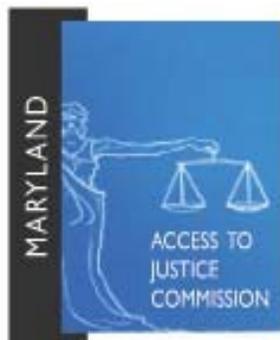


PUBLIC INTEREST ATTORNEY LOAN REPAYMENT FACT SHEET



Maryland Access to Justice Commission

2001-F Commerce Park Drive
Annapolis, Maryland 21401
mdcourts.gov/mdatjc
410-260-1258

Revised: June 2014

As a new attorney, you may worry about how to repay student loan debt. This worry may prevent you from pursuing a career in public service, where salaries are often lower than private sector employment.

One way you can alleviate the worry (and the debt) is to take advantage of available loan repayment programs. There are a number of different programs at the state and federal level, plus private programs run through law schools and individual employers. Some programs have overlapping benefits and provisions. This fact sheet provides an overview of loan repayment programs available to Maryland's public interest lawyers.

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FEDERAL PROGRAMS

Federal Public Service Loan Forgiveness Program

What is the Federal Public Service Loan Forgiveness Program?

The PSLF Program is designed to encourage individuals to enter and continue to work full-time in public service jobs. Under this program, you may qualify for loan forgiveness after 10 years of payments on William D. Ford Federal Direct Program loans (Direct Loans). This program usually offers the most savings when used with one of the other federal alternative payment plans that limits a borrower's monthly payment based on his or her income (see below).

Who is eligible for the PSLF Program?

Borrowers who are employed full-time by a public service organization (30+ hours per week). If you make 120 qualifying payments and remain in public service, your remaining debt balance will be cancelled.

What loans are eligible for forgiveness?

Any non-defaulted loan made under the Direct Loan Program is eligible (including Income-Based Repayments plans, Pay As You Earn, and Income Contingent Repayment). Federal Family Education Loan Program and Perkins Loans are **not** eligible under the Federal Public Service Loan Forgiveness Program. You may consolidate loans made under other federal student loan programs to make them eligible for forgiveness.

Who should I contact for more information?

www.studentaid.ed.gov/publicservice

Income Based Repayment

What is Income Based Repayment?

IBR caps monthly loan payments at 15% of your discretionary income. Your payments may be adjusted annually based on changes to your income and family size.

Who is eligible for IBR?

To qualify for IBR, you must have partial financial hardship. You may be eligible if your federal student loan debt is high relative to your income and family size. Check the US Department of Education's [IBR calculator](#) to estimate if you qualify. If you repay under this plan for 25 years, the remaining balance will be cancelled.

If you work in public service, payments under IBR will count towards the 120 qualifying payments required to receive loan forgiveness under the PSLF Program (see above).

What loans are eligible?

All Stafford, PLUS, and Consolidation Loans made under the Direct Loan or FFEL Program. Loans must not be in default. PLUS loans made to parents do not qualify.

Who should I contact for more information?

studentaid.ed.gov/repay-loans/understand/plans/income-based

Pay As You Earn

What is Pay As You Earn?

The Pay As You Earn Program is for borrowers with high debt relative to income. It caps your monthly loan payment at 10% of your discretionary income. Your payments may be adjusted annually based on changes to your income and family size.

Who is eligible for Pay As You Earn?

You must have “partial financial hardship” meaning your monthly payment under a 10 year Standard Repayment Plan would be higher than what you would pay under Pay As You Earn. You also must be a new borrower as of October 1, 2007, and have received a disbursement of a Direct Loan on or after October 1, 2011.

If you work in public service, payments under Pay As You Earn will count towards the 120 qualifying payments required to receive loan forgiveness under the PSLF Program (see above).

What loans are eligible?

Direct Loan Program loans: Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans for graduate or professional students, Direct Consolidation Loans without underlying PLUS loans made to parents.

Who should I contact for more information?

studentaid.ed.gov/repay-loans/understand/plans/pay-as-you-earn

Income Contingent Repayment

What is Income Contingent Repayment?

This program is for borrowers who do not qualify for Income Based Repayment or Pay As You Earn. Loan amounts are based on your adjusted gross income, family size and total amount of Direct Loans. Payments may be adjusted annually based on changes to income and family size.

Who is eligible for Pay As You Earn?

If you are interested in Income Contingent Repayment, you should speak directly with your loan servicer. Your loan servicer is the company that handles billing and related questions with regard to your federal student loans.

If you work in public service, payments under Income Contingent Repayment will count towards the 120 qualifying payments required to receive loan forgiveness under the PSLF Program (see above).

