servicer's contact information is not preprinted in Section 6 on the Employment Certification form, you can look this up on the National Student Loan Data System (NSLDS) at <http://www.nsls.ed.gov/>. Additional information can be found on the [Public Service Loan Forgiveness Web page](#), including a [Fact Sheet](#) and [Q&As](#).



Employment Certification for Public Service Loan Forgiveness (PSLF)

William D. Ford Federal Direct Loan Program

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying documents is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

INSTRUCTIONS FOR COMPLETING AND SUBMITTING THIS EMPLOYMENT CERTIFICATION
 Read the accompanying instructions for completing this Employment Certification for Public Service Loan Forgiveness. Type or print using blue or black ink. You must sign and date this form in Section 2 and an authorized official from the public service organization which employs/employed you must completely fill out, sign, and date Section 3. If any information is crossed out or altered in Sections 1 or 2, you must initial beside the change; any changes in Section 3 must be initialed by your employer.

SECTION 1: BORROWER IDENTIFICATION

Please enter or correct the following information. Check this box if any of your information has changed.

1a. SSN [] [] [] - [] [] - [] [] [] [] 1b. Date of Birth (MM-DD-YYYY) [] [] - [] [] - [] [] [] []

2a. Name _____ 2b. Former Name _____
 Last First MI (if applicable) Last First MI

3. Permanent Address _____
 Street Address City State Zip

Mailing Address _____
 (if different) Street Address City State Zip

4. Area Code/Telephone – Home () _____ Area Code/Telephone – Other () _____

5. E-mail (optional) _____

SECTION 2: BORROWER'S CERTIFICATION REQUESTS, AUTHORIZATIONS, AND UNDERSTANDINGS

Before signing, carefully read the entire form, including the instructions and accompanying letter.

I request that the Public Service Loan Forgiveness servicer, on behalf of the U.S. Department of Education (the Department), accept this Employment Certification from the public service organization at which I am/was employed for purposes of qualifying me for the Public Service Loan Forgiveness Program. If I submit this form before I am eligible to apply for forgiveness, I request that the PSLF servicer retain this certification form until I submit the Application for Public Service Loan Forgiveness.

I authorize my employer(s) or other entities having records about the employment that is part of the basis for my request for forgiveness to make information from those records available to the Department, including the Public Service Loan Forgiveness servicer. I also authorize the Department and its respective agents and contractors, to contact me regarding this Employment Certification, at the current or any future number that I provide for my cellular telephone or other wireless device using automated telephone dialing equipment or artificial or prerecorded voice or text messages.

I understand that:

- (1) I may only qualify for Public Service Loan Forgiveness after I have made 120 separate, on-time, qualifying monthly payments on an eligible Direct Loan, after October 1, 2007, while employed full-time by a public service organization(s), or serving in a full-time AmeriCorps or Peace Corps position, in accordance with the definitions in Section 5. These 120 payments do not have to be consecutive;
- (2) I must be employed full-time by a public service organization(s) or serving in a full-time AmeriCorps or Peace Corps position at the time I apply for loan forgiveness and at the time the forgiveness is granted. I may be employed part-time concurrently by more than one eligible public service organization and meet the full-time requirement;
- (3) Only the remaining balance of my loan(s) after I have made the 120 separate, on-time, qualifying monthly payments and met all other eligibility requirements of the PSLF Program may be forgiven;
- (4) I am not required to submit any Employment Certification(s) before applying for loan forgiveness, but if I do, the PSLF servicer will review each Employment Certification I submit to ensure that it is complete, will verify that my employer qualifies as a public service organization, and that the loan payments I made during the period covered by the Employment Certification(s) are qualifying payments. Following this review, the PSLF servicer will notify me in writing or electronically of the number of qualifying payments I have made while employed in qualifying public service and the remaining number I must make before I am eligible to apply for PSLF. I will also be notified in writing or electronically if the PSLF servicer determines that the form(s) I submitted is incomplete or that my employment does not meet the qualifying criteria, including the reason(s) for the determination(s), along with the steps I would need to take to complete this form, correct this information, and submit the corrected or additional information to the PSLF servicer; and
- (5) The Department will only determine whether I have fulfilled all of the requirements to be eligible for PSLF after I have made all 120 qualifying payments and have submitted my loan forgiveness application. I understand that the law does not permit partial forgiveness based on making a lesser number of qualifying monthly payments while working at a qualifying public service organization.

 Signature of Borrower

 Date (MM-DD-YYYY)

SECTION 3: CERTIFICATION OF EMPLOYMENT

See Section 3 of the accompanying *Instructions for Completing Employment Certification for Public Service Loan Forgiveness* for detailed information on completing this section. These *Instructions* are also located at www.studentaid.ed.gov/publicservice

An authorized official (see Section 5) of the public service organization at which the borrower is/was employed must complete this section.

Instructions for Authorized Official:

- Complete this form only if you are an authorized official of the public service organization at which the borrower identified in Section 1 is/was employed or, if the borrower is/was a full-time AmeriCorps or Peace Corps volunteer, an authorized official of AmeriCorps or the Peace Corps.
- Read the definitions in Section 5 before completing this form.
- Type or print using blue or black ink. All fields must be completed if applicable. Your signature date must include month, day, and year (MM-DD-YYYY).
- Provide all requested information for Items 1, 2, and 3 below. Complete the employer's certification at the bottom of this page. The Employment Certification form cannot be processed if the information requested in this section is missing.
- If you make any changes to the information you provide in this section, you must initial each change.

Please return the completed form to the borrower. The U.S. Department of Education or the PSLF servicer may contact you for additional information or documentation.

Instructions for Borrower when there is no Authorized Official:

- Check this box if you are unable to obtain certification from an authorized official, for example, because the organization no longer exists. Provide all requested information for Items 1, 2, and 3 below. For Item 1, list the organization's address from when you worked there, and consult your W2 records for the EIN. The Department will require you to submit additional evidence of your qualifying employment. Do not submit supporting documents until requested to do so.

1. Information about the public service organization at which the borrower is/was employed.

Public Service Organization Name _____ Federally Assigned Employer ID# (EIN) |_|_|_| - |_|_|_|_|_|_|_|_|

Public Service Organization Address _____

2. Borrower's Employment Status.

(a) Dates of employment: Start: |_|_| - |_|_| - |_|_|_|_|_| End: |_|_| - |_|_| - |_|_|_|_|_| (If the borrower is still employed, put today's date)

(b) Borrower's employment status at your organization:

- Full-Time** Average number of hours per week: _____
- Part-Time** Average number of hours per week: _____

For purposes of eligibility for PSLF, **full-time** employment is defined as:

(1) Working in qualifying employment in one or more jobs for the greater of:

- (A) An annual average of at least 30 hours per week or, for a contractual or employment period of at least 8 months, an average of 30 hours per week; or
- (B) Unless the qualifying employment is with two or more employers, the number of hours the employer considers full-time.

(2) Vacation or leave time provided by the employer or leave taken for a condition that is a qualifying reason for leave under the Family and Medical Leave Act of 1993, 29 U.S.C. 2612(a)(1) and (3) is equivalent to hours worked in qualifying employment.

NOTE: A full-time AmeriCorps or Peace Corps volunteer is considered a full-time employee for eligibility purposes for PSLF.

3. Type of Public Service Organization, in accordance with the definition in Section 5 (check one):

- (a) A **government organization** (including a Federal, State, local or Tribal organization, agency or entity; a public child or family service agency; or a Tribal college or university);
- (b) A **non-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code;**
- (c) A **private, non-profit organization** (that is not a labor union or a partisan political organization) that provides at least one of the following public services (check all that apply):
 - Emergency management,
 - Military service,
 - Public safety,
 - Law enforcement,
 - Public interest law services,
 - Early childhood education (including licensed or regulated child care, Head Start, and State-funded pre-kindergarten),
 - Public service for individuals with disabilities and the elderly,
 - Public health (including nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in health care practitioner occupations and health support occupations, as such terms are defined by the Bureau of Labor Statistics),
 - Public education,
 - Public library services,
 - School library services, or
 - Other school-based services.

NOTE as to categories (b) and (c): For purposes of the full-time requirement (Section 3, Item 2.(b) above), a borrower's qualifying employment does not include time spent on job duties that are related to religious instruction, worship services, or any form of proselytizing.

I certify that the borrower identified in Section 1 above is/was employed at a public service organization, as indicated above, or is/was serving in an AmeriCorps or Peace Corps position (in accordance with the definitions of these terms in Section 5) during the period identified in Item 2(a) of this section.

Authorized Official's Name (Printed) _____ Authorized Official's Title _____

Authorized Official's Signature _____ Authorized Official's Telephone _____ Today's Date (MM-DD-YYYY) _____

SECTION 4: ELIGIBILITY REQUIREMENTS / TERMS AND CONDITIONS FOR PUBLIC SERVICE LOAN FORGIVENESS

You may obtain loan forgiveness under this program if:

- (1) You are not in default on the loan(s) for which forgiveness is requested.
- (2) Except as provided below for AmeriCorps and Peace Corps volunteers, you have made 120 separate, on-time, qualifying monthly payments after October 1, 2007, on the Direct Loan(s) for which you are requesting forgiveness under one or more of the following repayment plans—
 - The Income-Based Repayment (IBR) Plan;
 - The Income Contingent Repayment (ICR) Plan;
 - The 10-Year Standard Repayment Plan* (Standard Repayment Plan with a maximum 10-year repayment period); or
 - Any other Direct Loan repayment plan, but only payments that are at least equal to the monthly payment amount that would be required under the Standard Repayment Plan with a 10-year repayment period may be counted toward the required 120 payments.

In addition, each of the required 120 separate, qualifying monthly payments must have been made on time (no more than 15 days after the scheduled due date) and for the full scheduled installment amount.

* **IMPORTANT:** The Standard Repayment Plan for Direct Consolidation Loans entered on or after July 1, 2006 have varying repayment terms based on the loan amount. For purposes of qualifying for Public Service Loan Forgiveness, monthly payments you make under the Standard Repayment Plan on a Direct Consolidation Loan are only qualifying payments if made under the 10-year repayment term.

Note for AmeriCorps/Peace Corps volunteers: If you were an AmeriCorps or Peace Corps volunteer, you may receive credit for making qualifying payments if you make a lump sum payment on an eligible loan for which you are seeking forgiveness by using all or part of a Segal Education Award received after a year of AmeriCorps service, or by using all or part of a Peace Corps transition payment (if the payment is made within 6 months after you leave the Peace Corps). The Department will consider the lump sum payment you have made as the equivalent of qualifying payments equal to the lesser of:

- (1) The number of payments resulting after dividing the amount of the lump sum payment by the monthly payment amount you would have made under one of the qualifying repayment plans listed above; or
- (2) Twelve payments.

Peace Corps volunteers making an eligible lump sum payment must do so within 6 months of the End Date, as reported in Section 3 by the authorized official.

- (3) You were/are employed full time by one or more public service organizations or serving in a full-time AmeriCorps or Peace Corps position at the time you made each of the required 120 qualifying monthly payments, at the time you apply for loan forgiveness, and at the time loan forgiveness is granted.

NOTE: You are not permitted to apply the same period of service to receive a benefit under the PSLF Program and the Teacher Loan Forgiveness, Service in Areas of National Need, and Civil Legal Assistance Attorney Student Loan Repayment Programs.

You may not apply for PSLF until after you have met the eligibility requirements listed above. Since only qualifying payments made after October 1, 2007, while employed at a qualifying public service organization may be counted toward the required 120 payments, and borrowers may not apply for loan forgiveness until after they have made all 120 payments, the earliest date that any borrower will be eligible to apply for and receive loan forgiveness is October 2017. A PSLF Application will be made available to the public before October 2017.

SECTION 5: DEFINITIONS

Eligible Loans

Loans that are eligible for Public Service Loan Forgiveness are:

- Federal Direct Stafford/Ford Loans (Direct Subsidized Loans)
- Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans)
- Federal Direct PLUS Loans (Direct PLUS Loans)
- Federal Direct Consolidation Loans (Direct Consolidation Loans).

Loans that are in default are not eligible for forgiveness.

Note: Federal Family Education Loan (FFEL) Program loans, Federal Perkins Loans, and certain Health Professions and Nursing Loans may be consolidated into a Direct Consolidation Loan. However, payments made on these loans prior to consolidation into the Direct Loan Program are not qualifying payments and are not counted toward the required 120 payments for PSLF.

Qualifying Payments

- Separate, on-time, full monthly payments made after October 1, 2007 under a qualifying Direct Loan repayment plan. A payment is considered on-time if it is made for the full scheduled installment amount no more than 15 days after the due date for the payment.
- Qualifying Direct Loan repayment plans are:
 - The IBR Plan;
 - The ICR Plan;
 - The 10-Year Standard Repayment Plan (Standard Repayment Plan with a maximum 10-year repayment period); and
 - Any other Direct Loan repayment plan, but only payments that are at least equal to the monthly payment amount that would be required under the Standard Repayment Plan with a 10-year repayment period may be counted toward the required 120 monthly payments.

Qualifying Employment

- **AmeriCorps position** means a position approved by the Corporation for National and Community Service under Section 123 of the National and Community Service Act of 1990 (42 U.S.C. 12573).
- An **authorized official** is an official of a public service organization (including AmeriCorps or the Peace Corps) who has access to the borrower's employment or service records and is authorized by the public service organization to certify the employment status of the organization's employees or former employees, or the service of AmeriCorps or Peace Corps volunteers.
- An **employee** means an individual who is hired and paid by a public service organization.
- **Full-time** means working in qualifying employment in one or more jobs for the greater of:
 - An annual average of at least 30 hours per week or, for a contractual or employment period of at least 8 months, an average of 30 hours per week; or
 - Unless the qualifying employment is with two or more employers, the number of hours the employer considers full time.Vacation or leave time provided by the employer or leave taken for a condition that is a qualifying reason for leave under the Family and Medical Leave Act of 1993, 29, U.S.C. 2612(a)(1) and (3) is equivalent to hours worked in qualifying employment.
- **Government employee** means an individual who is employed by a local, State, Federal, or Tribal government, but does not include a member of the U.S. Congress.
- **Law enforcement** means service performed by an employee of a public service organization that is publicly funded and whose principal activities pertain to crime prevention, control or reduction of crime, or the enforcement of criminal law.
- **Military service** for uniformed members of U.S. Armed Forces or the National Guard means "active duty" service or "full-time National Guard duty" as defined in Section 101(d)(1) and (d)(5) of Title 10 in the United States Code, but does not include active duty for training or attendance at a service

school. For civilians, military service means service on behalf of the U.S. Armed Forces or the National Guard performed by an employee of a public service organization.

- **Peace Corps** position means a full-time assignment under the Peace Corps Act as provided for under 22 U.S.C. 2504.
- **Public interest law** refers to legal services provided by a public service organization that are funded in whole or in part by a local, State, Federal, or Tribal government.
- A **public service organization** is:
 - A Federal, State, local or Tribal government organization, agency or entity;
 - A public child or family service agency;
 - A non-profit organization under Section 501(c)(3) of the Internal Revenue Code that is exempt from taxation under Section 501(a) of the Internal Revenue Code;
 - A Tribal college or university; or
 - A private organization (that is not a labor union or a partisan political organization) that provides at least one of the following public services:
 - emergency management,
 - military service,
 - public safety,
 - law enforcement,
 - public interest law services,
 - early childhood education (including licensed or regulated child care, Head Start, and State funded pre-kindergarten),
 - public service for individuals with disabilities and the elderly,
 - public health (including nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in health care practitioner occupations and health support occupations, as such terms are defined by the Bureau of Labor Statistics),
 - public education,
 - public library services,
 - school library services, or
 - other school-based services.

NOTE: For purposes of the full-time requirement (Section 3, Item 2.(b) above), an individual borrower's qualifying employment with a Section 501(c)(3) non-profit or other private public service organization does not include time spent on job duties that are related to religious instruction, worship services, or any form of proselytizing.

SECTION 6: WHERE TO SEND THE COMPLETED FORM

Send the completed *Employment Certification* to:

U.S. Department of Education
FedLoan Servicing
P.O. Box 69184
Harrisburg, PA 17106-9184
Or Fax to: 717-720-1628

If you need help completing this form, call: 855-265-4038
If you use a telecommunications device for the deaf (TDD), call: 800-722-8189
Web site: www.MyFedLoan.org

SECTION 7: IMPORTANT NOTICES

Privacy Act Notice. The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authorities for collecting the requested information from and about you are §421 et seq., §451 et seq., §461 et seq., and §420L et seq. of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. 1071 et seq., 20 U.S.C. 1087a et seq., 20 U.S.C. 1087aa et seq., and 20 U.S.C. 1070g et seq.) and the authorities for collecting and using your Social Security Number (SSN) are §§428B(f) and 484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 1091(a)(4)) and §31001(i)(1) of the Debt Collection Improvement Act of 1996 (31 U.S.C. 7701(c)). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a Direct Loan, to receive a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness), to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) become delinquent or in default. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices.

For a loan, the routine uses of the information that we collect about you include, but are not limited to, its disclosure to federal, state, or local agencies, to institutions of higher education, and to third party servicers to determine your eligibility to receive a loan, to investigate possible fraud, and to verify compliance with federal student financial aid program regulations.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

For a loan, the routine uses of this information also include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to creditors, to financial and educational institutions, and to guaranty agencies to verify your identity, to determine your program eligibility and benefits, to permit making, servicing, assigning, collecting, adjusting, or discharging your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, to locate you if you become delinquent in your loan payments or if you default, or to verify whether your debt qualifies for discharge or cancellation. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state or local agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment status, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

Paperwork Reduction Notice. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. Public reporting burden for this collection of information is estimated to average 0.5 hours (30 minutes) per response, including time for reviewing instructions, searching existing data resources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain a benefit in accordance with 34 CFR 685.219. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S Department of Education, 400 Maryland Ave., SW, Washington, DC 20210-4537 or e-mail ICDocketMgr@ed.gov and reference OMB Control Number 1845-0110. **Note: Please do not return the completed Employment Certification for Public Service Loan Forgiveness to this address.**

If you have comments or concerns regarding the status of your individual submission of this form, contact the PSLF servicer (see Section 6).

Direct Consolidation Loan Application Self-Help Package

provided by the National Consumer Law Center

DIRECT LOAN CONSOLIDATION

Consolidation

Consolidation is similar to refinancing a loan. You can consolidate all, just some, or even just one of your student loans. Before making the decision to consolidate, you should consider the pros and cons as discussed on the Student Loan Borrower Assistance web site (www.studentloanborrowerassistance.org) and the Department of Education web site (www.ed.gov).

Direct Loan Consolidation

Under the Direct Loan Consolidation program, you can consolidate most federal student loans. Loans that are not eligible for consolidation include state or private loans that are not federally guaranteed. You must have at least one outstanding FFEL or Direct Loan to obtain a Direct Consolidation Loan. This means, for example, that a Perkins Loan on its own cannot be consolidated into a Direct Loan. If the “qualifying” loan is a FFEL loan, you must also certify that you were unable to obtain FFEL Consolidation or unable to obtain a FFEL Consolidation Loan with acceptable income sensitive repayment terms. This should not be a problem because there are no more FFEL consolidation loans as of July 1, 2010.

Parent PLUS borrowers who also have other federal student loans and choose to consolidate all of their loans together will not be eligible for IBR. These borrowers may exclude the PLUS loans from the consolidation and pay them separately. They should also be able to repay through ICR.

How to Apply for a Direct Consolidation Loan

Before you start filling out the application, you should get a list of your federal loans from the Department of Education’s National Student Loan Data System. You can get this information online at www.nsls.ed.gov or by calling 1-800-4-FED-AID.

You can apply for a Direct Consolidation loan on-line at <https://loanconsolidation.ed.gov/>. You can also download the forms from this web address or use the contact information numbers below to request an application.

The current application forms and a sample application are provided in this packet. The forms you need to fill out and send in are:

1. Application and Promissory Note
2. "FYdUha YbhDUb FYei Yghcf FYdUha YbhDUb GYWMcb"
3. "5XhcbU@cU@ghb[G\Yhi

In addition to the forms above, make sure you read the following:

1. Dear Borrower Letter
2. Borrower's Rights and Responsibilities (attached to Application and Promissory Note)
3. Instructions for Application and Promissory note

Where to Mail the Completed Application

Once you have completed the application, you should make a copy for your records and send the original to: U.S. Department of Education, Loan Consolidation Center, P.O. Box 242800, Louisville, KY 40224-2800. You should consider sending by certified mail with a receipt.

What to Expect After Application

The Department says that it takes 60-90 days to process consolidation applications, but it could take longer. You can call the servicing phone numbers below to check on your application. Applying on-line can speed up the process. You can request forbearance while the application is pending, especially if you are in default and are worried about collection.

For More Information:

Direct Loan Consolidation Telephone Numbers:

- Toll free: 1-800-557-7392
- Hearing Impaired Borrowers with a TDD: 1-800-557-7395

Customer Service Representatives are available to answer borrower phone calls from:

- Monday through Friday 8:00 am E.S.T. to 8:30 pm E.S.T.
- Monday through Friday 5:00 am P.S.T. to 5:30 pm P.S.T.

READ THESE FORMS FIRST

1. Dear Borrower Letter
2. Borrower's Rights and Responsibilities (Attached to Application and Promissory Note)
3. Instructions for Application and Promissory Note

Direct Loans

William D. Ford Federal Direct Loan Program

Dear Borrower,

Thank you for your interest in the U.S. Department of Education's Federal Direct Consolidation Loan (Direct Consolidation Loan) Program.

