

General Questions about Loan Forgiveness And Income Based Repayment

Are there different kinds of loan forgiveness programs?

Yes, there are state, federal, school and employer programs. Some federal programs only forgive loans for specific types of jobs or loans such as: the *John R. Justice Prosecutors and Defenders Incentive Act* (Section 951), the *Perkins Loan Cancellation for Public Service* (Section 465), the *Legal Assistance Loan Repayment Program* (Section 431), the *428K Loan Forgiveness for Service in Jobs of National Need* (Section 430) and the *College Cost Reduction Act*.

In SC, the USC School of Law has a partial loan forgiveness program for its alumni. Several public interest employers in SC also have programs.

Who administers these programs?

A variety of organizations and agencies administer the loans, it all depends on who is supplying the funding. Depending on the type of job USC law students may receive loan forgiveness from sources such as the State of SC, the USC School of Law, the US Department of Education and the US Justice Department. The *SC Prosecutors and Defenders Public Service Incentive Program* must be administered by the South Carolina Student Loan Corporation.

What kind of a job do I have to have to be eligible for loan repayment assistance?

Each program has a different definition and several have specific limitations. For example the state prosecutor and public defender program requires that you have worked in one of those positions for a minimum of 3 years. This purpose of this program is to retain experienced lawyers. Work eligible for the *College Cost Reduction and Access Act* includes: all levels of the government and §501 (c) 3 organizations.

What kinds of loans are eligible for repayment assistance?

The Federal programs will only forgive federal loans. You may have to consolidate to meet the requirements of some programs. The USC School of Law *Public Interest Law Loan Forgiveness Fund* considers all loans.

Is there assistance to help reduce my payments whether I am working in the public interest field or not?

Yes, If you have high debt and low income you may benefit from the new *College Cost Reduction and Access Act- Income Based Repayment*. Everyone's situation is different. An excellent resource to understand this option, and its effect on your payments is at

[www. equaljusticeworks.org](http://www.equaljusticeworks.org)

Are there special requirements for the loan forgiveness programs?

Yes, for example the *College Cost Reduction and Access Act* requires you to make 120 qualifying payments while working fulltime in a qualifying job and you must have a Federal Direct Loan (or a Federal Direct Consolidation loan).

Equal Justice Works (www.equaljusticeworks.org) has a checklist to help you figure out if the *College Cost Reduction Act* program might be right for you.

Is loan repayment assistance always a good choice for me?

It depends, if you plan to make public interest law a career it may be a good idea but if you are only going to work in the area for a few years it may not be a big advantage. Consolidating loans and limitations of the programs may combine and result in the need for you to look at many factors and decide what is best for you. You should also consider the possibility of loan forgiveness increasing your taxable income. Careful consideration of any tax benefits is recommended.

Do I have to stay in the same job to receive the benefits?

Again it depends, some programs will allow you to continue to benefit so long as you remain in the field; others require you to hold a specific type of job. For example, if you wanted to switch from the public defender office to become a legal services attorney, you would no longer be eligible for the programs that are directed to public defenders. Leaving the public interest field entirely might result in a significant increase in your monthly payments and your unpaid interest might be capitalized resulting in a higher loan balance. The Federal loan forgiveness programs have very different rules.

Where can I get more information?

For information, rules and an application for the USC School of Law Public Interest Law Loan Forgiveness Program (PILLF) <http://www.law.sc.edu/loanforgiveness/>

For Information about the *Income Based Repayment (IBR)*, *Public Service Loan Forgiveness (PSLF)* and *Loan Repayment Programs (LRAP)* Check out: Equal Justice Works at: <http://www.equaljusticeworks.org/ed-debt>

If you are looking for details about public service loan forgiveness or would like to estimate your repayment options go to: www.finaid.org. This site also has calculators for the income based repayment option

The New Federal Student Loan Repayment and Forgiveness Law: How it Will Affect Law Graduates and Law Schools http://www.aals.org/student_loan_forgiveness.php

For access to a video of an excellent panel presentation, a PowerPoint presentation by Philip Schrag of Georgetown University Law School and an Income-Based Repayment Calculator check out: *The New Federal Student Loan Repayment and Forgiveness Law: How it Will Affect Law Graduates and Law Schools* http://www.aals.org/student_loan_forgiveness.php

The ABA Standing Committee on Legal Aid and Indigent Defendants has several items.
Contains an overview of Loan Repayment federal, state, employer and school programs <http://www.abanet.org/legalservices/sclaid/lrap/home.html>

For a general discussion of Financial Aid and similar issues check out:
http://www.americanbar.org/groups/law_students/resources/asfa.html

For information on the *Pay As You Earn* program check out:
<http://studentaid.ed.gov/sites/default/files/pay-as-you-earn.pdf>

Tax questions? A good starting point is: [IRS Publication 970](#).

The Taxpayer Relief Act of 1997 established a deduction for student loan interest. The student loan interest deduction can reduce the amount of your income subject to tax. The Economic Growth and Tax Relief Reconciliation Act of 2001 amended the Taxpayer Relief Bill of 1997. Individuals, under certain income caps, who paid interest on a student loan may be able to deduct up to \$2,500 of the interest paid.