What loans are eligible?

Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans made to graduate or professional students, Direct Consolidation Loans (except Direct PLUS Consolidation Loans)

Who should I contact for more information?

studentaid.ed.gov/repay-loans/understand/plans/income-contingent

Income Sensitive Repayment

What is Income Sensitive Repayment?

The Income Sensitive Repayment Plan is for borrowers who have Federal Family Education Loan Program (FFEL) loans. Your monthly payments will increase and decrease according to your income for a maximum period of 10 years. Each lender uses a different formula to determine your monthly payment amount. Contact your lender directly for more information.

Who is eligible for Income Sensitive Repayment?

Low-income borrowers who have FFEL loans are eligible.

What loans are eligible?

Subsidized Federal Stafford Loans, Unsubsidized Federal Stafford Loans, FFEL PLUS Loans, FFEL Consolidation Loans.

Who should I contact for more information?

studentaid.ed.gov/repay-loans/understand/plans/income-sensitive

If your FFEL loans are owned by the U.S. Department of Education, contact your loan servicer. If your FFEL loans are not owned by the U.S. Department of Education, contact your lender.

LEGAL SERVICES CORPORATION PROGRAM

Herbert S. Garten Loan Repayment Assistance Program

Who is eligible for loan repayment assistance?

Attorneys who are employed by a Legal Services Corporation grantee program (in Maryland this is Maryland Legal Aid). Attorneys must work full time (35+ hours), have a total outstanding debt of at least \$50,000, a total annual income from all sources that is no more than \$55,000 per year, and must have no more than 5 years experience with the LSC-funded program.

How are recipients selected?

Selection is conducted via a lottery process (computer generated randomizer) for all new participants. Once selected, participating attorneys may renew their participation for a total of three years of LRAP assistance.

How much are the awards?

Recipients are eligible for up to \$5,600 per year for up to 3 years.

Who should I contact for more information?

grants.lsc.gov/apply-for-funding/lrap

STATE OF MARYLAND PROGRAM

Janet L. Hoffman Loan Assistance Repayment Program

Who is eligible for loan repayment assistance?

Lawyers who work full-time (35+ hours per week) in state or local government or in a nonprofit organization and provide legal services to low income residents in Maryland. Pre-graduation law students who attend the University of Maryland or the University of Baltimore who are in their third and final year of school may also apply with documentation of an official, eligible job offer.

How are recipients selected?

Applicants are grouped and ranked according to graduation date, then application completion date. Those with the lowest income will be granted awards first. Priority is given to applicants who have graduated within the last three years as well as those working in legal services.

How much are the awards?

Awards range from \$1,500 to \$10,000 per year and are determined by the applicant's overall reported debt. Funds are distributed annually over a 3-year period if the recipient remains eligible and submits the required documentation on time.

Who should I contact for more information?

www.mhec.state.md.us/financialAid/ProgramDescriptions/prog_larp.asp

LAW SCHOOL PROGRAMS

University of Maryland Francis King Carey School of Law Public Interest Loan Repayment Assistance Program

Who is eligible for loan repayment assistance?

Applicants must graduate from the University of Maryland Francis King Carey School of Law and enter full-time, qualifying public service employment that pays \$65,000 or less per year.

How are recipients selected?

Calculation of LRAP awards is based on the federal Income-Based Repayment Plan (see above). Applicants must attend a mandatory counseling meeting to discuss repayment plan options before submitting an application. Awards vary depending on the financial information provided by each applicant.

How much are the awards?

Average awards range between \$2,000 and \$6,000 per year. Applicants may reapply each year for consideration of additional funds.

Who should I contact for more information?

www.law.umaryland.edu/students/resources/tuition/loan_repayment.html

University of Baltimore School of Law Loan Repayment Assistance Program

Who is eligible for loan repayment assistance?

Applicants must be graduates of the University of Baltimore School of Law and enter full-time, qualifying public interest employment that pays \$60,000 or less per year.

How are recipients selected?

The school considers the applicant's estimated annual income, number of dependents, assets and liabilities and other loan repayment assistance.

How much are the awards?

Awards will not exceed \$4,000.

Who should I contact for more information?

law.ubalt.edu/career/publicinterest/funding/lrap.cfm

TAX CONSEQUENCES

Generally, when a lender forgives or discharges debt, the cancelled debt is taxable as income under the federal tax code. Congress created exceptions to this rule where student loans are forgiven in exchange for public service in certain professions for a number of years. Therefore, some of the above programs have tax consequences and some do not. There may also be state tax consequences. For information about tax consequences due to loan forgiveness, consult with a tax professional.