Contents of Direct Consolidation Loan Application Package

- Direct Consolidation Loan Application and Promissory Note.
- Instructions for completing the Direct Consolidation Loan Application and Promissory Note.
- Additional forms related to applying for a Direct Consolidation Loan.

Items You Should Review Before Applying

Choosing a Direct Consolidation Loan is a decision that will affect your financial future. There are several documents that will help you make an informed decision. Please be sure to carefully read all of these documents before you complete your Direct Consolidation Loan Application and Promissory Note:

- **Application and Promissory Note, Borrower's Rights and Responsibilities, and Instructions:** Find helpful, line-by-line guidance and information—a "must" when completing your application and understanding your rights and responsibilities.

ADDITIONAL INSTRUCTIONS: If you have any Direct Unsubsidized Loans (TEACH) (converted from TEACH Grants), which you want to consolidate or do not want to consolidate, select loan type 'L' (Direct Unsubsidized Loans) when you complete the *Education Loan Indebtedness* sections of the Direct Consolidation Loan Application and Promissory Note and Additional Loan Listing Sheet—and on the Request to Add Loans form if you add any loans to an existing consolidation.

- **Addendum to Direct Consolidation Loan Application and Promissory Note:** As a result of new laws or regulations, some of the terms and conditions of Direct Consolidation Loans may differ from the terms and conditions that are included in the Application and Promissory Note. If any of the loan terms and conditions in the Application and Promissory Note have changed, this package will also include an Addendum to the Direct Consolidation Loan Application and Promissory Note that explains these changes.

Estimate Your Monthly Repayment Amounts

Determining how much you will pay each month and for how long is essential to determining which repayment plan is best for you. Use our online, interactive repayment estimator (calculator) at <http://www.loanconsolidation.ed.gov> or contact us at the telephone number or address listed below.

Additional Forms You May Need to Submit

You may be required to submit other forms with your Application and Promissory Note. Read each form carefully to determine whether you need to submit it. The following is a description of each form:

- **Additional Loan Listing Sheet:** Use this form if all of your loans do not fit in the space provided in the *Education Loan Indebtedness* section of your Application and Promissory Note.
- **Repayment Plan Selection Form:** Complete this form to select a repayment plan to repay your consolidation loan.

NOTE: For your information only, a Repayment Plan Choices insert is also provided to help you decide which plan to select. This insert does not need to be returned to us.

NOTE: You may not repay your parent Direct PLUS Loan(s) or Direct Consolidation Loan(s) that includes a parent Direct PLUS Loan(s) under the IBR Plan.

NOTE: If you pay under the Income Contingent Repayment (ICR) or Income-Based Repayment (IBR) Plan, your 25-year repayment period may include prior periods of repayment under other repayment plans and certain periods of economic hardship deferment.

- **Consent to Disclosure of Tax Information Form:** Complete this form *only* if you are required or select to repay your consolidation loan under the ICR or IBR Plan. This form provides your consent for the Internal Revenue Service (IRS) to disclose your tax information to us. The income information provided by the IRS is used to determine your monthly payment amount under the ICR or IBR plan. If you are married, follow the instructions on the form regarding any spousal requirements.
- **Alternative Documentation of Income Form:** You may also complete this form to provide us with your income information before we receive it from the IRS or to provide updated income information. If you are married, follow the instructions on the form regarding any spousal requirements.

Checklist of Items to Send Us

- _____ Your completed Application and Promissory Note.
- _____ A photocopy of any supporting documents required to be sent as stated in the application and/or instructions.
- _____ A completed Repayment Plan Selection form showing the repayment plan you selected.
 - If you selected the ICR or IBR Plan, you must also complete the Consent to Disclosure of Tax Information. You may also submit the Alternative Documentation of Income form.
 - If you are consolidating a defaulted loan(s) and have not made satisfactory repayment arrangements, you **must** select the ICR Plan on the Repayment Plan Selection form.

The Length of the Consolidation Process Varies

Generally it takes 60 to 90 days to complete the consolidation process. Processing may take longer if your Application and Promissory Note is incomplete or if your loan holder(s) does not reply promptly to our request for loan pay-off information. We will contact you if we have questions.

You Need to Continue Making Payments

Continue making your monthly loan payments to your current loan holder (if you are required to do so) until you receive written notification that your loan(s) has been successfully consolidated. If you are having difficulty making your loan payments, contact your current loan holder(s) to find out how to postpone payments. Ask specifically about your "deferment" or "forbearance" options.

Additional Information and Assistance

The list below contains information on how to contact us and various methods for submitting your application.

- **E-mail** loan_consolidation@mail.hp.com
- **Web** **Apply online—it's fast, it's easy, and it reduces errors!**
<http://www.loanconsolidation.ed.gov>
- **Phone** 1-800-557-7392 (1-800-557-7395 TDD for the hearing impaired)
8:00 AM to 8:00 PM Eastern Time, Monday through Friday
- **Mail** **U.S. Department of Education**
Consolidation Department
P.O. Box 242800
Louisville, KY 40224-2800

Federal Direct Consolidation Loan Instructions for Application and Promissory Note

Before You Begin

Before beginning, you will need to gather all of your loan records, account statements, and bills so that you will have on hand all the information needed to complete the Application and Promissory Note.

Use a blue or black ball point pen to complete the Application and Promissory Note. Enter dates as month-day-year (mm-dd-yyyy). Use only numbers. Example: June 24, 1982 = 06-24-1982.

Some of the items in Sections A and C may have been completed for you. If so, review these items carefully to make sure the information is correct. Cross out any information that is incorrect and enter the correct information. Put your initials next to any information that you change.

Incorrect or incomplete information may delay processing.

Section A: Borrower Information

Item 1: Enter your last name, then your first name and middle initial.

Item 2: Enter your nine-digit Social Security Number.

Item 3: Enter your permanent address (number, street, apartment number, or rural route number and box number, then city, state, zip code). If your mailing address is post office box or general delivery, you must list **both** your permanent address and your mailing address.

Item 4: Enter the area code and telephone number at which you can most easily be reached. (Do not list your work telephone number here.) If you do not have a telephone, enter N/A.

Item 5 (optional): Enter your preferred e-mail address for receiving communications. You are not required to provide this information. If you do, we may use your e-mail address to communicate with you. If you do not have an e-mail address or do not wish to provide one, enter N/A.

Item 6: Enter any former names (such as a maiden name) under which one or more of your loans may have been made. If none, enter N/A.

Item 7: Enter your date of birth.

Item 8: Enter the two letter abbreviation for the state that issued your driver's license, followed by your driver's license number. If you do not have a driver's license, enter N/A.

Item 9: Enter your employer's name. If you are self-employed, enter the name of your business. If you are not employed, enter N/A.

Item 10: Enter your employer's address or, if you are self-employed, the address of your business (street, city, state, zip code).

Item 11: Enter your work area code and telephone number. If you are self-employed, enter the area code and telephone number of your business.

Section B: Reference Information

Item 12: Enter the requested information for two persons who do not live with you and who have known you for at least three years. References who live outside the United States are not acceptable. If a reference does not have a telephone number, enter N/A.

Section C1: Education Loan Indebtedness – Loans You Want to Consolidate

Section C2: Education Loan Indebtedness – Loans You Do Not Want to Consolidate

Section C1 asks for information about your federal education loans that you want to consolidate. Section C2 asks for information about your education loans that you are not consolidating, but want to have considered when calculating your maximum repayment period. If you need more space to list loans in Section C1 or C2, use the Additional Loan Listing Sheet included with your Application and Promissory Note. To find the information you will need to complete Sections C1 and C2, you can look at the last monthly billing statement you received, your quarterly interest statement or annual statement, your coupon book, or the Internet site of your loan holder or servicer. You may also obtain information about your loans by accessing the National Student Loan Data System at www.nslds.ed.gov.

Items 13-16: Enter the requested information for all of your federal education loans that you want to consolidate, including any Direct Loans that you want to consolidate. **You must consolidate at least one Direct Loan or FFEL Program loan.**

Item 13: Enter the code that corresponds to the loan type from the chart provided on this instructions page ("Loan Types and Their Codes"). If you are not sure about the loan type, leave this item blank.

Item 14: Enter the full name and mailing address of the holder of the loan or the holder's servicer. (This is the address to which you are or will be sending your payments.) You must provide at least the name, city, and state of the loan holder or servicer.

Item 15: Enter the account number for each loan (the number should be on your statement or in your payment book). If you cannot find the account number, leave this item blank.

Item 16: Enter the estimated amount needed to pay off the loan, including any unpaid interest, late fees, and collection costs.

Item 17: If you are in your grace period on any of the loans you wish to consolidate and you want to delay processing of your Direct Consolidation Loan until you have completed your grace period, enter the month and year of your expected grace period end date. If

you provide this information, processing of your consolidation loan will be delayed until approximately 30-60 days before the end of your grace period. If you leave Item 17 blank, processing of your consolidation loan will begin as soon as we receive your completed Application and Promissory Note and any other required documents, and any loans listed in Section C1 that are in a grace period will enter repayment immediately upon consolidation.

Items 18-21: Enter the requested information for all of your education loans that you do not want to consolidate or that are not eligible for consolidation, but that you want considered when determining the maximum repayment period for your Direct Consolidation Loan.

Item 18: Follow the instructions for Item 13.

Item 19: Follow the instructions for Item 14.

Item 20: Follow the instructions for Item 15.

Item 21: Enter the current balance for each loan. Use the amount on your last statement or give us an approximate amount.

Section D: Repayment Plan Selection

See the instructions provided in this section.

Section E: Borrower Understandings, Certifications, and Authorizations

Items 22-24: Carefully read these items.

Section F: Promissory Note

This is a legally binding contract.

Item 25: Carefully read the Promise to Pay and the entire Application and Promissory Note, including the Borrower Understandings, Certifications, and Authorizations in Section E, the terms and conditions on page 4, and the Borrower's Rights and Responsibilities Statement on pages 5-8.

Item 26: Sign and date the Application and Promissory Note. If you do not sign the Application and Promissory Note, your application cannot be processed.

Final Notes

Review all the information on your Application and Promissory Note. When complete, make a copy for your records and mail the original pages 1, 2, and 3 to us in the envelope provided, along with the completed Repayment Plan Selection form and, if required, the Income Contingent Repayment Plan Consent to Disclosure of Tax Information form. If you no longer have the envelope, mail the Application and Promissory Note to the address shown below.

As soon as we receive your completed Application and Promissory Note and supporting documents, we will begin processing (unless you have entered your expected grace period end date in Section C1, Item 17). During this time, we might call you with questions. We will be sending you a notice before we pay off your loans.

In the meantime, if you currently are required to make payments on your loans, continue to do so. You will need to continue making payments until you receive written notification that your loans have been successfully consolidated and it is time to start paying your Direct Consolidation Loan. If you are having difficulty making payments on your loans, contact your loan holder or servicer at the correspondence address or telephone number on your current loan statements to find out ways you might be able to postpone loan payments; ask specifically about your "deferral" or "forbearance" options.

Loan Types and Their Codes (use these codes to complete Sections C1 and C2)

| | | | |
|---|--|---|--|
| A | Subsidized Federal Stafford Loans | N | National Defense Student Loans (NDSL) |
| B | Guaranteed Student Loans (GSL) | O | Subsidized Federal Consolidation Loans |
| C | Federal Insured Student Loans (FISL) | P | Auxiliary Loans to Assist Students (ALAS) |
| D | Direct Subsidized Loans | Q | Health Professions Student Loans (HPSL) |
| E | Direct Subsidized Consolidation Loans | R | Health Education Assistance Loans (HEAL) |
| F | Federal Perkins Loans | S | Federal PLUS Loans (for parents or for graduate/professional students) |
| G | Unsubsidized Federal Stafford Loans (including Nonsubsidized Stafford Loans) | T | Parent Loans for Undergraduate Students (PLUS) |
| H | Federal Supplemental Loans for Students (SL) | U | Direct PLUS Loans (for parents or for graduate/professional students) |
| J | Unsubsidized Federal Consolidation Loans | V | Direct PLUS Consolidation Loans |
| K | Direct Unsubsidized Consolidation Loans | Y | Nursing Student Loans (NSL) |
| L | Direct Unsubsidized Loans | Z | Loans for Disadvantaged Students (LDS) |
| M | National Direct Student Loans (NDSL) | W | Education loans ineligible for consolidation |

For help completing this form, call 1-800-557-7392.

For the hearing impaired, the TDD number is 1-800-557-7395.

Mail your completed Application and Promissory Note and any other required forms (see Final Notes, above) to the following address:

U.S. Department of Education
Consolidation Department
P.O. Box 242800
Louisville, KY 40224-2800

FORMS YOU NEED TO FILL OUT

APPLICATION AND PROMISSORY NOTE

You must fill out this form regardless of which payment plan you are selecting.

Page 1:

This is where you provide basic information, including your name and address and social security number. Make sure that you write neatly in blue or black ink or type in the answers. Section B of page 1 requires you to give two references. These can be relatives or friends who do not live with you and who have known you for at least three years. They must live in the United States. You must at least provide a permanent address and phone number for your references.

Page 2:

Be sure to write your name and social security number at the top of this page. This is where you list all of your federal loans that you want to consolidate and any you do not want to consolidate. If you do not have this information, you should request it from the Department of Education on-line at www.nsls.ed.gov or by calling 1-800-4-FED-AID. Do the best you can to answer all questions. The “loan type” will be included in the information that you get from the Department of Education. For example, you should fill in this box by writing “FFEL Subsidized Stafford” or “FFEL Unsubsidized Stafford.” You can also get the current balance from the Department of Education. It is usually ok to leave the “account number” blank if you do not know this information, but you should do the best you can to get it.

If you have additional loans, you should use the “Additional Loan Listing Sheet” to list the additional loans.

Page 3:

Be sure and write your name and social security number at the top of this page. You must sign this form at the bottom after reading the “Promise to Pay” section.

Page 4:

This is information for you to read.

Pages 5-9:

This is important information about Borrower Rights and Responsibilities.

The following pages include a blank application form.



William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Application and Promissory Note

OMB No. 1845-0053
Form Approved
Exp. Date 02/28/2014

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or any accompanying documentation is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Before You Begin

Read the instructions for completing this Federal Direct Consolidation Loan Application and Promissory Note (Note). Print using blue or black ink or type. You must sign and date this form. If you cross out anything and write in new information, put your initials beside the change.

NOTE: PAGES 1, 2, and 3 OF THIS NOTE MUST BE SUBMITTED FOR YOUR LOAN REQUEST TO BE PROCESSED.

Section A: Borrower Information

| | | | |
|--|-------------------------------|----------------|--|
| 1. Last Name | First Name | Middle Initial | 2. Social Security Number |
| 3. Permanent Address (if P.O. box or general delivery, see instructions) | | | 4. Area Code/Telephone Number () |
| _____ _____ _____ | | | 5. E-Mail Address (Optional) |
| City | State | Zip Code | |
| 6. Former Name(s) | 7. Date of Birth (mm-dd-yyyy) | | 8. Driver's License State and Number State -- Number |
| 9. Employer's Name | | | |
| 10. Employer's Address | | | |
| 11. Work Area Code/Telephone Number () | City | State | Zip Code |

Section B: Reference Information

12. References: List two persons with different U.S. addresses who do not live with you and who have known you for at least three years.

| | |
|---|--------------|
| Name 1. _____ | 2. _____ |
| Permanent Address _____ | _____ |
| City, State, Zip Code _____ | _____ |
| E-Mail Address (optional) _____ | _____ |
| Area Code/Telephone Number () _____ | () _____ |
| Relationship to Borrower _____ | _____ |

Section C1: Education Loan Indebtedness – Loans You Want to Consolidate (continued on page 2)

Read the instructions before completing this section. List each federal education loan that you want to consolidate, including any William D. Ford Federal Direct Loan (Direct Loan) Program loans that you want to include in your Direct Consolidation Loan. If you need more space to list additional loans, use the Additional Loan Listing Sheet included with this Note. List each loan separately. Please print. **IN THIS SECTION, LIST ONLY LOANS THAT YOU WANT TO CONSOLIDATE.**

We will send you a notice before we consolidate your loans. This notice will (1) provide you with information about the loans and payoff amounts that we have verified, and (2) tell you the deadline by which you must notify us if you want to cancel the Direct Consolidation Loan, or if you do not want to consolidate one or more of the loans listed in the notice. The notice will include information about loans eligible for consolidation that you listed in this section. It will also include information about additional loans eligible for consolidation that you did not list in this section, if you have additional eligible loans with a holder of a loan that you listed in this section. **See the instructions for more information about the notice we will send.**

| 13. Loan Code (See Instructions) | 14. Loan Holder/Servicer Name, Address, and Area Code/Telephone Number (See Instructions) | 15. Loan Account Number | 16. Estimated Payoff Amount |
|-------------------------------------|--|-------------------------|-----------------------------|
| | | | |
| | | | |

Borrower's Name (please print) _____, Social Security Number _____

Section C1: Education Loan Indebtedness – Loans You Want to Consolidate (continued from page 1)

| 13. Loan Code (See Instructions) | 14. Loan Holder/Service Name, Address, and Area Code/Telephone Number (See Instructions) | 15. Loan Account Number | 16. Estimated Payoff Amount |
|-------------------------------------|---|-------------------------|-----------------------------|
| | | | |
| | | | |
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| | |
|--|--|
| <p>17. Grace Period End Date. If any of the loans you want to consolidate are in a grace period, you can have the processing of your Direct Consolidation Loan delayed until the end of your grace period by entering your expected grace period end date in the space provided. If you leave this item blank, we will begin processing your Direct Consolidation Loan as soon as we receive this Note and any other required documents and any loans listed in Section C1 that are in a grace period will enter repayment immediately upon consolidation. You will then lose the remaining portion of the grace period on these loans.</p> | <p>Expected Grace Period End Date (month/year): _____</p> |
|--|--|

Section C2: Education Loan Indebtedness – Loans You Do Not Want to Consolidate

Read the instructions before completing this section. List all education loans that you are not consolidating, but want to have considered when your maximum repayment period is calculated. Remember to include any Direct Loan Program loans that you do not want to consolidate. If you need more space to list additional loans, use the Additional Loan Listing Sheet included with this Note. List each loan separately. Please print. **IN THIS SECTION, LIST ONLY LOANS THAT YOU DO NOT WANT TO CONSOLIDATE.** We will send you a notice before we consolidate your loans. This notice will (1) provide you with information about the loans and payoff amounts that we have verified, and (2) tell you the deadline by which you must notify us if you want to cancel the Direct Consolidation Loan, or if you do not want to consolidate one or more of the loans listed in the notice. The notice will **not** include information about any loans you listed in this section, and any loans listed in this section will **not** be consolidated. See the instructions for more information about the notice we will send.

| 18. Loan Code (See Instructions) | 19. Loan Holder/Service Name, Address, and Area Code/Telephone Number (See Instructions) | 20. Loan Account Number | 21. Current Balance |
|-------------------------------------|---|-------------------------|---------------------|
| | | | |
| | | | |
| | | | |
| | | | |

Section D: Repayment Plan Selection

To understand your repayment plan options, carefully read the repayment plan information in the Borrower's Rights and Responsibilities Statement on pages 5-8 of this Note and in any supplemental materials you receive with this Note. Then select a repayment plan for your Direct Consolidation Loan by completing the **Repayment Plan Selection** form that accompanies this Note.

- If you select the Income Contingent Repayment (ICR) Plan or the Income-Based Repayment (IBR) Plan, you must also complete additional forms and/or provide additional documentation as explained on the Repayment Plan Selection form. **Your selection of the ICR Plan or IBR Plan cannot be processed without the required additional forms or documentation.**
- You **must** select the ICR Plan or the IBR Plan for repayment of your Direct Consolidation Loan if (1) you want to consolidate a defaulted loan(s) and you have not made a satisfactory repayment arrangement with your current loan holder(s); or (2) you are consolidating a delinquent Federal Consolidation Loan that the lender has submitted to the guaranty agency for default aversion, and you are not consolidating any additional eligible loans.

