

Equal Justice Works

Federal Debt Relief 101

Whether you're a student, have already graduated, work as an advisor or are a public interest employer, there's a lot to know about borrowing, entering repayment and earning forgiveness. This guide will provide you with the basic information you need about programs like income-driven repayment plans and Public Service Loan Forgiveness to help you manage your student debt and control your career and financial future.



Debt Consolidation

For many, the first step to easy student debt management is to consolidate all of your federal student loans into one mega-loan.

A [Direct Consolidation](#) loan allows you to combine multiple education loans so you only have to pay a single monthly payment instead of multiple payments.

Loan consolidation may not be right for everyone. While it's a great way to simplify and lower your monthly payments, you may lose any borrower benefits associated with your original loans. For instance, the Perkins Loan once consolidated will void its forgiveness provision.

Avoid any offers to consolidate your loans in return for a monetary payment! These are often scams.



For three decades Equal Justice Works has created opportunities for public interest lawyers committed to building a more just society. We believe that the poorest and most vulnerable among us deserve the same access to justice and quality legal representation as the privileged. To achieve this, we offer a continuum of opportunities for law students and lawyers that provide the training and skills that enable them to provide effective representation to underserved communities and causes.

Income-Driven Repayment Plans

Many public interest lawyers are currently enrolled in income-driven repayment plans, which are designed to make your debt more manageable by reducing your monthly payments so they are only a small percentage of your income.

You can use the Department of Education's [Federal Student Aid Repayment Estimator](#) to calculate what your monthly payments would look like under each one of these plans. Each of these plans could be a great option for anyone looking for debt relief without going into default, deferring, or forbearing their student loans. You'll need to re-apply every year, so go to [StudentLoans.gov](#) to complete your Income-Driven Repayment Plan Request.

The four income-driven repayment plans are:

Pay As You Earn

The PAYE plan will cap your monthly payments at 10% of your discretionary income, and you won't ever have to worry about paying more than you would under a standard 10-year repayment plan. You must have a partial financial hardship to enroll in this plan, and all enrollees will receive taxable forgiveness after 20 years. In addition, you must be considered a "new borrower," meaning you had no federal loans before October 1, 2007 (or managed to pay off any loans you took out before that date before taking out new loans) and you must have received a federal loan, a disbursement on a federal loan or consolidated your loans on or after October 1, 2011.

REPAYE (Revised Pay As You Earn) Plan

On the surface, this new plan looks a lot like the PAYE plan since it also caps your monthly payments at 10% of your income. However, there are lots of key differences. The good: anyone can enroll in this plan, regardless of whether they are a new borrower or not. You don't have to have a partial financial hardship to apply. Undergrad borrowers receive taxable forgiveness after 20 years, and graduate loan borrowers receive forgiveness after 25 years. And if your monthly payments don't fully cover the accrued interest for that month, you will only be charged 50 percent of the unpaid interest.

The bad: there's no cap on your monthly payment amount, so if you suddenly start to bring in more income, watch out! Your monthly payments could easily become more than they would be under a standard 10-year repayment plan. In addition, your spouse's income counts towards calculating your monthly payment even if you filed your taxes separately. [Read our article all about the REPAYE plan](#) for more information.

Income-Based Repayment (IBR) Plan

This older plan caps monthly payments at 15% for older borrowers who took out loans before July 1, 2014, and 10% for everyone else. Older borrowers will receive forgiveness after 25 years, and newer borrowers who took out loans after July 1, 2014 receive forgiveness in 20 years. All IBR enrollees must have a partial financial hardship.

Income-Contingent Repayment (ICR) Plan

Under the ICR plan, borrowers will pay whichever is less: 20% of their discretionary income, or whatever you would pay on a 12-year fixed repayment plan adjusted to your income. This plan comes with taxable forgiveness in 25 years, and there is no partial financial hardship required to enroll.

Public Service Loan Forgiveness

If you plan to work in public interest, the [Public Service Loan Forgiveness](#) program is one of the most significant breakthroughs in a generation. Public Service Loan Forgiveness (PSLF) offers tax free forgiveness for your eligible Federal Direct Loans after you make 120 qualifying monthly payments while working full time in a qualifying public service position. The benefits can be considerable when combined with qualifying income-driven repayment plans such as IBR, ICR, Pay As You Earn, or REPAYE.

In order to qualify for PSLF, you must:

1. Make sure you have eligible loans.
2. Make sure you're working full-time in qualifying employment.
3. Make 120 qualifying payments on those eligible loans while you're in qualifying employment.
4. Apply for forgiveness!

We walk you through these steps and more in our our free e-book [Take Control of Your Future](#) and in our [debt relief webinars](#). You can also [join our mailing list](#) to receive helpful debt relief resources straight to your inbox.

Check them both out for lots of information about income-driven repayment plans and PSLF to help students and graduates learn how to better manage student debt!

Federal Loan Repayment Assistance Programs

Loan Repayment Assistance Programs (LRAPs) are available from the federal government for many who choose to pursue work in areas of high need. Various programs exist for those who perform:

- certain volunteer work;
- those in military service;
- those who teach;
- those who practice medicine in certain types of communities; and
- those who practice law as a state or local prosecutor or as a public defender.

Each program has its own eligibility criteria and application process.

More information on specific programs can be found on the [Loan Forgiveness page](#) at FinAid.org, and the [John R. Justice Student Loan Repayment Program](#) for state and federal public defenders and state prosecutors.