Student Debt Relief

Most law students rely heavily on student loans to finance their legal education and repaying these loans has a huge impact on their disposable income after graduation. Direct Loans has always offered a range of repayment options, including Standard Repayment (10 years), Extended Repayment (up to 25 years), Graduated Repayment and Income Contingent Repayment. However, now some additional “INCOME DRIVEN” plans have been added. Because these “income driven” repayment plans are based on income/salary rather than on outstanding debt, they can make monthly payments much more manageable for many borrowers – especially for those with lower incomes.

INCOME BASED REPAYMENT (IBR) Plan became available on 7/1/09. Under IBR, annual debt repayment is based on 15% of discretionary income; discretionary income is defined as salary minus 150% of the U.S. Poverty Guideline for family size and state of domicile. For most students with lower incomes, this formula reduces the required monthly payment amount considerably.

Example #1: Student is single, lives in NJ, has a salary of $50,000 and has $61,500 in federal Stafford Loans.
- Standard Repayment: $707 per month in debt service
- Income Based Repayment: about $420 per month in debt service

Example #2: Student is single, lives in NJ, has a salary of $50,000, has $61,500 in federal Stafford Loans and also has $61,500 in federal Graduate PLUS Loans.
- Standard Repayment: approximately $1450 per month
- Income Based Repayment: about $420 per month

Some additional benefits of IBR are:
INTEREST PAYMENT BENEFIT: if your monthly IBR payment does not cover the interest that accrues each month, the government will pay the unpaid interest on your Subsidized Stafford Loans for up to 3 consecutive years.
25-YEAR CANCELLATION: if you repay under the IBR plan for 25 years and meet all other requirements, any remaining balance will be canceled.

PAY AS YOU EARN (PAYE) REPAYMENT Plan was initiated in 2013. This plan is similar to IBR, but caps annual debt payments at 10% of discretionary income and provides forgiveness after 20 years. Students with no outstanding federal loans as of October 1, 2007, who received a federal loan on or after October 1, 2011, and whose federal student loan debt is high relative to income, are eligible.

NEW INCOME BASED REPAYMENT PLAN was introduced in 2014. This plan, available to borrowers who had no outstanding federal loans prior to 7/1/14, sets payments at 10% of discretionary income & allows forgiveness of remaining debt after 20 years of repayment.

Another income driven plan, RE-PAYE is expected to be available in late 2015 or early 2016. This plan will be open to all borrowers and will base monthly payments on 10% of discretionary income. Each of these plans has slightly different qualifying specifications and different forgiveness requirements though, so go to https://studentaid.ed.gov/repay-loans for complete details on each.

PLEASE NOTE: payments made under all of these income driven plans also qualify for federal loan forgiveness for public service employees. Public Service Loan Forgiveness (PSLF) was created by Congress in 2007 to encourage individuals to work full-time in public service jobs. Under this program, you may qualify for forgiveness of the remaining balance on your eligible federal student loans after making 120 on time payments on those loans while employed full-time by a public service employer. Complete details are available at www.studentaid.ed.gov/publicservice.