Borrower's Name (please print) _____,

Social Security Number _____

Section E: Borrower Understandings, Certifications, and Authorizations

22. I understand that:

- A. My Direct Consolidation Loan will, to the extent used to pay off loans made under the Federal Family Education Loan (FFEL), Direct Loan, and Federal Perkins Loan (Perkins Loan) programs, count against the applicable aggregate loan limits under the Act. The term "the Act" is defined under "Governing Law" on page 4 of this Note.
- B. The amount of my Direct Consolidation Loan is the sum of the balances of my outstanding eligible loans that I have chosen to consolidate. My outstanding balance on each loan to be consolidated includes unpaid principal, unpaid accrued interest and late charges as defined by federal regulations and as certified by the loan holder. Collection costs may also be included. For a Direct Loan Program or FFEL Program loan that is in default, the amount of any collection costs that may be included in the payoff balances of the loans is limited to a maximum of 18.5% of the outstanding principal and interest. For any other defaulted federal education loans, all collection costs that are owed may be included in the payoff balances of the loans.
- C. Applying for a Direct Consolidation Loan does not obligate me to agree to take the Direct Consolidation Loan. The U.S. Department of Education (ED) will provide me with: (1) a notice containing information about the loans and payoff amounts that ED has verified with the holders of my loans or through ED's National Student Loan Data System (NSLDS) before the actual payoffs occur; and (2) the deadline by which I must notify ED if I want to cancel the Direct Consolidation Loan, or if I do not want to consolidate any of the loans that ED has verified. The notice that ED sends will include information about loans eligible for consolidation that I listed in Section C1 of this Note ("Education Loan Indebtedness - Loans You Want to Consolidate"). It may also include information about additional loans eligible for consolidation that I did not list in Section C1, if I have additional eligible loans with a holder of a loan listed in Section C1. If I do not inform ED otherwise by the deadline specified in the notice that ED sends to me, all of the loans listed in the notice will be consolidated.
- D. If the amount ED sends to my loan holders is more than the amount needed to pay off the balances of the selected loans, the holders will refund the excess amount to ED and this excess amount will be applied against the outstanding balance of my Direct Consolidation Loan. If the amount that ED sends to my holders is less than the amount needed to pay off the balances of the loans selected for consolidation, ED will include the remaining amount in my Direct Consolidation Loan.
- E. Unless I am: (1) consolidating a delinquent Federal Consolidation Loan that the lender has submitted to the guaranty agency for default aversion; (2) consolidating a defaulted Federal Consolidation Loan; (3) consolidating a Federal Consolidation Loan to use the Public Service Loan Forgiveness Program; or (4) consolidating a Federal Consolidation Loan to use the no accrual of interest benefit for active duty service members, I may consolidate an existing Federal Consolidation Loan or Direct Consolidation Loan only if I include at least one additional eligible loan in the consolidation.
- F. If I am consolidating a delinquent Federal Consolidation Loan that the lender has submitted to the guaranty agency for default aversion or a defaulted Federal Consolidation loan, and I am not including another eligible loan, I must agree to repay my Direct Consolidation Loan under the ICR Plan or the IBR Plan.
- G. If I consolidate my loans, I may no longer be eligible for certain deferments, subsidized deferment periods, certain types of loan discharges or loan forgiveness, or reduced interest rates that were available on the loans I am consolidating.
- H. Any payments made prior to the date of consolidation on the loans I am consolidating will not count toward (1) the 25 years of repayment required for loan forgiveness under the IBR Plan or the ICR Plan (see Item 10 of the Borrower's Rights and Responsibilities Statement in this Note), or (2) the 120 qualifying payments required for Public Service Loan Forgiveness (see Item 17 of the Borrower's Rights and Responsibilities Statement).
- I. If I am consolidating a Perkins Loan: (1) I will no longer be eligible for interest-free periods while I am enrolled in school at least half time, in the grace period on my loan, and during deferment periods; and (2) I will no longer be eligible for full or partial loan cancellation under the Perkins Loan Program based on years of service in one of the following occupations: teacher in a low-income elementary or secondary school; staff member in an eligible preschool program; special education teacher; member of the Armed Forces who qualifies for special pay; Peace Corps volunteer or volunteer under the Domestic Volunteer Service Act of 1973; law enforcement or corrections officer; attorney in an eligible defender organization; teacher of mathematics, science, foreign languages, bilingual education or any other high-need field; nurse or medical technician providing health care services; employee of a public or private nonprofit child or family service agency that services high-risk children from low-income families and their families; fire fighter; faculty member at a Tribal College or University; librarian; or speech language pathologist.
- J. If I am consolidating a Direct PLUS Loan or a Federal PLUS Loan that I obtained to help pay for my dependent child's undergraduate education, I will not be eligible to repay my Direct Consolidation Loan under the IBR Plan. However, I may repay my Direct Consolidation Loan under the ICR Plan.
- K. If I am consolidating any Direct Loan Program loans on which I received an up-front interest rebate, and I have not yet made the first 12 required on-time payments on those loans at the time the loans are consolidated, I must make the first 12 required monthly payments on my Direct Consolidation Loan on time to keep the interest rebate (see Item 9 of the Borrower's Rights and Responsibilities Statement).

23. Under penalty of perjury, I certify that:

- A. The information that I have provided on this Note is true, complete, and correct to the best of my knowledge and belief and is made in good faith.
- B. All of the loans selected for consolidation have been used to finance my education or the education of my dependent child(ren).
- C. All of the loans selected for consolidation are in a grace period or in repayment ("in repayment" includes loans in deferment or forbearance).
- D. If I owe an overpayment on a Federal Perkins Loan, Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Academic Competitiveness Grant (ACG), National Science and Mathematics Access to Retain Talent (SMART) Grant, or Leveraging Educational Assistance Partnership Grant, I have made satisfactory arrangements with the holder to repay the amount owed.
- E. If I am in default on any loan I am consolidating (except as provided above in Item 22.F.), I have either made a satisfactory repayment arrangement with the holder of that defaulted loan, or I will repay my Direct Consolidation Loan under the ICR Plan or the IBR Plan.
- F. If I have been convicted of, or pled *nolo contendere* or guilty to, a crime involving fraud in obtaining federal student aid funds under the Act, I have completed the repayment of those funds to ED, or to the loan holder in the case of a Title IV federal student loan.

24. I make the following authorizations:

- A. I authorize ED to contact the holders of the loans selected for consolidation to determine the eligibility for consolidation and the payoff amounts of the loans listed in Section C1 of this Note and any of my other federal education loans that are held by a holder of a loan listed in Section C1. I further authorize release to ED or its agent of any information required to consolidate my education loans in accordance with the Act.
- B. I authorize ED to issue the proceeds of my Direct Consolidation Loan to the holders of the selected loans to pay off the debts.
- C. I authorize ED to investigate my credit record and report information about my loan status to persons and organizations permitted by law to receive that information.
- D. I authorize my school(s) and ED to release information about my Direct Consolidation Loan to the references on the loan and to members of my immediate family, unless I submit written directions otherwise.
- E. I authorize my school(s), ED, or their agents to verify my Social Security Number with the Social Security Administration (SSA) and, if the number on my loan record is incorrect, then I authorize SSA to disclose my correct Social Security Number to these parties.
- F. I authorize my schools, ED, and their respective agents and contractors to contact me regarding my loan request or my loan, including repayment of my loan, at the current or any future number that I provide for my cellular telephone or other wireless device using automated dialing equipment or artificial or prerecorded voice or text messages.

Section F: Promissory Note (continued on page 4) – to be completed and signed by the borrower.

25. **Promise to Pay.** I promise to pay to the ED all sums disbursed under the terms of this Note to pay off my prior loan obligations, plus interest and other charges and fees that may become due as provided in this Note. Unless I make interest payments, interest that accrues on my loan during forbearance periods and on the unsubsidized portion of my loan during deferment periods may be added, as provided under the Act, to the principal balance of my loan. If I do not make payments on this Note when due, I will also pay reasonable collection costs, including but not limited to attorney's fees, court costs, and other fees.

If ED accepts my application, I understand that ED will send funds to the holders of the loans that I want to consolidate to pay off those loans. I further understand that the amount of my Direct Consolidation Loan will equal the sum of the payoff balances on the loans selected for consolidation. My signature on this Note serves as my authorization to pay off the balances of the loans selected for consolidation as provided by the holders of the loans.

The payoff amount may be greater than or less than the estimated total balance I have indicated in Section C1. Further, I understand that if any collection costs are owed on the loans selected for consolidation, these costs may be added to the principal balance of my Direct Consolidation Loan.

I will not sign this Note before reading the entire Note, even if I am told not to read it. I am entitled to an exact copy of this Note and the Borrower's Rights and Responsibilities Statement. My signature certifies that I have read, understand, and agree to the terms and conditions of this Note, including the Borrower Understandings, Certifications, and Authorizations in Section E, and the Borrower's Rights and Responsibilities Statement.

I UNDERSTAND THAT THIS IS A LOAN THAT I MUST REPAY.

26. Borrower's Signature _____

Today's Date (mm-dd-yyyy) _____

9/17/12

Governing Law

The terms of this Federal Direct Consolidation Loan Application and Promissory Note (Note) will be interpreted in accordance with the Higher Education Act of 1965, as amended (20 U.S.C. 1070 et seq.), the U.S. Department of Education's (ED's) regulations, as they may be amended in accordance with their effective date, and other applicable federal laws and regulations (collectively referred to as the "Act"). Applicable state law, except as preempted by federal law, may provide for certain borrower rights, remedies, and defenses in addition to those stated in this Note.

Disclosure of Loan Terms

This Note applies to a Federal Direct Consolidation Loan (Direct Consolidation Loan). Under this Note, the principal amount that I owe and am required to repay will be equal to all sums disbursed to pay off my prior loan obligations, plus any unpaid interest that is capitalized and added to the principal amount.

My Direct Consolidation Loan may have up to two separate loan identification numbers depending on the loans I choose to consolidate. These loan identification numbers will represent prior subsidized loans and prior unsubsidized loans. Each applicable loan identification number is represented by this Note.

When the loans that I am consolidating are paid off, a disclosure statement will be provided to me. The disclosure will identify the amount of my Direct Consolidation Loan, the associated loan identification number(s), and additional terms of the loan, such as the interest rate and repayment schedule. If I have questions about the information disclosed, I may contact my servicer. Important additional information is also contained in the Borrower's Rights and Responsibilities Statement. The Borrower's Rights and Responsibilities Statement and any disclosure I receive in connection with the loan made under this Note are hereby incorporated into this Note.

I understand that ED may use a servicer to handle billing and other communications related to my loan.

Interest

Interest will be calculated using a formula provided for by the Act. Unless ED notifies me in writing of a lower rate, the interest rate on my Direct Consolidation Loan will be based on the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher one-eighth of one percent, but will not exceed 8.25%. This is a fixed interest rate, which means that the rate will remain the same throughout the life of the loan.

I agree to pay interest on the principal amount of my Direct Consolidation Loan from the date of disbursement until the loan is paid in full or discharged, except for interest ED does not charge me during a deferment period on the subsidized portion of my Direct Consolidation Loan. ED may add interest that accrues but is not paid when due to the unpaid principal balance of this loan, as provided under the Act. This is called capitalization.

Late Charges and Collection Costs

ED may collect from me: (1) a late charge of not more than six cents for each dollar of each late payment if I fail to make any part of a required installment payment within 30 days after it becomes due, and (2) any other charges and fees that are permitted by the Act related to the collection of my Direct Consolidation Loan. If I default on my loan, I will pay reasonable collection costs, plus court costs and attorney fees.

Repayment

I must repay the full amount of the Direct Consolidation Loan made under this Note, plus accrued interest. I will repay my loan in monthly installments during a repayment period that begins on the date of the first disbursement of the loan, unless it is in a deferment or forbearance period. Payments made by me or on my behalf will be applied first to late charges and collection costs that are due, then to interest that has not been paid, and finally to the principal amount of the loan, except during periods of repayment under the Income-Based Repayment (IBR) Plan. Under the IBR Plan, payments will be applied first to interest that is due, then to fees that are due, and then to the principal amount.

ED will provide me with a choice of repayment plans. Information on these plans is included in the Borrower's Rights and Responsibilities Statement. I must select

a repayment plan. If I do not select a repayment plan, ED will choose a plan for me in accordance with the Act.

ED will provide me with a repayment schedule that identifies my payment amounts and due dates. My first payment will be due within 60 days of the first disbursement of my Direct Consolidation Loan unless it is in a deferment or forbearance period. If I am unable to make my scheduled loan payments, ED may allow me to temporarily stop making payments, reduce my payment amount, or extend the time for making payments, as long as I intend to repay my loan. Allowing me to temporarily delay or reduce loan payments is called forbearance.

ED may adjust payment dates on my Direct Consolidation Loan or may grant me forbearance to eliminate a delinquency that remains even though I am making scheduled installment payments.

I may prepay any part of the unpaid balance on my loan at any time without penalty. After I have repaid my Direct Consolidation Loan in full, ED will send me a notice telling me that I have paid off my loan.

Acceleration and Default

At ED's option, the entire unpaid balance of the Direct Consolidation Loan will become immediately due and payable (this is called "acceleration") if either of the following events occurs: (1) I make a false representation that results in my receiving a loan for which I am not eligible; or (2) I default on the loan.

The following events will constitute a default on my loan: (1) I fail to pay the entire unpaid balance of the loan after ED has exercised its option under the preceding paragraph; (2) I fail to make installment payments when due, provided my failure has persisted for at least 270 days; or (3) I fail to comply with other terms of the loan, and ED reasonably concludes that I no longer intend to honor my repayment obligation. If I default, ED may capitalize all outstanding interest. This will increase the principal balance, and the full amount of the loan, including the new principal balance and collection costs, will become immediately due and payable.

If I default, the default will be reported to national consumer reporting agencies and will significantly and adversely affect my credit rating. I understand that a default will have additional adverse consequences to me as disclosed in the Borrower's Rights and Responsibilities Statement. Following default, I may be required to repay the loan (including potential collection of amounts in excess of the principal and interest) under the Income Contingent Repayment (ICR) Plan or the IBR Plan in accordance with the Act.

Legal Notices

Any notice required to be given to me will be effective if sent by first class mail to the most recent address that ED has for me, by electronic means to an address I have provided, or by any other method of notification permitted or required by applicable statute or regulation. I will immediately notify ED of a change of contact information or status, as specified in the Borrower's Rights and Responsibilities Statement.

If ED fails to enforce or insist on compliance with any term on this Note, this does not waive any right of ED. No provision of this Note may be modified or waived except in writing by ED. If any provision of this Note is determined to be unenforceable, the remaining provisions will remain in force.

Information about my loan will be submitted to the National Student Loan Data System (NSLDS). Information in NSLDS is accessible to schools, lenders, and guarantors for specific purposes as authorized by ED.

Borrower's Rights and Responsibilities Statement

Important Notice: This Borrower's Rights and Responsibilities Statement provides additional information about the terms and conditions of the loan you will receive under the accompanying Federal Direct Consolidation Loan (Direct Consolidation Loan) Application and Promissory Note (Note). **Please keep a copy of the Note and this Borrower's Rights and Responsibilities Statement for your records.**

In this document, the words "we," "us," and "our" refer to the U.S. Department of Education.

1. The William D. Ford Federal Direct Loan Program. The William D. Ford Federal Direct Loan (Direct Loan) Program includes the following types of loans, known collectively as "Direct Loans":

- Federal Direct Stafford/Ford Loans (Direct Subsidized Loans)
- Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans)
- Federal Direct PLUS Loans (Direct PLUS Loans)
- Federal Direct Consolidation Loans (Direct Consolidation Loans)

The Direct Loan Program is authorized by Title IV, Part D, of the Higher Education Act of 1965, as amended, 20 U.S.C. 1070 *et seq.* (HEA).

Direct Loans are made by the U.S. Department of Education. We contract with servicers to service, answer questions about, and process payments on Direct Loans. We will provide you with the address and telephone number of the servicer for your loan.

2. Laws that apply to this Note. The terms and conditions of loans made under this Note are determined by the HEA and other applicable federal laws and regulations. These laws and regulations are referred to as "the Act" throughout this Borrower's Rights and Responsibilities Statement. State law, unless it is preempted by federal law, may provide you with certain rights, remedies, and defenses in addition to those stated in the Note and this Borrower's Rights and Responsibilities Statement.

NOTE: Any change to the Act applies to loans in accordance with the effective date of the change.

3. Direct Consolidation Loan identification numbers. Depending on the type(s) of federal education loan(s) that you choose to consolidate, your Direct Consolidation Loan may have up to two individual loan identification numbers. However, you will have only one Direct Consolidation Loan and will receive only one bill.

3a. The subsidized portion of your Direct Consolidation Loan ("Direct Subsidized Consolidation Loan") will have one loan identification number representing the amount of the following types of loans that you consolidate:

- Subsidized Federal Stafford Loans
- Direct Subsidized Loans
- Subsidized Federal Consolidation Loans
- Direct Subsidized Consolidation Loans
- Federal Insured Student Loans (FISL)
- Guaranteed Student Loans (GSL)

3b. The unsubsidized portion of your Direct Consolidation Loan ("Direct Unsubsidized Consolidation Loan") will have one identification number representing the amount of the following types of loans that you consolidate:

- Unsubsidized and Nonsubsidized Federal Stafford Loans
- Direct Unsubsidized Loans
- Unsubsidized Federal Consolidation Loans
- Direct Unsubsidized Consolidation Loans
- Federal PLUS Loans (for parents or for graduate and professional students)
- Direct PLUS Loans (for parents or for graduate and professional students)
- Direct PLUS Consolidation Loans
- Federal Perkins Loans
- National Direct Student Loans (NDSL)
- National Defense Student Loans (NDSL)
- Federal Supplemental Loans for Students (SLS)
- Parent Loans for Undergraduate Students (PLUS)
- Auxiliary Loans to Assist Students (ALAS)
- Health Professions Student Loans (HPSL)
- Health Education Assistance Loans (HEAL)
- Nursing Student Loans (NSL)
- Loans for Disadvantaged Students (LDS)

4. Adding eligible loans to your Direct Consolidation Loan. You may add eligible loans to your Direct Consolidation Loan by submitting a request to us within 180 days of the date your Direct Consolidation Loan is made. (Your Direct Consolidation Loan is "made" on the date we pay off the first loan that you are consolidating.) After we pay off any loans that you add during the 180-day period, we will notify you of the new total amount of your Direct Consolidation Loan and of any adjustments that must be made to your monthly payment amount and/or interest rate.

If you want to consolidate any additional eligible loan(s) after the 180-day period, you must apply for a new Direct Consolidation Loan.

5. Loans that may be consolidated. *General.* Only the federal education loans listed in Items 3a. and 3b. of this Borrower's Rights and Responsibilities Statement may be consolidated into a Direct Consolidation Loan. You may only consolidate loans that are in a grace period or in repayment (including loans in deferment or forbearance). At least one of the loans that you consolidate must be a Direct Loan Program loan or a Federal Family Education Loan (FFEL) Program loan.

Defaulted loans. You may consolidate a loan that is in default if (a) you first make satisfactory repayment arrangements with the holder of the defaulted loan, or (b) you agree to repay your Direct Consolidation Loan under the Income Contingent Repayment (ICR) Plan or the Income-Based Repayment (IBR) Plan (see Item 10).

Existing consolidation loans. Generally, you may consolidate an existing Direct Consolidation Loan or Federal Consolidation Loan into a new Direct Consolidation Loan only if you include at least one additional eligible loan in the consolidation. However, you may consolidate a Federal Consolidation Loan into a new Direct Consolidation Loan without including an additional loan if the Federal Consolidation Loan is delinquent and has been submitted by the lender to the guaranty agency for default aversion, or if the Federal Consolidation Loan is in default. In such cases, you must agree to repay the new Direct Consolidation Loan under the ICR Plan or the IBR Plan. You may also consolidate a single Federal Consolidation Loan into a new Direct Consolidation Loan to use the Public Service Loan Forgiveness program described in Item 17 of this Borrower's Rights and Responsibilities Statement, or the no accrual of interest benefit for active duty service members described in Item 8.

6. Information you must report to us. Until your loan is repaid, you must notify your servicer if you:

- Change your address or telephone number;
- Change your name (for example, maiden name to married name);
- Change your employer or your employer's address or telephone number changes; or
- Have any other change in status that would affect your loan (for example, if you receive a deferment while you are unemployed, but you find a job and therefore no longer meet the eligibility requirements for the deferment)

7. Interest rate. The interest rate on your Direct Consolidation Loan will be the lesser of the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher one-eighth of one percent, OR 8.25%. We will send you a notice that tells you the interest rate on your loan.

The interest rate on a Direct Consolidation Loan is a fixed rate. This means that the interest rate will remain the same throughout the life of your loan.

If you qualify under the Servicemembers Civil Relief Act, the interest rate on your loans obtained prior to military service may be limited to 6% during your military service. To receive this benefit, you must contact your servicer for information about the documentation you must provide to show that you qualify.

8. Payment of interest. Except as provided below for borrowers who serve in the military, interest accrues on a Direct Consolidation Loan from the date the loan is made until it is paid in full or discharged, including during periods of deferment or forbearance. You are responsible for paying all interest that accrues, except for interest that accrues on the subsidized portion of a Direct Consolidation Loan ("Direct Subsidized Consolidation Loan" – see Item 3a.) during deferment periods.

If you do not pay the interest as it accrues during the periods described above, we will add the interest to the unpaid principal amount of your loan at the end of the deferment or forbearance period. This is called "capitalization." Capitalization increases the unpaid principal balance of your loan, and interest will then accrue on the increased principal amount.

The chart below shows the difference in the total amount you would repay on a \$15,000 Direct Unsubsidized Consolidation Loan if you pay the interest as it accrues during a 12-month deferment or forbearance period, compared to the amount you would repay if you do not pay the interest and it is capitalized.

| | If you pay the interest as it accrues... | If you do not pay the interest and it is capitalized... |
|---|--|---|
| Loan Amount | \$15,000 | \$15,000 |
| Capitalized Interest for 12 Months (at the maximum rate of 8.25%) | \$0 | \$1,238 |
| Principal to be Repaid | \$15,000 | \$16,238 |
| Monthly Payment (Standard Repayment Plan) | \$146 | \$158 |
| Number of Payments | 180 | 180 |
| Total Amount Repaid | \$26,209 | \$28,359 |

In this example, you would pay \$12 less per month and \$2,150 less altogether if you pay the interest as it accrues during a 12-month deferment or forbearance period.

You may be able to claim a federal income tax deduction for interest payments you make on Direct Loans. For further information, refer to IRS Publication 970, which is available at <http://www.irs.ustreas.gov>.

Under the no interest accrual benefit for active duty service members, during periods of qualifying active duty military service interest does not accrue on the portion of a Direct Consolidation Loan that repaid a Direct Loan Program or FFEL Program loan first disbursed on or after October 1, 2008 (for up to 60 months).

9. Repayment incentive programs. A repayment incentive is a benefit that we offer to encourage you to repay your loan on time. Under a repayment incentive program, the interest rate we charge on your loan may be reduced. Some repayment incentive programs require you to make a certain number of payments on time to keep the reduced interest rate. For Direct Consolidation Loans, the following repayment incentive program may be available to you:

Interest Rate Reduction for Automatic Withdrawal of Payments

Under the automatic withdrawal option, your bank automatically deducts your monthly loan payment from your checking or savings account and sends it to us. Automatic withdrawal helps to ensure that your payments are made on time. In addition, you receive a 0.25% interest rate reduction while you repay under the automatic withdrawal option. We will include information about the automatic withdrawal option in your first bill. You can also get this information on your servicer's web site, or by calling your servicer. Your servicer's web site address and toll-free telephone number are provided on all correspondence that your servicer sends you.

Your servicer can provide you with more information on other repayment incentive programs that may be available.

Note: Another repayment incentive program, the up-front interest rebate, is available on Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans that were first disbursed before July 1, 2012. The rebate is equal to a percentage of the loan amount, and is the same amount that would result if the interest rate on the loan were lowered by a specific percentage. To permanently keep an up-front interest rebate, a borrower must make each of the first 12 required monthly payments on time when the loan enters repayment. If you consolidate a Direct Loan on which you received an up-front interest rebate before you permanently earn the rebate (the correspondence you received about

your loan will tell you if you received a rebate), you will have to make the first 12 required monthly payments on your Direct Consolidation Loan on time to keep the interest rebate. "On time" means that we must receive each payment no later than 6 days after the due date. You will lose the rebate if you do not make all of your first 12 required monthly payments on your Direct Consolidation Loan on time. If you lose the rebate, we will add the rebate amount back to the principal balance on your loan account. This will increase the amount that you must repay.

10. Repaying your loan. Unless you receive a deferment or forbearance on your loan (see Item 16), your first payment will be due within 60 days of the first disbursement of your Direct Consolidation Loan. Your servicer will notify you of the date your first payment is due.

You must make payments on your loan even if you do not receive a bill or repayment notice.

Generally, you must repay all of your Direct Loans under the same repayment plan. You may choose one of the following repayment plans to repay any Direct Consolidation Loan:

- **Standard Repayment Plan** – Under this plan, you will make fixed monthly payments and repay your loan in full within 10 to 30 years (not including periods of deferment or forbearance) from the date the loan entered repayment, depending on the amount of your Direct Consolidation Loan and the amount of your other student loan debt (not to exceed the amount you are consolidating) as listed in Section C2 of your Note (see the chart below). Your payments must be at least \$50 a month (\$600 a year) and will be more, if necessary, to repay the loan within the required time period.
- **Graduated Repayment Plan** – Under this plan, your payments will be lower at first and will then increase over time, usually every two years. You will repay your loan in full within 10 to 30 years (not including periods of deferment or forbearance) from the date the loan entered repayment, depending on the total amount of your Direct Consolidation Loan and the amount of your other student loan debt (not to exceed the amount you are consolidating) as listed in Section C2 of your Note (see the chart below). No single payment under this plan will be more than three times greater than any other payment.

| Maximum Repayment Periods Under the Standard and Graduated Repayment Plans | |
|--|--------------------------|
| Total Education Loan Indebtedness | Maximum Repayment Period |
| Less than \$7,500 | 10 years |
| \$7,500 to \$9,999 | 12 years |
| \$10,000 to \$19,999 | 15 years |
| \$20,000 to \$39,999 | 20 years |
| \$40,000 to \$59,999 | 25 years |
| \$60,000 or more | 30 years |

- **Extended Repayment Plan** – You may choose this plan only if: (1) you had no outstanding balance on a Direct Loan Program loan as of October 7, 1998, or on the date you obtained a Direct Loan Program loan on or after October 7, 1998; and (2) you have an outstanding balance on Direct Loan Program Loans that exceeds \$30,000. Under this plan, you may choose to make either fixed or graduated monthly payments and will repay your loan in full over a repayment period not to exceed 25 years (not including periods of deferment or forbearance) from the date your loan entered repayment. If you choose to make fixed monthly payments, your payments must be at least \$50 a month (\$600 a year) and will be more, if necessary, to repay the loan within the required time period. If you choose to make graduated monthly payments, your payments will start out lower and will then increase over time, generally every two years. Under a graduated repayment schedule, your monthly payment must at least be equal to the amount of interest that accrues each month, and no single payment will be more than three times greater than any other payment.
- **Income Contingent Repayment (ICR) Plan** – Under this plan, your monthly payment amount will be based on your adjusted gross income (and that of your spouse if you are married), your family size, and the total amount of your Direct Loans. Until we obtain the information needed to calculate your monthly payment amount, your payment will equal the amount of interest that accrues monthly on your loan unless you request a forbearance. As your income

changes, your payments may change. If you do not repay your loan after 25 years under this plan, the unpaid portion will be forgiven. You may have to pay income tax on any amount forgiven.

In addition to the repayment plans listed above, you may also choose the following repayment plan to repay a Direct Consolidation Loan if you are not consolidating a parent Direct PLUS Loan or a parent Federal PLUS Loan (see Note below):

- **Income-Based Repayment (IBR) Plan** – Under this plan, your required monthly payment amount will be based on your income. To initially qualify for this plan and to continue to make income-based payments, you must have a partial financial hardship. Your monthly payment amount may be adjusted annually. The maximum repayment period under this plan may exceed 10 years. If your loan is not repaid in full after you have made the equivalent of 25 years of qualifying payments and at least 25 years have elapsed, you may qualify for forgiveness of any outstanding balance on your loans. You may have to pay income tax on any amount forgiven.

NOTE: A parent PLUS loan is a PLUS loan that you obtained to help pay for your dependent child's undergraduate education. Direct Consolidation Loans that repaid parent Direct PLUS Loans or parent Federal PLUS Loans may not be repaid under the IBR Plan. However, such loans may be repaid under the ICR Plan.

If you can show to our satisfaction that the terms and conditions of these repayment plans are not adequate to meet your exceptional circumstances, we may provide you with an alternative repayment plan.

If you do not choose a repayment plan, we will choose a plan for you in accordance with the Act.

You may change repayment plans at any time after you have begun repaying your loan. There is no penalty if you make loan payments before they are due, or pay more than the amount due each month.

Except for payments made under the IBR Plan, we apply your payments in the following order: (1) late charges and collection costs, (2) outstanding interest, and (3) outstanding principal. For payments made under the IBR Plan, we apply your payments in the following order: (1) outstanding interest, (2) late charges and collection costs, and (3) outstanding principal.

When you have repaid your loan in full, your servicer will send you a notice telling you that you have paid off your loan. You should keep this notice in a safe place.

11. Transfer of loan. We may transfer one or all of your loans to another servicer without your consent. If the address to which you must send payments or correspondence changes, you will be notified of the new servicer's name, address and telephone number, the effective date of the transfer, and the date when you must begin sending payments or directing communications to that servicer. Transfer of a loan to a different servicer does not affect your rights and responsibilities under that loan.

12. Late charges and collection costs. If you do not make any part of a payment within 30 days after it is due, we may require you to pay a late charge. This charge will not be more than six cents for each dollar of each late payment. If you do not make payments as scheduled, we may also require you to pay other charges and fees involved in collecting your loan.

13. Demand for immediate repayment. The entire unpaid amount of your loan becomes due and payable (this is called "acceleration") if you:

- Make a false statement that causes you to receive a loan that you are not eligible to receive; or
- Default on your loan.

14. Defaulting on your loan. Default (failing to repay your loan) is defined in detail under "Acceleration and Default" on page 4 of this Note. If you default:

- You will be required to immediately repay the entire unpaid amount of your loan.
- We may sue you, take all or part of your federal tax refund or other federal payments, and/or garnish your wages so that your employer is required to send us part of your wages to pay off your loan.
- You will be required to pay reasonable collection fees and costs, plus court costs and attorney fees.
- You will lose eligibility for other federal student aid and assistance under most federal benefit programs.
- You will lose eligibility for loan deferments.

- We will report your default to national consumer reporting agencies (see Item 15).

15. Consumer reporting agency notification. We will report information about your loan to each national consumer reporting agency on a regular basis. This information will include the disbursement dates, amount, and repayment status of your loan (for example, whether you are current or delinquent in making payments). Your loan will be identified as an education loan.

If you default on a loan, we will report the default to national consumer reporting agencies. We will notify you at least 30 days in advance that we plan to report default information to a consumer reporting agency unless you resume making payments on the loan within 30 days of the date of the notice. You will be given a chance to ask for a review of the debt before we report it.

If a consumer reporting agency contacts us regarding objections you have raised about the accuracy or completeness of any information we have reported, we are required to provide the consumer reporting agency with a prompt response.

16. Deferment and forbearance (postponing payments). If you meet certain requirements, you may receive a **deferment** that allows you to temporarily stop making payments on your loan. If you cannot make your scheduled loan payments, but do not qualify for a deferment, we may give you a **forbearance**. A forbearance allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments.

Deferment

You may receive a deferment:

- While you are enrolled at least half time at an eligible school;
- While you are in a full-time course of study in a graduate fellowship program;
- While you are in an approved full-time rehabilitation program for individuals with disabilities;
- While you are unemployed (for a maximum of three years; you must be diligently seeking, but unable to find, full-time employment); or
- While you are experiencing an economic hardship (including Peace Corps service), as determined under the Act (for a maximum of three years).
- While you are serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency, and if you were serving on or after October 1, 2007, for an additional 180-day period following the demobilization date for your qualifying service; or
- If you are a member of the National Guard or other reserve component of the U.S. Armed Forces (current or retired) and you are called or ordered to active duty while enrolled at an eligible school, or within 6 months of having been enrolled at least half time, you are eligible for a deferment during the 13 months following the conclusion of the active duty service, or until you return to enrolled student status on at least a half-time basis, whichever is earlier.

You may be eligible to receive additional deferments if, at the time you received your first Direct Loan, you had an outstanding balance on a loan made under the Federal Family Education Loan (FFEL) Program before July 1, 1993. If you meet this requirement, contact your servicer about additional deferments that may be available.

You may receive a deferment while you are enrolled in school on at least a half-time basis if: (1) you submit a deferment request form to your servicer along with documentation of your eligibility for the deferment; or (2) your servicer receives information from the school you are attending that indicates you are enrolled at least half time. If your servicer processes a deferment based on information received from your school, you will be notified of the deferment and will have the option of canceling the deferment and continuing to make payments on your loan.

For all other deferments, you (or, for a deferment based on active military duty or qualifying National Guard duty during a war or other military operation or national emergency, your representative) must submit a deferment request form to your servicer, along with documentation of your eligibility for the deferment. In certain circumstances, you may not be required to provide documentation of your eligibility if your servicer confirms that you have been granted the same deferment for the same period of time on a FFEL Program loan. Your servicer can provide you with a deferment request form that explains the requirements for the type of deferment you are requesting. You may also obtain deferment request forms and information on deferment eligibility requirements from your servicer's web site.

If you are in default on your loan, you are not eligible for a deferment.

You are responsible for paying the interest that accrues on a Direct Unsubsidized Consolidation Loan during a deferment period. You are not responsible for paying the interest that accrues on a Direct Subsidized Consolidation Loan during a deferment period.

Forbearance

We may give you a forbearance if you are temporarily unable to make your scheduled loan payments for reasons including, but not limited to, financial hardship and illness.

We will give you a forbearance if:

- You are serving in a medical or dental internship or residency program, and you meet specific requirements;
- The total amount you owe each month for all of the student loans you received under Title IV of the Act is 20% or more of your total monthly gross income (for a maximum of three years);
- You are serving in a national service position for which you receive a national service education award under the National and Community Service Act of 1990 (AmeriCorps). In some cases, the interest that accrues on a qualified loan during the service period will be paid by the Corporation for National and Community Service;
- You qualify for partial repayment of your loans under the Student Loan Repayment Program, as administered by the Department of Defense;
- You are performing service that would qualify you for loan forgiveness under the teacher loan forgiveness program that is available to certain Direct Loan and FFEL program borrowers; or
- You are a member of the National Guard who qualifies for a post-active duty student deferment but not for a military service deferment or other deferment, and you are engaged in active state duty for a period of more than 30 consecutive days.

To request a forbearance, contact your servicer. Your servicer can provide you with a forbearance request form that explains the requirements for the type of forbearance you are requesting. You may also obtain forbearance request forms and information on forbearance eligibility requirements from your servicer's web site. Under certain circumstances, we may also give you a forbearance without requiring you to submit a request or documentation. These circumstances include, but are not limited to, the following:

- Periods necessary for us to determine your eligibility for a loan discharge;
- A period of up to 60 days for us to collect and process documentation related to your request for a deferment, forbearance, change in repayment plan, or consolidation loan (we do not capitalize interest charged during this period); or
- Periods when you are involved in a military mobilization or are affected by a local or national emergency.

You are responsible for paying the interest that accrues on your entire Direct Consolidation Loan during a forbearance period.

17. Discharge (having your loan forgiven). We will discharge (forgive) your Direct Consolidation Loan if:

- Your servicer receives acceptable documentation of your death. We will also discharge the portion of a Direct Consolidation Loan that repaid one or more Direct PLUS Loans or Federal PLUS Loans obtained on behalf of a student who dies.
- Your loan is discharged in bankruptcy. However, federal student loans are not automatically discharged if you file for bankruptcy. To have your loan discharged in bankruptcy, you must prove to the bankruptcy court in an adversary proceeding that repaying the loan would cause undue hardship.
- You become totally and permanently disabled (as defined in the Act) and meet certain other requirements.

In certain cases, we may also discharge all or a portion of your Direct Consolidation Loan if:

- One or more Direct Loan Program, FFEL Program, or Federal Perkins Loan Program loans that you consolidated was used to pay for a program of study that you (or the dependent student for whom you borrowed a PLUS loan) were unable to complete because the school closed;
- Your eligibility (or the eligibility of the dependent student for whom you borrowed a PLUS loan) for one or more of the Direct Loan Program or FFEL Program loans that you consolidated was falsely certified by the school;

- Your eligibility for one or more of the Direct Loan Program or FFEL Program loans that you consolidated was falsely certified as a result of a crime of identity theft; or
- The school did not pay a required refund of one or more Direct Loan Program or FFEL Program loans that you consolidated.

We may forgive a portion of your Direct Consolidation Loan that repaid Direct Subsidized or Direct Unsubsidized Loans you received after October 1, 1998, or subsidized or unsubsidized Federal Stafford Loans you received under the FFEL program after October 1, 1998 if you: **(1)** teach full time for five consecutive years in certain elementary and/or secondary schools or educational service agencies that serve low-income families; **(2)** meet certain other qualifications; and **(3)** did not owe a Direct Loan or a FFEL Program loan as of October 1, 1998, or as of the date you obtain a loan after October 1, 1998.

A Public Service Loan Forgiveness program is available that provides for the cancellation of the remaining balance due on your eligible Direct Loan Program loans after you have made 120 full, on-time, scheduled monthly payments (after October 1, 2007) on those loans under certain repayment plans while you are employed full-time by certain public service organizations.

The Act may provide for certain loan forgiveness or repayment benefits on your loans in addition to the benefits described above. If other forgiveness or repayment options become available, your servicer will provide information about these benefits.

To request a loan discharge based on one of the conditions described above (except for discharges due to death or bankruptcy), you must complete an application that you may obtain from your servicer.

In some cases, you may assert, as a defense against collection of your loan, that the school did something wrong or failed to do something that it should have done. You can make such a defense against repayment only if the school's act or omission directly relates to your loan or to the educational services that the loan was intended to pay for, and if what the school did or did not do would give rise to a legal cause of action against the school under applicable state law. If you believe that you have a defense against repayment of your loan, contact your servicer.

We do not guarantee the quality of the academic programs provided by schools that participate in federal student financial aid programs. You must repay your loan even if you do not complete your education, are unable to obtain employment in your field of study, or are dissatisfied with, or do not receive, the education you paid for with the loan.

18. Department of Defense and other federal agency loan repayment. Under certain circumstances, military personnel may have education loans repaid by the Secretary of Defense. This benefit is offered as part of a recruitment program that does not apply to individuals based on their previous military service or to those who are not eligible for enlistment in the U.S. Armed Forces. For more information, contact your local military service recruitment office.

Other agencies of the federal government may also offer student loan repayment programs as an incentive to recruit and retain employees. Contact the agency's human resources department for more information.

END OF BORROWER'S RIGHTS AND RESPONSIBILITIES STATEMENT

IMPORTANT NOTICES

Gramm-Leach-Bliley Act Notice

In 1999, Congress enacted the Gramm-Leach-Bliley Act (Public Law 106-102). This Act requires that lenders provide certain information to their customers regarding the collection and use of nonpublic personal information.

We disclose nonpublic personal information to third parties only as necessary to process and service your loan and as permitted by the Privacy Act of 1974. See the Privacy Act Notice below. We do not sell or otherwise make available any information about you to any third parties for marketing purposes.

We protect the security and confidentiality of nonpublic personal information by implementing the following policies and practices. All physical access to the sites where nonpublic personal information is maintained is controlled and monitored by security personnel. Our computer systems offer a high degree of resistance to tampering and circumvention. These systems limit data access to our staff and contract staff on a "need-to-know" basis, and control individual users' ability to access and alter records within the systems. All users of these systems are given a unique user ID with personal identifiers. All interactions by individual users with the systems are recorded.

Privacy Act Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authority for collecting the requested information from and about you is §451 *et seq.* of the Higher Education Act (HEA) of 1965, as amended (20 U.S.C. 1087a *et seq.*) and the authorities for collecting and using your Social Security Number (SSN) are §484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan Program, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) become delinquent or in default. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment status, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary

actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

Financial Privacy Act Notice

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless the collection displays a valid OMB control number. Public reporting burden for this collection of information is estimated to average 1.0 hour (60 minutes) per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain a benefit in accordance with 34 CFR 685.201(c)(1). Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Education, 400 Maryland Ave., SW, Washington, DC 20210-4537 or e-mail ICDocketMgr@ed.gov and reference OMB Control Number 1845-0053. **Note: Please do not return the completed Federal Direct Consolidation Loan Application and Promissory Note to this address.**

If you have any questions regarding the status of your individual submission of this form, write directly to:

U.S. Department of Education
Consolidation Department
P.O. Box 242800
Louisville, KY 40224-2800



William D. Ford Federal Direct Loan Program

Federal Direct Consolidation Loan Additional Loan Listing Sheet

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or any accompanying documentation is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

OMB No. 1845-0053
Form Approved
Exp. Date 02/28/2014

Borrower Name _____

Borrower Social Security Number _____

Use this form only if you need additional space to list loans in Sections C1 or C2 of your Federal Direct Consolidation Loan Application and Promissory Note (Note). Refer to the instructions for Items 13-21 when completing this form. Be sure to attach this form to pages 1, 2, and 3 of your Note when you submit it.

Section C1: Education Loan Indebtedness – Loans You Want to Consolidate (continued)

Read the Federal Direct Consolidation Loan Instructions for Application and Promissory Note before completing this section. List each federal education loan that you want to consolidate, including any William D. Ford Federal Direct Loan (Direct Loan) Program loans that you want to include in your Direct Consolidation Loan. List each loan separately. Please print. **IN THIS SECTION, LIST ONLY LOANS THAT YOU WANT TO CONSOLIDATE.**

We will send you a notice before we consolidate your loans. This notice will (1) provide you with information about the loans and payoff amounts that we have verified, and (2) tell you the deadline by which you must notify us if you want to cancel the Direct Consolidation Loan, or if you do not want to consolidate one or more of the loans listed in the notice. The notice will include information about loans eligible for consolidation that you listed in this section. It will also include information about additional loans eligible for consolidation that you did not list in this section, if you have additional eligible loans with a holder of a loan that you listed in this section. **See the instructions for more information about the notice we will send.**

| 13. Loan Code (See Instructions) | 14. Loan Holder/Service Name, Address, and Area Code/Telephone Number (See Instructions) | 15. Loan Account Number | 16. Estimated Payoff Amount |
|-------------------------------------|---|-------------------------|-----------------------------|
| | | | |
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Section C2: Education Loan Indebtedness – Loans You Do Not Want to Consolidate (continued)

Read the instructions before completing this section. List all education loans that you are not consolidating, but want to have considered when calculating your maximum repayment period. Include any Direct Loan Program loans that you do not want to consolidate. List each loan separately. Please print. **IN THIS SECTION, LIST ONLY LOANS THAT YOU DO NOT WANT TO CONSOLIDATE.**

We will send you a notice before we consolidate your loans. This notice will (1) provide you with information about the loans and payoff amounts that we have verified, and (2) tell you the deadline by which you must notify us if you want to cancel the Direct Consolidation Loan, or if you do not want to consolidate one or more of the loans listed in the notice. The notice will **not** include information about any loans you listed in this section, and any loans listed in this section will **not** be consolidated. **See the instructions for more information about the notice we will send.**

| 18. Loan Code (See Instructions) | 19. Loan Holder/Service Name, Address, and Area Code/Telephone Number (See Instructions) | 20. Loan Account Number | 21. Current Balance |
|-------------------------------------|---|-------------------------|---------------------|
| | | | |
| | | | |
| | | | |

FORMS YOU NEED TO FILL OUT

REPAYMENT PLAN FORMS

You must fill out a repayment plan selection form. You should first review the Student Loan Borrower Assistance web site (www.studentloanborrowerassistance.org) and the Department of Education web site (<http://studentaid.ed.gov>) to make sure that you understand your repayment plan choices.

Repayment Plan Forms

The first form in this packet (Repayment Plan Request) is for borrowers requesting a repayment plan based on income. You must request one of these plans if you are consolidating in order to get out of default and you have not set up a plan to make three reasonable and affordable payments before consolidating.

You may request one of the specific plans in Section 2 or you can ask that your loan holder determine which of the three plans you are eligible for and place you on the plan with the lowest monthly payment amount.

You must fill out section three of this form if:

- You have a spouse who has eligible student loans and you file a joint federal income tax return with your spouse,
- You have a joint consolidation loan that you obtained with your spouse, or
- You and your spouse have Direct Loans and both of you want to repay under the ICR plan. It is a good idea to get more information about the pros and cons of joint repayment before making this selection.

You must sign this form at the bottom. Your spouse must also sign if required.

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REPAYMENT PLAN REQUEST



Income-Based (IBR) / Pay As You Earn / Income-Contingent (ICR) Repayment Plan Request
William D. Ford Federal Direct Loan (Direct Loan) Program / Federal Family Education Loan (FFEL) Program

OMB No. 1845-0102
 Form Approved
 Exp. Date 11-30-2015

Use this form to (1) request an available repayment plan based on your income, (2) provide the required information for the annual reevaluation of your payment amount under one of these plans, or (3) request that your loan holder recalculate your monthly payment amount.

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying document is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

IBR/PAYE/ICR

SECTION 1: BORROWER IDENTIFICATION

Please enter or correct the following information.

Check this box if any of your information has changed.

SSN [] [] [] - [] [] [] - [] [] [] []

Name _____

Address _____

City, State, Zip Code _____

Telephone – Primary () _____

Telephone – Alternate () _____

E-mail Address (Optional) _____

SECTION 2: REPAYMENT PLAN REQUEST

Before completing this form, carefully read the entire form, particularly Sections 7, 8, and 9. Type or print using dark ink. If you need help completing this form, contact your loan holder(s). Return the completed form and any required documentation to the address shown in Section 10. You may be able to complete your request online by visiting studentloans.gov. Information about repayment plans and calculators are available at studentaid.gov.

Other repayment plans, such as extended or graduated, may be available and may offer a lower monthly payment amount. In addition, payment under the IBR, Pay As You Earn, or ICR plans may result in your paying more interest over time and may result in federal income tax liability on any loan amount that is forgiven under these plans.

1. Please select the reason that you are completing this request by checking box a, b, or c, below.
 a. I am requesting a repayment plan based on my income – Check the plan(s) you are requesting below and then continue to item 2.

| | Direct Loan Program Loans* | FFEL Program Loans* |
|--|--|--------------------------|
| IBR | <input type="checkbox"/> | <input type="checkbox"/> |
| Pay As You Earn | <input type="checkbox"/> | Not Available |
| ICR | <input type="checkbox"/> | Not Available |
| I request that my loan holder determine which of the above plans I am eligible for, and place me on the plan with the lowest monthly payment amount. | <input type="checkbox"/> Only IBR will be considered for FFEL Program loans | |

* Not all loan types under the FFEL and Direct Loan Programs are eligible for these plans (see Section 8).

For Direct Loan borrowers, your request will apply to all of your loans that are eligible for the plan you choose. For FFEL borrowers, you can exclude eligible loans if you request IBR prior to July 1, 2013. If you are a FFEL borrower and request IBR on or after July 1, 2013, you must repay all loans eligible for IBR under that plan. For all borrowers, you will need to choose a different repayment plan for loans that are not eligible for a repayment plan based on income or they will be placed on the standard repayment plan.

- b. I am submitting annual documentation for the recalculation of my monthly payment amount under my current repayment plan – Continue to item 2.
 c. I am requesting that my loan holder recalculate my current monthly payment amount because my circumstances have changed – Continue to item 2.

2. Check this box if you owe eligible loans to more than one loan holder. **You must submit a separate request to each holder of the loans you want to repay under the IBR, Pay As You Earn, or ICR plan.**

You must promptly submit to your loan holder(s) this completed form and acceptable documentation of your Adjusted Gross Income (see Section 4), or, if applicable, alternative documentation of your current income (see Section 5).

SECTION 3: SPOUSAL INFORMATION

Complete this section if any of the following apply to you:

- You file a joint federal income tax return with your spouse and your spouse has eligible loans. Enter information about your spouse, below.
- You have a joint Direct or FFEL Consolidation Loan that you obtained with your spouse. Enter information about the co-borrower of the loan.
- You and your spouse have Direct Loans and both of you want to repay those loans under the ICR Plan. Enter information about your spouse, below.

3. Spouse's SSN [] [] [] - [] [] [] - [] [] [] []

4. Spouse's Name _____

5. Spouse's Date of Birth [] [] [] - [] [] [] - [] [] [] []

6. My spouse and I wish to repay our Direct Loans jointly under the ICR Plan.

If you file a joint federal income tax return with your spouse, your loan holder(s) will base your eligibility determination and monthly payment amount on your and your spouse's combined income regardless of whether your spouse has eligible federal student loans. However, if your spouse does not have eligible student loans, you do not need to complete this section.

If you complete this section, your spouse is also required to sign this form. By signing, your spouse is authorizing the loan holder(s) to access information about his or her federal student loans in the National Student Loan Data System (NSLDS). In addition, if the Department is not your loan holder and your FFEL loan holder(s) does not service at least one of your spouse's loans, your loan holder(s) will need detailed information about all of your spouse's loans to accurately evaluate your eligibility and payment amount. Your spouse should log into NSLDS at nslds.ed.gov to give your loan holder(s) access to his or her loan information. To obtain the organization code needed for authorization on NSLDS or for other options to provide the loan details needed on your spouse's loans, contact your loan holder(s).

SECTION 4: FAMILY SIZE AND FEDERAL TAX INFORMATION

7. Enter your family size (as defined in Section 8).

Note: If you do not enter your family size, your loan holder(s) will assume a family size of one. For purposes of these repayment plans, your family size may be different from the number of exemptions you claim on your federal tax return. By signing this form, you are certifying that the family size you enter above is correct.

8. Did you file a federal income tax return for either of the two most recently completed tax years?

- Yes – Continue to Item 9.
- No – Skip to Section 5.

9. Is your current income or your spouse’s current income (if you completed Section 3 or file a joint federal income tax return) significantly different than the income used to determine the Adjusted Gross Income* (AGI) reported to the IRS on your most recently filed federal income tax return?

- Yes – Continue to Section 5.
- No – Provide your most recently filed federal income tax return or IRS tax return transcript. Skip to Section 6.

*You can find your Adjusted Gross Income on your most recently filed IRS Form 1040, 1040A, or 1040EZ.

SECTION 5: ALTERNATIVE DOCUMENTATION OF INCOME

To be completed if (1) you did not file a federal income tax return for the two most recently completed tax years, (2) your AGI from your most recently filed federal income tax return does not reasonably reflect your current income (due to circumstances such as the loss of or change in employment), or (3) your loan holder(s) informed you that alternative documentation of income is required.

10. Do you have taxable income? Check “No” if (1) you do not have any income, (2) receive only untaxed income (such as Supplemental Security Income, child support, or federal or state public assistance), or (3) are not required to file a federal income tax return based on the amount of your taxable income.

- Yes – Provide documentation of this income, as described below.
- No – By signing this form, you are certifying that you have no taxable income or are not required to file a federal income tax return based on the amount of your taxable income.

11. If you are married and completed Section 3 or file a joint federal income tax return with your spouse, does your spouse have taxable income? Check “No” if (1) your spouse does not have any income, (2) receives only untaxed income (such as Supplemental Security Income, child support, or federal or state public assistance), or (3) is not required to file a federal income tax return based on the amount of his/her taxable income.

- Yes – Provide documentation of your spouse’s income, as described below.
- No – By signing this form, your spouse is certifying that he/she has no taxable income or is not required to file a federal tax return based on the amount of his/her taxable income.

You must provide documentation of all taxable income that you currently receive from all sources (for example, income from employment, unemployment income, dividend income, interest income, tips, alimony). If you are married and completed Section 3 or file a joint federal income tax return, you must also provide documentation of your spouse’s taxable income. **Do not report untaxed income such as Supplemental Security Income, child support, or federal or state public assistance.**

You must provide **one piece** of supporting documentation for each source of income (your and your spouse’s). For example, documentation includes pay stubs, a letter(s) from your employer(s) listing income, interest or bank statements, or dividend statements. If these forms of documentation are unavailable, attach a signed statement from you or your spouse explaining the income source(s) and giving the name and the address of the source(s).

Unless the frequency is clearly indicated on the documentation that you provide, write on your documentation how often you receive the income, for example, “twice per month” or “every other week”. The date on any supporting documentation you provide must be no older than 90 days from the date you sign this form. Copies of original documentation are acceptable.

SECTION 6: BORROWER REQUEST, UNDERSTANDINGS, AGREEMENT, AUTHORIZATION, AND CERTIFICATION

- **I request** to use the plan I selected in Section 2 to repay my eligible Direct Loan or FFEL Program loans held by the holder(s) to which I submit this form. If I selected the option to allow my loan holder(s) to choose my plan, I request my loan holder(s) to place me in the plan with the lowest monthly payment amount. If more than one plan provides the same initial payment amount, I understand that my loan holder will choose the plan that is likely to keep my monthly payment amount lower in subsequent years.
- **I understand** that: **(1)** If I am entering repayment on my loan(s) for the first time and do not provide my loan holder(s) with this completed form and any other documentation required by my loan holder(s), or if I do not qualify for the repayment plan that I requested, I will be placed on the standard repayment plan (see Section 8). **(2)** If I am currently repaying my loan(s) under a different repayment plan and want to change to the repayment plan I selected in Section 2, my loan holder(s) may grant me a forbearance for up to 60 days to collect and process documentation supporting my request for the selected plan. I am not required to make loan payments during this period of forbearance, but interest will continue to accrue. Unpaid interest that accrues during this maximum 60-day forbearance period will not be capitalized (see Section 8). **(3)** If I am delinquent in making payments under my current repayment plan at the time I request one of the repayment plans listed in Section 2, my loan holder(s) may grant me a forbearance to cover any payments that are overdue, or that would be due, at the time I enter the repayment plan I requested. Unpaid interest that accrues during this forbearance period may be capitalized. **(4)** If I am requesting the ICR plan, my initial payment amount will be the amount of interest that accrues each month on my loan(s) until my loan holder receives the income documentation needed to calculate my ICR payment amount. If I cannot afford the initial interest payments, I may request forbearance by contacting my loan holder.
- **I authorize** the entity to which I submit this request (i.e., the school, the lender, the guaranty agency, the U.S. Department of Education, and their respective agents and contractors) to contact me regarding my request or my loan(s), including repayment of my loan(s), at the number that I provide on this form or any future number that I provide for my cellular telephone or other wireless device using automated telephone dialing equipment or artificial or prerecorded voice or text messages.
- **I certify** that all of the information I have provided on this form and in any accompanying documentation is true, complete, and correct to the best of my knowledge and belief.

Borrower’s Signature _____ **Date** _____

Spouse’s Signature (if required) _____ **Date** _____

Note: Your spouse’s signature is required if you completed Section 3 and/or completed Item 11.

SECTION 7: INSTRUCTIONS FOR COMPLETING THE FORM

Type or print using dark ink. Enter dates as month-day-year (mm-dd-yyyy). Use only numbers. Example: January 31, 2012 = 01-31-2012. Include your name and account number on any documentation that you are required to submit with this form. If you need help completing this form, contact your loan holder(s). If you want to apply for a repayment plan on loans that are held by different loan holders, you must submit a separate request to each loan holder.

Use this form to (1) request the IBR, Pay As You Earn, or ICR plan for repayment of your Direct Loans or the IBR plan for your FFEL program loan(s), (2) to submit annual documentation for the calculation of the payment amount under the IBR, Pay As You Earn, or ICR plan, or (3) request that your loan holder recalculate your current monthly payment amount because your circumstances have changed. To use the IBR or Pay As You Earn plan, you must meet the eligibility requirements for those plans described in Section 9. Repayment plan calculators are available at studentaid.gov. The calculators are only informational; your loan holder(s) will make the official determination of your eligibility and payment amount based on the information you provide on this form and other required documentation.

You must provide your loan holder(s) with income documentation that will be used to determine your eligibility for the IBR or Pay As You Earn plan and your payment amount for the IBR, Pay As You Earn, or ICR plan, as described in Section 9.

Return the completed form and any required documentation to the address shown in Section 10.

SECTION 8: DEFINITIONS

- **Capitalization** is the addition of unpaid interest to the principal balance of your loan. This will increase the principal balance and the total cost of your loan.
- The **William D. Ford Federal Direct Loan (Direct Loan) Program** includes Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans.
- **Eligible loans for the IBR plan** are Direct Loan and FFEL Program loans other than: (1) a loan that is in default, (2) a Direct or Federal PLUS Loan made to a parent borrower, or (3) a Direct or Federal Consolidation Loan that repaid a Direct or Federal PLUS Loan made to a parent borrower. Federal Perkins Loans, HEAL loans or other health education loans, and private education loans are not eligible to be repaid under the IBR plan. To access information on all of your federal student loans, check the National Student Loan Data System at nslds.ed.gov.
- **Eligible loans for the ICR plan** are Direct Loan Program loans other than: (1) a loan that is in default, (2) a Direct PLUS Loan made to a parent borrower, or (3) a Direct PLUS Consolidation Loan (these are Direct Consolidation Loans made based on an application received prior to July 1, 2006 that repaid Direct or Federal PLUS Loans made to a parent borrower). FFEL Program Loans, Federal Perkins Loans, HEAL loans or other health education loans, and private education loans are not eligible to be repaid under the ICR plan. A Direct Consolidation Loan made based on an application received on or after July 1, 2006, including loans that repaid a Direct or Federal PLUS Loan made to a parent borrower, is eligible for the ICR plan. To access information on all of your federal student loans, check the National Student Loan Data System at nslds.ed.gov.
- **Eligible loans for the Pay As You Earn plan** are Direct Loan Program loans received by a new borrower other than: (1) a loan that is in default, (2) a Direct PLUS Loan made to a parent borrower, or (3) a Direct Consolidation Loan that repaid a Direct or Federal PLUS Loan made to a parent borrower. FFEL Program Loans, Federal Perkins Loans, HEAL loans or other health education loans, and private education loans are not eligible to be repaid under the Pay As You Earn plan. To access information on all of your federal student loans, check the National Student Loan Data System at nslds.ed.gov.
- **Family size** includes you, your spouse, and your children (including unborn children who will be born during the year for which you certify your family size), if the children will receive more than half their support from you. It includes other people only if they live with you now, they receive more than half their support from you now, and they will continue to receive this support from you for the year that you certify your family size. Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.
- The **Federal Family Education Loan (FFEL) Program** includes Federal Stafford Loans (both subsidized and unsubsidized), Federal PLUS Loans, Federal Consolidation Loans, and Federal Supplemental Loans for Students (SLS).
- The **holder** of your Direct Loans is the U.S. Department of Education (the Department). The holder(s) of your FFEL Program loan(s) may be a lender, secondary market, guaranty agency, or the Department. Your loan holder(s) may use a servicer to handle billing, payment, repayment options, and other communications on your loans. References to "your loan holder" on this form mean either your loan holder(s) or, if your loan holder(s) and servicer are different entities, your servicer.
- The **Income-Based Repayment (IBR) plan** is a repayment plan with monthly payments that are limited to 15 percent of your discretionary income divided by 12. Discretionary income for this plan is the difference between your adjusted gross income and 150 percent of the poverty guideline amount for your state of residence and family size. To initially qualify for IBR and to continue making income-based payments under this plan, you must have a partial financial hardship (see definition).
- The **Income-Contingent Repayment (ICR) plan** is a repayment plan with monthly payments that are the lesser of (1) what you would pay on a 12-year standard repayment plan multiplied by an income percentage factor or (2) 20 percent of your discretionary income divided by 12. Discretionary income for this plan is the difference between your adjusted gross income and the poverty guideline amount for your state of residence and family size.
- You are a **new borrower for the Pay As You Earn plan** if (1) you have no outstanding balance on a Direct Loan or FFEL Program loan as of October 1, 2007 or have no outstanding balance on a Direct Loan or FFEL Program loan when you obtain a new loan on or after October 1, 2007, and (2) you receive a disbursement of a Direct Subsidized Loan, Direct Unsubsidized Loan, or student Direct PLUS Loan on or after October 1, 2011, or you receive a Direct Consolidation Loan based on an application received on or after October 1, 2011. However, you are **not** considered a new borrower if the Direct Consolidation Loan you receive repays loans that would make you ineligible under part (1) of this definition.
- A **partial financial hardship** is an eligibility requirement for the IBR and Pay As You Earn plans.
 - For IBR, you have a partial financial hardship when the annual amount due on all of your eligible loans or, if you are married and file a joint federal income tax return, the annual amount due on all of your eligible loans and your spouse's eligible loans, exceeds 15 percent of the difference between your adjusted gross income (AGI), as shown on your most recently filed federal income tax return, and 150 percent of the annual poverty guideline amount for your family size and state of residence: Annual amount of payments due > 15% [AGI - (150% x applicable poverty guideline amount)].
 - For Pay As You Earn, you have a partial financial hardship when the annual amount due on all of your eligible loans or, if you are married and file a joint federal income tax return, the annual amount due on all of your eligible loans and your spouse's eligible loans, exceeds 10 percent of the difference between your adjusted gross income (AGI), as shown on your most recently filed federal income tax return, and 150 percent of the annual poverty guideline amount for your family size and state of residence: Annual amount of payments due > 10% [AGI - (150% x applicable poverty guideline amount)].

SECTION 8: DEFINITIONS (CONTINUED)

- For both plans, the annual amount of payments due is calculated based on the greater of (1) the total amount owed on eligible loans at the time those loans initially entered repayment, or (2) the total amount owed on eligible loans at the time you initially request the IBR or Pay As You Earn plan. The annual amount of payments due is calculated using a standard repayment plan with a 10-year repayment period, regardless as to loan type.
- If you are married and file a joint federal income tax return, your AGI includes your spouse's income.
- The **Pay As You Earn plan** is a repayment plan with monthly payments that are limited to 10 percent of your discretionary income divided by 12. Discretionary income for this plan is the difference between your adjusted gross income and 150 percent of the poverty guideline amount for your state of residence and family size. To initially qualify for the Pay As You Earn plan and to continue to make income-based payments under this plan, you must have a partial financial hardship (see definition) and be a new borrower (see definition).
- The **poverty guideline amount** is the figure for your state and family size from the poverty guidelines published annually by the U.S. Department of Health and Human Services (HHS). The HHS poverty guidelines are used for purposes such as determining eligibility for certain federal benefit programs. If you are not a resident of a state identified in the poverty guidelines, your poverty guideline amount is the amount used for the 48 contiguous states.
- The **standard repayment plan** has a fixed monthly amount over a repayment period of up to 10 years for loans other than Direct or Federal Consolidation Loans, or up to 30 years for Direct and Federal Consolidation Loans.

SECTION 9: ELIGIBILITY REQUIREMENTS

INFORMATION ABOUT THE PAY AS YOU EARN AND IBR PLANS:

- To initially qualify to repay your loan(s) under the IBR or Pay As You Earn plan and to continue to qualify to make payments based on your income, you must have a partial financial hardship (as defined in Section 8). If you are married and file a joint federal income tax return, your loan holder(s) will also take your spouse's income and eligible loans into account when determining whether you have a partial financial hardship.
- For the Pay As You Earn plan, you must be a **new borrower** as defined in Section 8. Although the Pay As You Earn plan is available only for Direct Loan Program loans, your loan holder(s) will take any FFEL Program loans that you have into account when determining whether you have a partial financial hardship except for: (1) a FFEL Program loan that is in default, (2) a Federal PLUS Loan made to a parent borrower, or (3) a Federal Consolidation Loan that repaid a Federal or Direct PLUS Loan made to a parent borrower.
- After entry into the IBR or Pay As You Earn plan, you must annually certify your family size and provide income documentation for determination of whether you continue to have a partial financial hardship. Your loan holder(s) will notify you of the deadline by which you are required to provide this documentation. Your monthly payment amount may be adjusted annually. The new payment amount may be higher or lower, depending on the income documentation and family size information you provide each year.
- You will never pay more per month than you would on the 10-year standard repayment plan, based upon the amount owed on your eligible loans at the time you initially entered the IBR or Pay As You Earn plan. If you do not provide updated income documentation annually, within 10 days of the deadline provided by your loan holder, after requested to do so by your loan holder, your payment amount will be the 10-year standard payment amount calculated at the time that you initially entered the IBR or Pay As You Earn plan and any outstanding interest will be capitalized (added to your principal balance). Under the IBR or Pay As You Earn plan, your monthly payment may be less than the monthly accruing interest. On subsidized loans, you are not required to pay any monthly accrued interest that exceeds your monthly payment amount for a maximum of three consecutive years from the date that you start repaying your loans under the IBR or Pay As You Earn plan. The three-year consecutive period limit does not include any period during which you receive an Economic Hardship Deferment. On unsubsidized loans, all accruing interest is your responsibility.
- If you are determined to no longer have a partial financial hardship or leave the IBR or Pay As You Earn plan, any unpaid interest will be capitalized (added to your principal balance). However, if you are in the Pay As You Earn plan, the amount that is capitalized is limited to 10 percent of the outstanding principal balance on your loans at the time that you entered the Pay As You Earn plan.
- If you leave the IBR plan, your payment amount will be the standard payment amount calculated based on the outstanding balance of your eligible loans at the time you leave the IBR plan and the repayment period remaining for your loans. If you wish to repay your loans under a different repayment plan, you must first make one payment under the standard repayment plan or make a reduced payment under a forbearance agreement while on the standard repayment plan with your loan holder(s).
- Under the IBR plan, if your loan(s) is not repaid in full after you have made the equivalent of 25 years of qualifying monthly payments and at least 25 years have elapsed, any remaining debt will be forgiven. If you receive an Economic Hardship Deferment, any months of Economic Hardship Deferment are considered the equivalent of qualifying payments. Months for which you receive any other type of deferment or months of forbearance are not counted as qualifying payments, and do not count toward the 25-year forgiveness period. Any amount forgiven under the IBR plan may be considered income by the Internal Revenue Service and subject to federal income tax. The Public Service Loan Forgiveness Program allows eligible borrowers to cancel the remaining balance of their Direct Loans after they have served full time at a public service organization for at least 10 years, while making 120 qualifying loan payments, including payments under the IBR plan. For more information, see studentaid.gov/publicservice.
- Under the Pay As You Earn plan, if your loan(s) is not repaid in full after you have made the equivalent of 20 years of qualifying monthly payments and at least 20 years have elapsed, any remaining debt will be forgiven. If you receive an Economic Hardship Deferment, any months of Economic Hardship Deferment are considered the equivalent of qualifying payments. Months for which you receive any other type of deferment or months of forbearance are not counted as qualifying payments, and do not count toward the 20-year forgiveness period. Any amount forgiven under the Pay As You Earn plan may be considered income by the Internal Revenue Service and subject to federal income tax. The Public Service Loan Forgiveness Program allows eligible borrowers to cancel the remaining balance of their Direct Loans after they have served full time at a public service organization for at least 10 years, while making 120 qualifying loan payments, including payments under the Pay As You Earn plan. For more information, see studentaid.gov/publicservice.

INFORMATION ABOUT THE ICR PLAN:

- All Direct Loan borrowers are eligible to repay their eligible loans on the ICR plan. You are not required to have a partial financial hardship to use the ICR plan. To repay eligible loans under the ICR plan, you must submit documentation of your income. If you are married and file a joint federal tax return, your loan holder will also take your spouse's income into account when calculating your monthly payment amount.
- If you are married, you and your spouse may choose to repay your loans jointly under the ICR plan. If you choose to repay jointly, your loan holder will use your combined income and Direct Loan debt to calculate a joint ICR payment amount, and will then prorate the joint payment amount to determine separate ICR monthly payment amounts for you and your spouse that are proportionate to each individual's share of the combined Direct Loan debt. You and your spouse may select this option under the ICR plan regardless of your federal tax return filing status.

SECTION 9: ELIGIBILITY REQUIREMENTS (CONTINUED)

- After entry into the ICR plan, you must annually certify your family size and provide income documentation so that your loan holder can adjust your payment amount to reflect more recent income information. Your new payment amount may be higher or lower, depending on the income documentation and family size information you provide each year. Your loan holder will notify you when you are required to provide this documentation.
- If you do not provide updated income documentation annually by the deadline provided by your loan holder(s), your payment amount will be calculated based on a 10-year standard repayment plan using the loan balance at the time you entered repayment under the ICR repayment plan.
- Under the ICR plan, your monthly payment may be less than the monthly accruing interest. The accruing interest that is not satisfied by your monthly payment will be capitalized annually. You will receive a notice telling you when the interest will be capitalized, and you will have the opportunity to pay that interest before it is capitalized. While you remain in ICR, the amount of interest that is capitalized will be limited to 10 percent of the outstanding principal balance on your loans at the time that you entered repayment.
- Under the ICR plan, if your loan(s) is not repaid in full after you have made the equivalent of 25 years of qualifying monthly payments and at least 25 years have elapsed, any remaining debt will be forgiven. If you receive an Economic Hardship Deferment, any months of Economic Hardship Deferment are considered the equivalent of qualifying payments. Months for which you receive any other type of deferment or months of forbearance are not counted as qualifying payments, and do not count toward the 25-year forgiveness period. Any amount forgiven under the ICR plan may be considered income by the Internal Revenue Service and subject to federal income tax. The Public Service Loan Forgiveness Program allows eligible borrowers to cancel the remaining balance of their Direct Loans after they have served full time at a public service organization for at least 10 years, while making 120 qualifying loan payments, including payments under the ICR plan. For more information, see studentaid.gov/publicservice.

IMPORTANT INFORMATION ABOUT ALTERNATIVE DOCUMENTATION OF INCOME

- **YOU ARE REQUIRED** to provide alternative documentation of your income if:
 - You did not file a federal tax return for either of the two most recently completed tax years; or
 - You have been notified by your loan holder(s) that alternative documentation of your income is required.
- **YOU MAY** provide alternative documentation of your income if your Adjusted Gross Income (AGI), as reported on your most recently filed federal tax return, *does not reasonably reflect your current income*, because, for example, of a loss of or change in employment by you or your spouse.
- **YOU ARE NOT REQUIRED** to provide alternative documentation of your income if you can provide a copy of your most recently filed federal tax return or an IRS tax return transcript from either of the two most recently completed tax years; and that documentation *reasonably reflects* your current income.

SECTION 10: WHERE TO SEND THE COMPLETED REPAYMENT PLAN REQUEST

Return the completed form and any required documentation to:

If you need help completing this form, call:

If no address is shown, return to your loan holder(s).

If no telephone number is shown, call your loan holder(s).

SECTION 11: IMPORTANT NOTICES

Privacy Act Notice. The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authorities for collecting the requested information from and about you are §421 *et seq.* and §451 *et seq.* of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 *et seq.* and 20 U.S.C. 1087a *et seq.*) and the authorities for collecting and using your Social Security Number (SSN) are §§428B(f) and 484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the Federal Family Education Loan (FFEL) Program or the William D. Ford Federal Direct Loan (Direct Loan) Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the FFEL and/or Direct Loan Programs, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) becomes delinquent or defaults. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment statuses, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

Paperwork Reduction Notice. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. Public reporting burden for this collection of information is estimated to average 0.5 hours (30 minutes) per response, including the time for reviewing instructions, searching existing data resources, gathering and maintaining the data needed, and completing and reviewing the information collection. Individuals are obligated to respond to this collection to obtain a benefit in accordance with 34 CFR 682.215, 685.209, or 685.221. Send comments regarding the burden estimate(s) or any other aspect of this collection of information, including suggestions for reducing this burden to the U.S. Department of Education, 400 Maryland Avenue, SW, Washington, DC 20210-4537 or e-mail ICDocketMgr@ed.gov and reference OMB Control Number 1845-0102.

Note: Please do not return the completed form to this address. If you have questions regarding the status of your individual submission of this form, contact your loan holder(s) (see Section 10).

REPAYMENT PLAN SELECTION



William D. Ford Federal Direct Loan Program

REPAYMENT PLAN SELECTION

William D. Ford Federal Direct Loan Program

 OMB No. 1845-0014
 Form Approved
 Exp. Date 11/30/2013

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying documents is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

Instructions

To understand your repayment options, carefully read this entire form, including the important notices in Section 7, and the enclosed information that describes the available repayment plans. After reviewing this information, complete the applicable sections below to select a repayment plan or to change your current repayment plan. **Please print clearly using blue or black ink.** If you need help completing this form, contact your servicer through one of the methods provided in Section 6 of this form. **Return the completed form to the address shown in Section 6.**

Section 1: Borrower Information – to be completed by ALL BORROWERS

Borrower's Last Name _____ First Name _____ Middle Initial _____ Borrower's Social Security Number: _____

Section 2: Repayment Plan Selection – to be completed by ALL BORROWERS

- Place an "X" in the box in the chart below under the repayment plan that you wish to select for the types of loans that you owe. The enclosed information describes each of the repayment plans.
- You must choose the same repayment plan for all of your Direct Loans, unless you want to repay under the Income Contingent Repayment (ICR) Plan or Income-Based Repayment (IBR) Plan and you have some loans that may not be repaid under those plans as indicated in the chart below. In this case, you may select the ICR Plan or IBR Plan for the loans that are eligible for repayment under those plans, and may select a different repayment plan for the loans that may not be repaid under ICR or IBR.
- In the chart below, the term "parent PLUS Loan" refers to a Direct PLUS Loan made under the William D. Ford Federal Direct Loan (Direct Loan) Program or a Federal PLUS Loan made under the Federal Family Education Loan (FFEL) Program that you borrowed to help pay for your dependent child's undergraduate education. A "student PLUS Loan" is a Direct PLUS Loan or Federal PLUS Loan that you received to pay for your own graduate or professional education. A Direct PLUS Consolidation Loan is a Direct Consolidation Loan made before July 1, 2006 that repaid parent PLUS loans. No Direct PLUS Consolidation Loans have been made since July 1, 2006.
- To repay your loans under the IBR Plan, you must have a partial financial hardship (see Section 5).
- If you are beginning repayment of your loans for the first time and you do not select a repayment plan, or if you select the ICR Plan or IBR Plan but do not submit required additional forms and documentation, you will be placed on the Standard Repayment Plan.
- If you are requesting a change from another repayment plan to the ICR Plan or the IBR Plan and you do not submit required additional forms and documentation, you will remain on your current repayment plan.
- If you are requesting a change from your current repayment plan to a different plan, your servicer may grant you a forbearance for up to 60 days, if necessary, in order to collect and process documentation supporting your request (such as documentation required to process a request to repay under the ICR Plan or the IBR Plan). Unpaid interest that accrues during this maximum 60-day forbearance period will not be capitalized. (Capitalization is the addition of unpaid interest to the principal balance of your loan. This increases the principal balance and the total cost of your loan.)
- If you are delinquent in making payments under your current repayment plan at the time you request a change to a different plan, your servicer may grant you a forbearance to cover (1) any payments that are overdue at the time of your request, or (2) if you are requesting a change to the IBR Plan, any payments that would be overdue by the time your servicer determines whether you have a partial financial hardship (see Section 5), if it takes your servicer more than 60 days to make that determination. Unpaid interest that accrues during this forbearance period may be capitalized at the end of the forbearance period.

| Loan Types | Standard | Graduated | Extended | | Income Contingent | Income-Based |
|--|--------------------------|--------------------------|---|---|--------------------------|--------------------------|
| <ul style="list-style-type: none"> Direct Subsidized Loans Direct Unsubsidized Loans Student Direct PLUS Loans Direct Consolidation Loans that did not repay any parent PLUS loans | <input type="checkbox"/> | <input type="checkbox"/> | Fixed Payments <input type="checkbox"/> | Graduated Payments <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none"> Direct Consolidation Loans made on or after July 1, 2006 that repaid one or more parent PLUS loans | <input type="checkbox"/> | <input type="checkbox"/> | Fixed Payments <input type="checkbox"/> | Graduated Payments <input type="checkbox"/> | <input type="checkbox"/> | Not Available |
| <ul style="list-style-type: none"> Parent Direct PLUS Loans Direct PLUS Consolidation Loans | <input type="checkbox"/> | <input type="checkbox"/> | Fixed Payments <input type="checkbox"/> | Graduated Payments <input type="checkbox"/> | Not Available | Not Available |

Section 3: Spouse Information – to be completed by SOME MARRIED BORROWERS

Complete this section only if you are married and are (1) selecting the ICR Plan (unless you are separated from your spouse), (2) selecting the IBR Plan and you and your spouse file a joint federal income tax return, and your spouse has loans that are eligible for repayment under the IBR Plan (see Section 5), or (3) selecting any repayment plan for a Direct Consolidation Loan held jointly by you and your spouse. **If you are required to complete this section, your spouse must also sign this form.**

Spouse's Last Name _____ First Name _____ Middle Initial _____ Spouse's Social Security Number: _____ Spouse's Date of Birth (mm-dd-yyyy) _____

Section 4: Additional ICR Information – to be completed by BORROWERS WHO SELECT THE INCOME CONTINGENT REPAYMENT PLAN

Complete this section **only** if you are selecting the ICR Plan.

Note: To repay under the ICR Plan, you must complete a consent form authorizing the Internal Revenue Service to disclose your adjusted gross income (AGI) and other tax return information, or you must provide other documentation of your AGI, such as a copy of your most recently filed federal income tax return, as specified by your servicer in documentation accompanying this form. In some cases, you may also be required to complete an ICR & IBR Plan Alternative Documentation of Income form. Your servicer will include the required additional forms with this Repayment Plan Selection form or will provide instructions for obtaining the forms. Complete and return the required form(s) or other required documentation along with this Repayment Plan Selection form.

Until your servicer receives the information needed to calculate your ICR Plan payment amount, your initial payment amount will be the full amount of interest that accumulates on your loan each month. If you are beginning repayment of your Direct Loan for the first time and you cannot afford the initial interest payment, you may request a forbearance until you are notified of your actual ICR payment. During a forbearance you are not required to make any payments of principal or interest, but interest continues to accumulate on your loan. Interest that you do not pay during this forbearance period will be capitalized at the end of the forbearance. To request a forbearance, contact your servicer.

A. Family Size. Enter your family size on the line below. Your family size includes you and your spouse. It includes your children if they get more than half their support from you. It includes other people only if (1) they now live with you, **and** (2) they now get more than half their support from you **and** they will continue to get this support from you. **Support** includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc. **If your family size changes, notify your servicer in writing at the mailing address or the Web site address shown in Section 6.**

Family Size: _____

B. ICR Joint Repayment Option. If you and your spouse each have Direct Loans and both of you want to repay the loans under the ICR Plan, you may choose to repay your loans jointly (see ICR Plan description in the enclosed Repayment Plan Choices sheet). If you choose to repay jointly, place an "X" in the box below and have your spouse sign and date this form.

I wish to repay my loan(s) jointly with my spouse under the ICR Plan.

C. Certification. Read the certification statement below, then sign and date this form.

All of the information I provided on this form is true and complete to the best of my knowledge. If asked by an authorized official, I agree to provide proof of the information that I have provided on this form.

Borrower's Signature _____ Date _____

Spouse's Signature (if required; see Section 3) _____ Date _____

Section 5: Additional IBR Information – to be completed by BORROWERS WHO SELECT THE INCOME-BASED REPAYMENT PLAN

Complete this section *only* if you are selecting the IBR Plan.

To initially qualify to repay your loans under the IBR Plan and to continue to make income-based payments, you must have a **partial financial hardship**. You are considered to have a partial financial hardship if the annual amount due on all of your eligible loans or, if you are married and file a joint federal income tax return, the annual amount due on all of your eligible loans and your spouse's eligible loans, is more than 15% of the difference between your adjusted gross income (AGI), as shown on your most recently filed federal income tax return, and 150% of the poverty guideline amount for your family size and state of residence:

$$\text{Annual amount of payments due} > 15\% [\text{AGI} - (150\% \times \text{applicable poverty guideline amount})]$$

The annual amount of payments due is calculated based on the greater of (1) the total amount owed on eligible loans at the time those loans initially entered repayment or (2) the total amount owed on eligible loans at the time you or, if applicable, your spouse requested the IBR Plan. The annual amount of payments due is calculated using a Standard Repayment Plan with a 10-year repayment period. The amount owed on eligible loans includes the amount owed on your eligible loans and, if you are married and file a joint federal income tax return, the amount owed on your spouse's eligible loans. Eligible loans for the IBR Plan are listed in "B", below. If you are married and file a joint federal income tax return, your AGI includes both your income and your spouse's income. Your spouse must sign below if you file a joint federal income tax return and if your spouse also has loans that are eligible for repayment under the IBR Plan; by signing this form, your spouse is authorizing your servicer to access information about his or her federal student loans in the National Student Loan Data System (NSLDS).

An IBR Plan calculator is available at studentaid.ed.gov. The calculator evaluates your eligibility for the IBR Plan and estimates your initial IBR Plan payment amount. To use the calculator, you will need to enter your eligible loan debt, income, family size, and state of residence. The calculator is for informational purposes only; your servicer will make the official determination of your eligibility and payment amount based on the information you provide on this form and other required documentation.

To enroll in the IBR Plan, you must complete a consent form authorizing the Internal Revenue Service to disclose your AGI and other tax return information, or you must provide other documentation of your AGI, such as a copy of your most recently filed federal income tax return, as specified by your servicer in documentation accompanying this form. In some cases, you may also be required to complete an ICR & IBR Plan Alternative Documentation of Income form. Your servicer will include the required additional forms with this Repayment Plan Selection form or will provide instructions for obtaining the forms. Complete and return the required form(s) and/or other required documentation along with this Repayment Plan Selection form.

A. Family Size. Enter your family size on the line below. Your family size includes you, your spouse, and your children, including children who will be born during the year you certify your family size, if your children receive more than half their support from you. Your family size also includes other individuals if, at the time you certify your family size, these other individuals (1) live with you and (2) receive more than half of their support from you and will continue to receive this support for the year you certify your family size. Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs. **If you select IBR, you must notify us of your family size every year. Your servicer will contact you annually to confirm and update family size information.**

Family Size: _____ NOTE: If you do not provide your family size, your servicer will assume a family size of one.

If you have any questions regarding the IBR Plan, partial financial hardship, or your family size determination, please contact your servicer.

B. Eligible Loans for the IBR Plan.

- All **Direct Loan Program loans** are eligible except (1) a loan that is in default, (2) a Direct PLUS Loan made to a parent borrower, (3) a Direct Consolidation Loan that repaid a Federal PLUS Loan or Direct PLUS Loan made to a parent borrower, or (4) a Direct PLUS Consolidation Loan.

Loans made under the Direct Loan Program are Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans

- All **FFEL Program loans** are eligible except (1) a loan that is in default, (2) a Federal PLUS Loan made to a parent borrower, or (3) a Federal Consolidation Loan that repaid a Direct PLUS Loan or Federal PLUS Loan made to a parent borrower.

Loans made under the FFEL Program are Federal Stafford Loans (subsidized and unsubsidized), Federal PLUS Loans, and Federal Consolidation Loans.

Federal Perkins Loans, HEAL loans or other health education loans, and private education loans are **not** eligible for the IBR plan. Your eligibility for the IBR Plan will be determined based on your total eligible loan debt and, if you are married and file a joint federal income tax return, your spouse's total eligible loan debt. To access information on your eligible loans, check NSLDS at www.nsls.ed.gov.

Check this box if (1) you have eligible FFEL Program loans in addition to your eligible Direct Loan Program loans, or (2) you are married and file a joint federal income tax return, and your spouse has eligible Direct Loan or FFEL Program loans. **NOTE: Including your spouse's eligible loans will result in a lower monthly IBR Plan payment amount.**

C. IBR Joint Consolidation Loan Repayment. If you and your spouse have an eligible joint consolidation loan that you and your spouse want to repay under the IBR Plan, place an "X" in the box below and have your spouse sign and date below in "D". Both you and your spouse must have a partial financial hardship (see description above) to repay an eligible joint consolidation loan under IBR.

I wish to repay my joint consolidation loan(s) with my spouse under the IBR Plan.

D. Certification. Read the certification statement below, then sign and date this form. Your spouse must also sign and date this form if (1) you and your spouse file a joint federal income tax return and your spouse has loans that are eligible for IBR, or (2) you and your spouse want to repay a joint consolidation loan under the IBR Plan.

All of the information I provided on this form is true and complete to the best of my knowledge. If asked by an authorized official, I agree to provide proof of the information that I have provided on this form.

Borrower's Signature _____ Date _____

Spouse's Signature _____ Date _____

(Spouse's signature is required if (1) you file a joint federal income tax return and your spouse also has loans that are eligible for the IBR Plan, or (2) you and your spouse want to repay a joint consolidation loan under the IBR Plan.)

Section 6: Where to Send the Completed Form

Return this form to:

U.S. Department of Education
Loan Consolidation Department
P.O. Box 242800
Louisville, KY 40224-2800

If you need help completing this form, or if you need to report a change in your address, contact:

- Call us at **1-800-557-7392** or, if you use a telecommunications device for the deaf (TDD), at **1-800-557-7395**.
- E-mail us by going to **www.loanconsolidation.ed.gov** and clicking on **Contact Us**.
- Write to us at the mailing address provided above.

PRIVACY ACT NOTICE

The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authority for collecting the requested information from and about you is §451 *et seq.* of the Higher Education Act (HEA) of 1965, as amended (20 U.S.C. 1087a *et seq.*) and the authorities for collecting and using your Social Security Number (SSN) are §484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan Program, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) become delinquent or in default. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer-matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment status, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

PAPERWORK REDUCTION NOTICE

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1845-0014. The time required to complete this information collection is estimated to average .33 hours (20 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, DC 20210-4537. ***Do not send the completed form to this address.***

If you have questions about the status of your individual submission of this form, contact your servicer (see Section 6).

Repayment Plan Choices

William D. Ford Federal Direct Loan Program
 Federal Direct Stafford/Ford Loans, Federal Direct Unsubsidized Stafford/Ford Loans,
 Federal Direct PLUS Loans, Federal Direct Consolidation Loans

DECIDE ON A REPAYMENT PLAN

The William D. Ford Federal Direct Loan (Direct Loan) Program offers assorted repayment plans so you can choose the one that is right for you: Standard Repayment Plan, Graduated Repayment Plan, Extended Repayment Plan, Income Contingent Repayment (ICR) Plan, and Income-Based Repayment (IBR) Plan. For each plan: (1) You can prepay your loan at any time without penalty; (2) If your loan has a variable interest rate, your monthly payment amount may be adjusted annually; and (3) The "Repayment Period" excludes periods of deferment and forbearance, except periods of economic hardship deferment after October 1, 2007, for the ICR and IBR Plans. You can select the plan you want at <http://www.dl.ed.gov> or by completing and submitting a Repayment Plan Selection form.

You must choose the same repayment plan for all of your Direct Loans, unless you want to repay under the ICR Plan or the IBR Plan and you have loans that may be repaid under ICR or IBR and other loans that may not be repaid under ICR or IBR. (See the descriptions of the ICR and IBR plans below for the types of Direct Loans that may not be repaid under these repayment plans.) In that case, you may choose a different repayment plan for the loans that are not eligible for ICR or IBR.

If you do not select a repayment plan, you will be assigned the Standard Repayment Plan. If you have questions about your choices, please call the Consolidation Department at 1-800-557-7392 for assistance.

CHANGING REPAYMENT PLANS

There is no limit to when or how often you may change plans. You may change to another plan as long as the new plan has a repayment term longer than the amount of time you have already spent in repayment. The new repayment term is determined by subtracting the amount of time you have spent in repayment from the term allowed under the new plan. Exceptions are: (1) If you are required to repay under the ICR plan, you must make three consecutive on-time monthly payments of a payment amount based on your income before changing to another plan; and (2) If you choose to leave the IBR Plan, your account will be placed on the Standard Repayment Plan; and (3) You may change to the ICR Plan or the IBR Plan at any time.

STANDARD REPAYMENT PLAN

Non-Consolidation Loans

(Direct Subsidized Loans, Direct Unsubsidized Loans, & Direct PLUS Loans)

Minimum Monthly Payment \$50
Maximum Repayment Period 10 years

Under this plan, you will pay a fixed amount of at least \$50 each month for up to 10 years. Due to its short repayment period, this plan results in the lowest total interest paid under any of the repayment plans.

Consolidation Loans

Minimum Monthly Payment \$50
Maximum Repayment Period 10 - 30 years

Under this plan, you will pay a fixed amount of at least \$50 each month over a repayment period of 10 to 30 years, depending on total education indebtedness. This plan may result in lower total interest paid when compared to other plans.

GRADUATED REPAYMENT PLAN

Non-Consolidation Loans

(Direct Subsidized Loans, Direct Unsubsidized Loans, & Direct PLUS Loans)

Minimum Monthly Payment Monthly interest accrual
Maximum Repayment Period 10 years

Under this plan, you will pay a minimum payment amount equal to the amount of interest that accrues monthly for up to 10 years. Your payments start out low, and then increase every two years. No single payment under this plan will be more than three times greater than any other payment. Generally, the amount you will repay over the term of your loan will be higher under the Graduated Repayment Plan than under the Standard Repayment Plan. This plan may be beneficial if your income is low now but is likely to steadily increase.

Consolidation Loans

Minimum Monthly Payment Monthly interest accrual
Maximum Repayment Period 10 - 30 years

Under this plan, you will pay a minimum payment amount equal to the amount of interest that accrues monthly over a repayment period of 10 to 30 years, depending on your total education indebtedness. Your payments start out low, and then increase every two years. No single payment under this plan will be more than three times greater than any other payment. Generally, the amount you will repay over the term of your loan will be higher under the Graduated Repayment Plan than under the Standard Repayment Plan. This plan may be beneficial if your income is low now but is likely to steadily increase.

Total Education Indebtedness Amounts / Number of Monthly Payments under Standard and Graduated Repayment Plans for Consolidation Loans

| If your Total Education Indebtedness is | | Maximum Number of Monthly Payments |
|---|-----------|------------------------------------|
| At Least | Less Than | |
| | \$7,500 | 120 (10 years) |
| \$ 7,500 | \$10,000 | 144 (12 years) |
| \$10,000 | \$20,000 | 180 (15 years) |
| \$20,000 | \$40,000 | 240 (20 years) |
| \$40,000 | \$60,000 | 300 (25 years) |
| \$60,000 | | 360 (30 years) |

EXTENDED REPAYMENT PLAN

You may choose this plan only if (1) you had no outstanding balance on a Direct Loan on October 7, 1998 or on the date you obtained a Direct Loan after that date, and (2) you owe more than \$30,000 in outstanding Direct Loans.

Fixed Monthly Payment Option (All loan types)

Minimum Monthly Payment \$50
Maximum Repayment Period 25 years

Under this plan, you will pay a fixed amount of at least \$50 each month over a repayment period not to exceed 25 years.

Graduated Monthly Payment Option (All loan types)

Minimum Monthly Payment Monthly interest accrual
Maximum Repayment Period 25 years

Under this plan, you will pay a minimum amount of at least the amount of interest that accrues monthly over a repayment period not to exceed 25 years. Your payments start out low and then increase every two years. This plan may be beneficial if your income is low now but is likely to steadily increase.

Under either fixed or graduated monthly payment option, the Extended Repayment Plan will give you a lower monthly payment on your non-consolidation loans than Standard or Graduated Repayment Plans. Because of the longer repayment period, you will pay more interest over the life of your loan.

If you have a consolidation loan and owe more than \$30,000 but less than \$40,000, the Extended Repayment Plan will provide you with a longer repayment period than the Standard or Graduated Repayment Plans, but the total amount of interest you pay over the life of the loan may be more than under those plans.

INCOME CONTINGENT REPAYMENT (ICR) PLAN

Not available for Direct PLUS Loans made to parent borrowers or Direct PLUS Consolidation Loans.

Minimum Monthly Payment
Maximum Repayment Period

\$0 or \$5.00
25 years

Under this plan, the payment amount is based upon your income. The monthly payment amount will be the lesser of the following two calculations:

1. the amount you would pay if you repaid your loan in 12 years, multiplied by an income percentage factor (ranging from approximately 55 percent to 200 percent) that varies with your annual income, or
2. 20 percent of your monthly discretionary income. Discretionary income is your federal Adjusted Gross Income (AGI) minus the poverty level for your family size.

If you are married, both your AGI and your spouse's AGI will be used to calculate your monthly repayment amount, even if you file your income taxes separately from your spouse.

If you and your spouse each have Direct Loans and want to repay your loans under the ICR Plan, you may choose to repay your loans jointly. The outstanding balances on each of your loans will be added together to determine your repayment amount.

If your calculated monthly payment is between \$0 and \$ 5.00, you will be required to make a \$5.00 monthly payment. If your income is less than or equal to the poverty level for your family size, your payment will be \$0. In the event that your payment amount is less than the amount of interest accruing on your loan, the interest will be added to your loan principal (capitalized) once a year until the principal balance is 10 percent higher than the original balance. After this occurs, interest will continue to accrue but will not be added to the principal balance.

Under this plan, it is possible you will not make payments large enough to pay off your loans in 25 years. If loans are not fully repaid after 25 years of repayment, any unpaid amount will be forgiven. The maximum 25-year repayment period may include prior periods of repayment under certain other repayment plans, and periods of economic hardship deferment after October 1, 2007. The forgiven amount may be considered taxable income.

Your repayment amount is adjusted annually. It may be higher when your income is higher and lower when your income is lower.

If you select the Income Contingent Repayment Plan, we will:

1. require you to submit documentation of current income (yours and your spouse's) in the first year of repayment. You may be required to submit documentation of current income (yours and your spouse's) in your second year of repayment as well.
2. require you to complete a form that authorizes the Internal Revenue Service (IRS) to provide income information (yours and your spouse's) to the U.S. Department of Education. You must sign this form and return it to us. The AGI from the IRS will be used to calculate your monthly repayment amount in years subsequent to the year(s) in which alternative documentation is required.

In special circumstances when your federal tax return does not reflect your present income (for example, due to loss of employment), you may submit documentation of your current income. Your monthly payment will be based on this documented income information.

NOTE: If you are repaying your loan(s) under the ICR or IBR Plan, your repayment period will be a maximum of 25 years. If loans are not fully repaid after 25 years of repayment, any unpaid amount will be forgiven. The maximum 25-year repayment period may include prior periods of repayment under certain other repayment plans, and certain periods of economic hardship deferment. The forgiven amount may be considered taxable income.

INCOME-BASED REPAYMENT (IBR) PLAN

Not available for Direct PLUS Loans made to parent borrowers (parent Direct PLUS Loans), Direct PLUS Consolidation Loans, or Direct Consolidation Loans that repaid parent Direct PLUS Loans or Federal Family Education Loan Program PLUS loans made to parent borrowers.

Minimum Monthly Payment
Maximum Repayment Period

\$0 or \$10.00
25 years

The Income-Based Repayment (IBR) Plan bases your monthly payment on your annual income and family size. You must be experiencing a Partial Financial Hardship to initially select this plan. A Partial Financial Hardship is a circumstance in which the annual amount due on all your eligible loans (see the accompanying Repayment Plan Selection form for a definition of "eligible loans") at the time you entered repayment, as calculated under a 10-year Standard Repayment Plan, exceeds 15 percent of the difference between your Adjusted Gross Income (AGI) and 150 percent of the poverty line income for your family size.

Under this plan, your required monthly payment will be no more than 15 percent of the amount by which your AGI exceeds 150 percent of the poverty line income for your family size and state, divided by 12. In addition:

1. If the calculated payment is less than \$5.00 your required monthly payment will be \$0.00.
2. If the calculated payment is equal to or greater than \$5.00, but less than \$10.00, your required monthly payment will be \$10.00.
3. If all of your loans are not Direct Loans, your monthly payment amount will be determined by multiplying the calculated monthly payment by the percentage of the total amount of your eligible loans that are Direct Loans.

If you are married and file your federal income taxes jointly with your spouse, both your AGI and your spouse's AGI will be used to calculate your monthly payment. If you and your spouse file taxes separately, only your AGI will be used to calculate your monthly payment. Under this plan, it is possible you will not make payments large enough to pay off your loans in 25 years. If loans are not fully repaid after 25 years of repayment, any unpaid amount will be forgiven. The maximum 25-year repayment period may include prior periods of repayment under certain other repayment plans, and certain periods of economic hardship deferment after October 1, 2007. The forgiven amount may be considered taxable income.

Your repayment amount may be adjusted annually. It may be higher or lower depending on changes in your income. If you select the Income-Based Repayment Plan, we will:

1. require you to submit documentation of current income (yours and your spouse's if you are married and file taxes jointly) in order to apply for the IBR plan.
2. require you to complete a form that authorizes the Internal Revenue Service (IRS) to provide income information (yours and your spouse's if you are married and files taxes jointly) to the U.S. Department of Education. You must sign this form and return it to us. The AGI from the IRS will be used to calculate your monthly repayment amount in years subsequent to the year(s) in which alternative documentation is required.

In special circumstances when your federal tax return does not reflect your present income (for example, due to loss of employment), you may submit documentation of your current income. Your monthly payment will be based on this documented income information.

If your payment does not cover all of the interest accumulating monthly on your Direct Subsidized Loans or Direct Subsidized Consolidation Loans, you will not be charged the remaining portion of the interest on those loans for a period not to exceed three consecutive years from the time you begin repayment under the IBR Plan.

If you no longer have partial financial hardship, your monthly payment amount will be adjusted. Your adjusted payment amount will not exceed the amount required to pay your loan in full under a 10-year Standard Repayment Plan based on the amount of your eligible loans that was outstanding at the time you began repayment under the IBR Plan (minimum of \$50.00). The repayment period based on this recalculated payment amount may be more than 10 years.

If you choose to leave the IBR Plan, your account will be placed on the Standard Repayment Plan. Your required monthly payment will be recalculated based on (1) the time remaining under the maximum 10-year repayment period for the amount of your loans that are outstanding at the time you leave the IBR Plan, or (2) if you are a Direct Consolidation Loan borrower, the time remaining under the applicable maximum repayment period for the amount of your Direct Consolidation Loan and your other student loans that are outstanding at the time you leave the IBR Plan.

Go to Page 3 for sample payment amounts per plan.⇒

U.S. Department of Education Direct Loan Program

REPAYMENT PLAN CHOICES

Example Payment Amounts by Repayment Plan

| Non-Consolidation Borrowers * | | | | | | | | | | | | | | | | |
|---------------------------------|-----------|---------|----------------|---------|--------------------|---------|-----------|---------|---|---------|-----------------|----------|--------------------------------------|---------|-----------------|---------|
| Debt When Loan Enters Repayment | Standard | | Extended Fixed | | Extended Graduated | | Graduated | | Income Contingent ** Income = \$25,000 | | | | Income-Based ** Income = \$25,000 | | | |
| | Per Month | Total | Per Month | Total | Per Month | Total | Per Month | Total | Single | | Married/ HoH*** | | Single | | Married/HoH *** | |
| | | | | | | | | | Per Month | Total | Per Month | Total | Per Month | Total | Per Month | Total |
| \$5,000 | \$58 | \$6,904 | N/A | N/A | N/A | N/A | \$40 | \$7,275 | \$37 | \$8,347 | \$36 | \$11,088 | N/A | N/A | \$39 | \$8,005 |
| 10,000 | 115 | 13,809 | N/A | N/A | N/A | N/A | 79 | 14,550 | 75 | 16,699 | 71 | 22,158 | 110 | 13,672 | 39 | 16,081 |
| 25,000 | 288 | 34,524 | N/A | N/A | N/A | N/A | 198 | 36,375 | 186 | 41,748 | 178 | 55,440 | 110 | 45,014 | 39 | 60,754 |
| 50,000 | 575 | 69,048 | 347 | 104,109 | 284 | 112,678 | 396 | 72,749 | 247 | 93,322 | 189 | 122,083 | 110 | 109,623 | 39 | 92,704 |
| 100,000 | 1,151 | 138,096 | 694 | 208,217 | 568 | 225,344 | 792 | 145,498 | 247 | 187,553 | 189 | 170,153 | 110 | 118,058 | 39 | 97,020 |

Notes: * Payments are calculated using a fixed interest rate of 6.8% for Direct Subsidized and Unsubsidized Loans disbursed on or after July 1, 2006.
 ** Assumes a 5 percent annual income growth (Census Bureau).
 *** HOH is Head of Household. Assumes a family size of two.

| Consolidation Borrowers * | | | | | | | | | | | | | | | | |
|---------------------------------|-----------|---------|----------------|---------|--------------------|---------|-----------|---------|---|---------|-----------------|----------|--------------------------------------|---------|-----------------|---------|
| Debt When Loan Enters Repayment | Standard | | Extended Fixed | | Extended Graduated | | Graduated | | Income Contingent ** Income = \$25,000 | | | | Income-Based ** Income = \$25,000 | | | |
| | Per Month | Total | Per Month | Total | Per Month | Total | Per Month | Total | Single | | Married/ HoH*** | | Single | | Married/HoH *** | |
| | | | | | | | | | Per Month | Total | Per Month | Total | Per Month | Total | Per Month | Total |
| \$5,000 | \$61 | \$7,359 | N/A | N/A | N/A | N/A | \$38 | \$7,978 | \$40 | \$9,414 | \$38 | \$12,294 | N/A | N/A | \$39 | \$7,818 |
| 10,000 | 97 | 17,461 | N/A | N/A | N/A | N/A | 69 | 19,165 | 80 | 18,828 | 77 | 24,587 | 110 | 17,638 | 39 | 22,414 |
| 25,000 | 213 | 51,123 | N/A | N/A | N/A | N/A | 172 | 55,491 | 201 | 47,069 | 189 | 61,588 | 110 | 59,451 | 39 | 52,725 |
| 50,000 | 394 | 118,264 | 394 | 118,264 | 344 | 126,834 | 344 | 126,834 | 247 | 106,630 | 189 | 137,766 | 110 | 91,388 | 39 | 78,816 |
| 100,000 | 751 | 270,452 | 788 | 236,528 | 688 | 253,660 | 688 | 286,305 | 247 | 187,553 | 189 | 170,153 | 110 | 117,343 | 39 | 97,020 |

Notes: * Payments are calculated using the maximum interest rate for consolidation loans, 8.25%.
 ** Assumes a 5 percent annual income growth (Census Bureau).
 *** HOH is Head of Household. Assumes a family size of two.

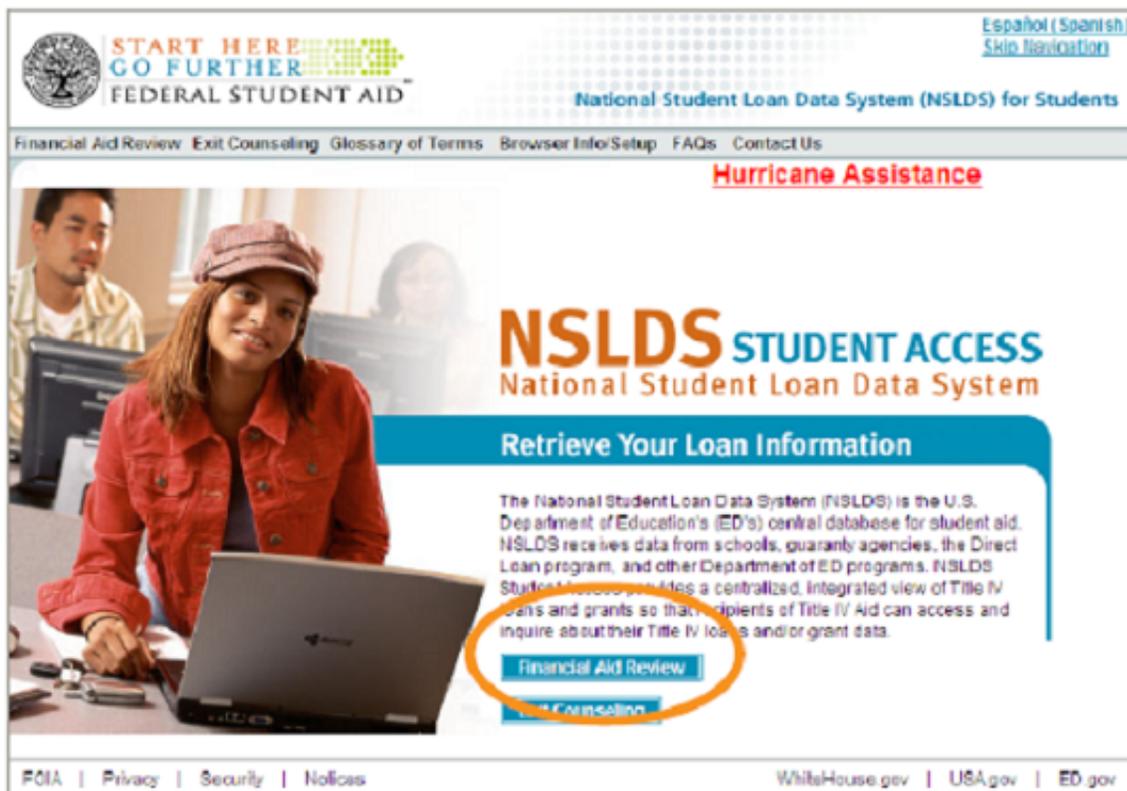
Essential Tools for Student Loan Borrowers

How to Use NSLDS

The **National Student Loan Data System** (<http://www.nslsds.ed.gov>) (NSLDS®) is the U.S. Department of Education's federal student loan database. You can access NSLDS to locate your federal student loan details and then use our **student loan portfolio** (/pdfs/borrower/my_student_loan_portfolio.pdf) (pdf, 0.42 MB) to record your information and keep it organized.

Step 1

To get to the NSLDS login page, go to www.nslsds.ed.gov (<http://www.nslsds.ed.gov>) and click the *Financial Aid Review* button.



The screenshot shows the NSLDS Student Access website. At the top left is the "START HERE GO FURTHER FEDERAL STUDENT AID" logo. To the right is a "Español (Spanish) Site Navigation" link. Below the logo is the text "National Student Loan Data System (NSLDS) for Students". A navigation bar contains links for "Financial Aid Review", "Exit Counseling", "Glossary of Terms", "Browser Info/Setup", "FAQs", and "Contact Us". A "Hurricane Assistance" link is also visible. The main content area features a large image of a student at a laptop. Overlaid on this is the text "NSLDS STUDENT ACCESS National Student Loan Data System" and "Retrieve Your Loan Information". A blue box contains a paragraph of text about the system, with a "Financial Aid Review" button circled in orange. At the bottom, there are links for "FOIA", "Privacy", "Security", and "Notices" on the left, and "WhiteHouse.gov", "USA.gov", and "ED.gov" on the right.

Step 2

You'll be asked for the following information in order to log on:

- Your Social Security number
- The first 2 letters of your last name
- Your date of birth

- Your PIN (visit the [Federal Student Aid PIN website](http://www.pin.ed.gov/PINWebApp/pinindex.jsp) (<http://www.pin.ed.gov/PINWebApp/pinindex.jsp>) if you don't have your NSLDS Personal ID Number (PIN))

What is your social security number?
Please enter this number without the dashes. For example, 123456789.

What are the first two (2) letters of your last name?

What is your date of birth?
Please enter this date in "mmddyyyy" format. For example, 08171975 for August 17, 1975.

What is your PIN?
Please enter the PIN you received from the Department of Education.

Since your PIN can be used to retrieve personal information about you and to sign documents, including a promissory note, you must not share or disclose the PIN to others. By using your PIN, you agree that it has not been compromised -- no one besides you knows it. If you think your PIN has been compromised, you should change it at the Department of Education PIN Registration Web site using the option "Change PIN".

You will be prompted to re-enter the information on this page after 15 minutes of inactivity.

Step 3

After you've logged on, click the blue numbers in the far left column to find the details for each of your federal student loans.

| | Type of Loan | Loan Amount | Loan Date | Disbursed Amount | Canceled Amount | Outstanding Principal | Outstanding Interest |
|--------------------|------------------------------------|-------------|-----------|------------------|-----------------|-----------------------|----------------------|
| 1 | DIRECT STAFFORD SUBSIDIZED | | | | | | |
| 2 | STAFFORD UNSUBSIDIZED | | | | | | |
| 3 | STAFFORD SUBSIDIZED | | | | | | |
| 4 | DIRECT STAFFORD SUBSIDIZED | | | | | | |
| 5 | DIRECT STAFFORD SUBSIDIZED | | | | | | |
| 6 | DIRECT STAFFORD UNSUBSIDIZED | | | | | | |
| 7 | DIRECT STAFFORD SUBSIDIZED | | | | | | |
| 8 | DIRECT STAFFORD SUBSIDIZED | | | | | | |
| 9 | DIRECT STAFFORD UNSUBSIDIZED | | | | | | |
| 10 | DIRECT STAFFORD SUBSIDIZED | | | | | | |
| 11 | DIRECT STAFFORD SUBSIDIZED | | | | | | |
| | Total DIRECT STAFFORD SUBSIDIZED | | | | | | |
| | Total STAFFORD UNSUBSIDIZED | | | | | | |
| | Total STAFFORD SUBSIDIZED | | | | | | |
| | Total DIRECT STAFFORD UNSUBSIDIZED | | | | | | |
| | Total All Loans | | | | | | |

Step 4

Record your loan information in your [student loan portfolio](#) ([/pdfs/borrower/my_student_loan_portfolio.pdf](#)) (pdf, 0.42 MB). Be sure to include your servicer information, which you can find at the bottom of the screen.

Type of Loan: **1 DIRECT STAFFORD SUBSIDIZED**
 Loan obtained while attending the **your school**

Next

Scheduled Start of Repayment: **mm/dd/yyyy**
 Loan Period Begin Date: **mm/dd/yyyy**
 Loan Period End Date: **mm/dd/yyyy**

Amounts and Dates

| Loan Amount | Outstanding Principal Balance | Outstanding Principal Balance As of Date | Outstanding Interest Balance | Outstanding Interest Balance As of Date | Interest Rate | Canceled Amount | Canceled Date |
|-------------|-------------------------------|--|------------------------------|---|---------------|-----------------|---------------|
| | | | | | | | |

Disbursement(s) and Status(es)

| Disbursement Date | Disbursement Amount | Loan Status | Status Description | Status Effective Date |
|-------------------|---------------------|-------------|--------------------|-----------------------|
| | | | | |

Servicer/Lender/Guaranty Agency Information

| Contact Type | Contact |
|--------------------|----------------------------|
| Your Servicer Name | Your servicer contact info |

NSLDS only shows information regarding your federal student loans. **Private, state, and institutional student loan data is not available on NSLDS**, but you can get a **free annual credit report** (<https://www.annualcreditreport.com/cra/index.jsp>) to find the information you need if you have any of these types of loans.

American Student Assistance[®] (ASA) is here to help you if you have trouble finding your student loan information or any questions about your education debt.

Federal Student Loan Repayment Options for Student Loan Borrowers

The Department of Education provides information and calculators regarding the various repayment options online at studentaid.ed.gov/repay-loans.

Standard Repayment. If you don't choose a repayment plan within 45 days of being notified, your loan servicer will automatically put you into a "standard" repayment plan. Standard repayment (for a loan that isn't consolidated) means that you'll pay equal monthly payments over a ten-year period. Monthly payments will be high, but because you'll pay off your loan quickly, you will pay less interest. If you consolidate your loans, the standard repayment term can be as long as 30 years. A 30-year repayment term will result in lower monthly payments but much higher interest charges over time. If you need low monthly payments, consider the income-driven repayment options before choosing a long-term repayment plan.

Income-Driven Repayment Options. If your debt is relatively high as compared to your income (which is the case for many recent law graduates), the income-driven repayment plans provide significant advantages. Monthly payments are established as a percentage of income. Direct Loans offers three income driven repayment options, but not every option is available for every borrower. You'll need to determine which income-driven options are available to you, and evaluate which of the available options provides the most benefits. The income-driven options share many similar characteristics, but there are significant differences as well.

Consider also that the income-driven options have the disadvantage of requiring annual income verification and other paperwork, and because monthly payments are low, interest charges will be correspondingly high.

- "Pay As You Earn" (PAYE) became available on December 21, 2012 for those who (1) got their first student loan on or after October 1, 2007, and (2) got a student loan on or after October 1, 2011 (one loan can count for both requirements). Under PAYE, annual payments are capped at 10 percent of "discretionary income" and any remaining loan balance is forgiven after 20 years of qualifying payments.
- Income-Based Repayment (IBR) is available for those of us who got our first student loan before October 1, 2007. Under IBR, annual payments are capped at 15 percent of "discretionary income" and any remaining loan balance is forgiven after 25 years of qualifying payments.
- Income-Contingent Repayment (ICR) is also available and should be considered, although it will not be as beneficial as IBR or PAYE for most borrowers. The formula used to calculate monthly payment amounts under ICR tends to result in higher monthly payments.

More Repayment Options. Under a Graduated Repayment Plan, payments start out low and increase during the repayment period, typically every two years. Graduated repayment can work

if you have relatively quick increases in earnings, but compare the benefits of income-driven repayment options before choosing graduated repayment.

Extended repayment plans are also available if you owe more than \$30,000, but you will pay more interest because the repayment period is longer. Compare the benefits of the income driven options before choosing extended repayment.

List of Useful Resource Sites

askheatherjarvis.com from NALP's student loan expert, Heather Jarvis, includes an online forum for borrowers to discuss student loan questions

[FinAid! The Smart Student Guide to Financial Aid](#) a comprehensive online resource covering nearly every aspect of financial aid provided by Mark Kantrowitz.

IBRinfo.org provides clear information about Income-Based Repayment and Public Service Loan Forgiveness.

[Project on Student Debt](#) gathers state-by-state data, research, and policy analysis.

[Student Loan Borrower Assistance.org](#) from the [National Consumer Law Center](#) provides free information about repayment options, avoiding and getting out of default, and dealing with collections agencies.

[US Department of Education](#) for federal student loan information and calculators.

Student Loan Interest Deduction

Student loan borrowers can reduce their income subject to tax by as much as \$2,500.

The allowable deduction amount is adjusted annually and gradually reduced for borrowers with higher incomes. In 2012, borrowers cannot take a deduction when modified adjusted gross income (MAGI) is \$75,000 or more (\$155,000 or more if you file a joint return). The amount of a borrower's student loan interest deduction for 2012 is gradually reduced when MAGI is between \$60,000 and \$75,000 (\$125,000 and \$155,000 for a joint return).

If you paid at least \$600 in student loan interest, your student loan servicer should provide a 1098-E by January 31st. If you paid less than \$600 in student loan interest, you can contact your loan servicer to find out how much interest you paid.

Enter the information on your 1098-E directly onto your tax return. You are not required to fill out additional forms to claim this deduction.

| | |
|--|--|
| Maximum benefit | You can reduce your income subject to tax by up to \$2,500. |
| Loan qualifications | Your student loan: <ul style="list-style-type: none">• must have been taken out solely to pay qualified education expenses, and• cannot be from a related person or made under a qualified employer plan. |
| Student qualifications | The student must be: <ul style="list-style-type: none">• you, your spouse, or your dependent, and• enrolled at least half-time in a degree program. |
| Time limit on deduction | You can deduct interest paid during the remaining period of your student loan. |
| Limit on modified adjusted gross income (MAGI) | \$155,000 if married filing a joint return; \$75,000 if single, head of household, or qualifying widow(er). |

Adapted from IRS Publication 970.

For informational purposes only. Not intended as tax advice. Consult a qualified tax professional.

See IRS Publication 970, Chapter 4, Student Loan Interest Deduction, for more information.

Five Easy Steps for Public Service Loan Forgiveness

1.

Make the right
kind of payment

- Pay As You Earn
- Income-Based Repayment or
- Income-Contingent Repayment

2.

On the right
kind of loan

- Federal Direct loans ONLY

3.

While you are in
the right kind of
job

- Full-time paid work for the government or a 501(c)(3), plus certain other positions

4.

Repeat 120
times

- Once a month for ten years (but does not need to be consecutive)

5.

Prove it

- Keep good records! You'll need to submit income documentation, family size verifications, and employment certification forms annually to the Department of Education. There will also be an application for forgiveness (to be developed)

The Right Kind of Payments for Public Service Loan Forgiveness

Qualifying payments include payments made under a repayment plan driven by income

- Choose Pay As You Earn, Income-Based Repayment or Income-Contingent Repayment

It's O.K. for it to take longer than 10 years to make 120 qualifying payments

- Qualifying payments do not need to be consecutive. You can take time off from public service (for example, to stay home with children)

But don't be late!

- Because late payments don't count toward forgiveness

The Right Kind of Loans for Public Service Loan Forgiveness

If you are borrowing federal student loans right now

- You are borrowing directly from the federal government through the Federal Direct loan program

If you started borrowing student loans before July 2010

- You might have borrowed federal student loans from a bank or private lender through the FFEL program (Federal Family Education Loans)

If you aren't absolutely sure you have ALL Federal Direct loans

- Get sure. Only Federal Direct Loans are eligible for Public Service Loan Forgiveness. Visit nlsds.ed.gov

If you discovered that you have FFEL loans

- You must consolidate FFEL loans into Federal Direct Loans loanconsolidation.ed.gov

If you borrowed commercial loans from a state or private lenders

- Cut it out! Commercial loans are never eligible for Public Service Loan Forgiveness

The Right Kind of Job for Public Service Loan Forgiveness

Full-time paid work

- The number of hours the employer considers full-time, or 30 hours per week on average, whichever is higher

For the government

- State, local, federal, tribal, but not government contractors

For a 501(c)(3) nonprofit

- Non profits that aren't (c)(3)s will only qualify in narrow circumstances

Plus these special positions

- Full-time, paid AmeriCorps or Peace Corps positions

And a few more positions

- Specific listed positions for a “public service organization,” but not a labor union, a partisan political organization, or an organization engaged in religious activities or organized for profit

Use the Employment Certification Process Annually

- Download the Public Service Loan Forgiveness Employment Certification Package (available at askheatherjarvis.com):
 - Dear Borrower Letter
 - Instructions for Completing Employment Certification for Public Service Loan Forgiveness
 - Employment Certification for Public Service Loan Forgiveness

5.

Student Loan Cancellations and Repayment Assistance

What's New

Law school loan repayment assistance programs. You can consider a loan made under a law school Loan Repayment Assistance Program (LRAP) to be a qualifying loan for purposes of tax-free student loan cancellation. See [Student Loan Repayment Assistance](#) below.

Introduction

If you fulfill certain requirements, two types of student loan assistance may be tax free. The types of assistance discussed in this chapter are:

- Student loan cancellation, and
- Student loan repayment assistance.

Student Loan Cancellation

Generally, if you are responsible for making loan payments, and the loan is canceled (forgiven), you must include the amount that was forgiven in your gross income for tax purposes. However, if your student loan is canceled, you may not have to include any amount in income. This section describes the requirements for tax-free treatment of canceled student loans.

Qualifying Loans

To qualify for tax-free treatment, your loan must contain a provision that all or part of the debt will be canceled if you work:

- For a certain period of time,
- In certain professions, and
- For any of a broad class of employers.

The loan must have been made by a qualified lender to assist the borrower in attending an eligible educational institution.

Qualified lenders. These include the following.

1. The government—federal, state, or local, or an instrumentality, agency, or subdivision thereof.
2. A tax-exempt public benefit corporation that has assumed control of a state, county, or municipal hospital and whose employees are considered public employees under state law.
3. An eligible educational institution, if the loan is made:

- a. As part of an agreement with an entity described in (1) or (2) under which the funds to make the loan were provided to the educational institution, or
- b. Under a program of the educational institution that is designed to encourage its students to serve in occupations with unmet needs or in areas with unmet needs where the services required of the students are for or under the direction of a governmental unit or a tax-exempt section 501(c)(3) organization.



In satisfying the service requirement in item 3b, the student must not provide services for the lender organization.

Section 501(c)(3) organization. This is any corporation, community chest, fund, or foundation organized and operated exclusively for one or more of the following purposes.

- Charitable.
- Religious.
- Educational.
- Scientific.
- Literary.
- Testing for public safety.
- Fostering national or international amateur sports competition (but only if none of its activities involve providing athletic facilities or equipment).
- The prevention of cruelty to children or animals.

Eligible educational institution. This is an educational institution that maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where it carries on its educational activities.

Refinanced Loan

If you refinanced a student loan with another loan from an eligible educational institution or a tax-exempt organization, that loan may also be considered as made by a qualified lender. It is considered made by a qualified lender if it meets the requirements of item 3b under [Qualified lenders](#) beginning in the previous column.

Student Loan Repayment Assistance

Loan repayment assistance programs (LRAP) provide help in repaying student loans for those who work in public service occupations or in areas with unmet needs. Examples of such occupations are health care professionals in underserved areas, attorneys in legal-aid offices and prosecutor's or public defender's offices, and classroom teachers in subject areas with shortages.

An LRAP loan refinances your original student loan(s). After you work for a certain minimum period of time in a qualifying position, all or part of your student loan indebtedness is forgiven.

The amount of your loan that is forgiven is tax-free if the LRAP meets certain criteria. Repayment assistance received under the following programs has been determined to be tax free.

- National Health Service Corps (NHSC) Loan Repayment Program.
- State programs eligible for funds under the Public Health Service Act.
- Law school LRAP.

If your repayment assistance is from a source other than those listed, contact the program administrator to see if the LRAP qualifies for tax-free assistance. The program must meet the qualifications listed earlier in this chapter under [Qualifying Loans](#).



You cannot deduct the interest you paid on a student loan to the extent payments were made through your participation in the above programs.



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

April 07, 2009

CC:ITA:B04
GENIN-152485-08

UIL: 61.00-00, 108.05-00, 6050P.00-00

Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, NW
Washington, DC 20005
Attention: Ms. Cary D. Pugh

Dear Ms. Pugh:

This letter responds to your request for a general information letter concerning a student loan forgiveness program enacted as section 401 of the College Cost Reduction and Access Act of 2007 (Public Law 110-84) and codified at § 455(m) of the Higher Education Act of 1965 (Public Law 89-329)(HEA). Specifically, you asked that the Internal Revenue Service address the tax consequences to the borrower under § 108(f) of the Internal Revenue Code, as well as the lender's reporting requirements under § 6050P that may apply under the loan forgiveness program.

HEA Student Loan Programs

The HEA authorizes two loan programs, the Direct Loan program and the Federal Family Education Loan (FFEL) program. Under the Direct Loan program, the Department of Education makes subsidized and unsubsidized loans directly to students (Federal Direct Stafford/Ford Loans) and parents (Federal Direct PLUS Loans). The Direct program also includes a Federal Direct Consolidation Loan Program. Under the FFEL program, the lenders are non-federal entities, such as banks and loan associations, credit unions, schools, and state and private nonprofit agencies.

Section 455(m) of the HEA provides for the forgiveness of eligible Direct Loans by the Department of Education in the case of a borrower who has made 120 monthly payments and has been in public service during that 120-month period. The statute provides that after the conclusion of the employment period, the Secretary of Education will cancel the obligation to repay the balance of principal and interest due as of the time of the cancellation. This loan forgiveness program will also apply to FFEL loans from private lenders that are consolidated into Direct Consolidation Loans.

Tax Consequences of Student Loan Discharges under § 455(m) of the HEA

Section 61(a) of the Code provides that, except as otherwise provided in subtitle A, gross income means all income from whatever source derived. Section 61(a)(12) provides that gross income includes income from discharge of indebtedness.

Section 108(f)(1) of the Code provides that gross income does not include any amount that would be includible in gross income by reason of the discharge (in whole or in part) of any student loan if the discharge was pursuant to a provision of a loan under which all or part of the indebtedness of the individual would be discharged if the individual worked for a certain period of time in certain professions for any of a broad class of employers.

Section 108(f)(2) of the Code defines "student loan" as any loan to an individual to assist the individual in attending an educational organization described in § 170(b)(1)(A)(ii) made by (A) the United States, or an instrumentality or agency thereof, (B) a State, territory, or possession of the United States, or the District of Columbia, or any political subdivision thereof, or (C) a public benefit corporation which is exempt from taxation under § 501(c)(3), which has assumed control over a State, county, or municipal hospital, and whose employees have been deemed to be public employees under State law, or (D) any educational organization described in §170(b)(1)(A)(ii) if such loan is made pursuant to an agreement with any entity described in subparagraphs (A), (B), or (C) under which the funds from which the loan was made were provided to such educational organization, or pursuant to a program of such educational organization which is designed to encourage its students to serve in occupations with unmet needs or in areas with unmet needs and under which the services provided by the students (or former students) are for or under the direction of a governmental unit or an organization described in § 501(c)(3) and exempt from tax under § 501(a).

The flush language to § 108(f) provides that the term "student loan" includes any loan made by an educational organization described in § 170(b)(1)(A)(ii) or by an organization exempt from tax under § 501(a) to refinance a loan to an individual to assist the individual in attending any such educational organization but only if the refinancing loan is pursuant to a program of the refinancing organization which is designed as described in § 108(f)(2)(D)(ii).

In the case of loan forgiveness provisions of § 455(m) of the HEA for Direct Loans based on public service, the Department of Education is the lender, and the loans qualify as student loans for purposes of §108(f)(2). Additionally, loan forgiveness for public service is conditioned on the borrower working for a certain period of time in qualifying public service positions. Therefore, public-service-loan forgiveness under the Direct Loan program satisfies the requirements of § 108(f)(1) of the Code, and a Direct

Loan borrower may exclude loan forgiveness amounts based on public service from gross income under § 108(f)(1).

Effective July 1, 2008, a FFEL borrower may consolidate a FFEL loan into a Direct Consolidation Loan. Therefore, even though FFEL loans do not have a provision for discharge conditioned on public service, a FFEL borrower may exclude loan forgiveness amounts from gross income under Code § 108(f) by consolidating a FFEL loan into a Direct Consolidation Loan and meeting the requirements of the public service provisions.

Information Reporting under § 6050P of the Code

Section 6050P of the Code provides that an applicable entity must file an information return if it discharges an indebtedness of any person (in whole or in part) that is greater than \$600. Section 1.6050P-1(a)(3) of the Income Tax Regulations (regulations) provides that the discharged indebtedness must be reported regardless of whether the debtor is subject to tax on the discharged debt under §§ 61 and 108. The Department of Education, as a Federal executive agency lender, is an applicable entity subject to reporting requirements. See § 6050P(c).

Section 1.6050P-1(a)(1) of the regulations provides that for purposes of this reporting requirement, a discharge of indebtedness is deemed to have occurred if and only if one of eight identifiable events takes place. Section 1.6050P-1(b)(2) lists the eight identifiable events as:

- (1) a discharge of indebtedness in bankruptcy;
- (2) a cancellation or extinguishment of indebtedness that renders a debt unenforceable in a receivership, foreclosure, or similar federal or state court proceeding;
- (3) a cancellation or extinguishment of indebtedness upon the expiration of a statute of limitation for collection or upon the expiration of a statutory period for filing a claim or commencing a deficiency judgment proceeding;
- (4) a cancellation or extinguishment of indebtedness pursuant to a foreclosure election that bars the applicable entity's right to pursue collection;
- (5) a cancellation or extinguishment of indebtedness in a probate or similar proceeding that renders a debt unenforceable;
- (6) a discharge of indebtedness pursuant to an agreement between the debtor and applicable entity that discharges the debt for less than full consideration;
- (7) a discharge of indebtedness pursuant to the applicable entity's defined policy to discontinue collection and discharge the debt; or
- (8) the expiration of the non-payment testing period described in § 1.6694-1(b)(2)(iv) of the regulations.

The information return must be filed regardless of whether the actual discharge of indebtedness occurs on or before the date of the identifiable event. If a discharge of indebtedness does not fall within one of the eight identifiable events, the applicable entity is not required to report the discharge. However, if the actual discharge occurs before the identifiable event, the creditor may report the discharge before the identifiable event. See § 1.6050P-1(b)(3) of the regulations.

This letter calls your attention to certain general principles of the law. It is intended for informational purposes only and does not constitute a ruling. See Rev. Proc. 2009-1, 2009-1 I.R.B. 7, § 2.04.

If you have any additional questions, please contact Craig Wojay of the Office of Associate Chief Counsel (Income Tax & Accounting) on (202) 622-4920 or Emily Lesniak of the Office of Associate Chief Counsel (Procedure & Administration) on (202) 622-4940.

Sincerely,



Donna J. Welsh
Senior Technician Reviewer, Branch 4
(Income Tax & Accounting)