

Student Loan Relief Programs



Information Paper

1. Purpose: To provide information regarding federal student loan relief programs.
2. Summary of Content

a. The College Cost Reduction and Access Act (CCRAA) discharges remaining Federal student loan debt after ten years and 120 qualifying payments made while employed in a full-time qualifying public service position. Military service, along with other government jobs, is deemed a public service position. Qualifying payments are those made after October 1, 2007 while under certain repayment plans. Loans must be issued under the Federal Direct Loan Program to qualify. You can consolidate in the Direct Loan Program from the Federal Family Education Loan Program. The CCRAA also established the Income Based Repayment (IBR) plan.

b. Many schools have Loan Repayment Assistance Programs (LRAP) that assist graduates in making student loan payments. Some schools have recently instituted programs that work in conjunction with the CCRAA and IBR. Eligibility requirements and payment amounts vary widely.

c. Members serving in areas of hostility, as prosecutors, or Staff Judge Advocates may be eligible for cancellation of their Federal Perkins Loans on a case-by-case basis.

3. Student Assistance

a. Federal student loan assistance is governed by Title 20, Chapter 28, United States Code. There are three types of federal student loan programs under Title 20:

- (1) Federal Family Education Loan (FFEL) Program
- (2) Federal Direct Loan Program
- (3) Federal Perkins Loan Program

b. The FFEL and the Federal Direct Loan Programs are the two major federal student loan programs. Stafford loans and GradPlus loans are available under both programs. Student loans from the FFEL Program are issued by private lending institutions, but are still federal student loans because they are insured by the Federal Government. Student loans from the Federal Direct Loan Program are issued directly by the Department of Education. Colleges chose which program(s) they wanted to participate in until 2010, when the Health Care and Education Reconciliation Act of 2010 eliminated the issuance of new loans under the FFEL Program. All loans issued after July 1, 2010 are under the Federal Direct Loan Program.

4. Student Loan Forgiveness Programs

a. General. Loan forgiveness programs cancel a borrower's educational debt in exchange for work in a designated job. A borrower's loans, or portions thereof, may be cancelled on a graduated basis over a period of years or at the end of a specified period of service. Loan forgiveness, also referred to as

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“loan cancellation,” occurs after the conclusion of the employment period specified. For military members, federal loan forgiveness is available for the following federal student loan programs:

- (1) Federal Direct Loan Program
 - **Title:** Public Service Loan Forgiveness
 - **Authority:** 20 U.S.C. § 1087e(m)
 - See discussion below under paragraphs 4(c)-(e).

- (2) Federal Perkins Loan Program
 - **Title:** Cancellation of loans for certain public service
 - **Authority:** 20 U.S.C. § 1087ee
 - **Types of Public Service:**
 - Members serving in areas of hostilities
 - Members serving in full-time law enforcement ¹

b. Law School Loan Repayment Assistance Programs (LRAP). Approximately 70 law schools have some type of loan assistance repayment program for which JAG Corps officers are eligible to apply. Applications are evaluated on criteria set forth by the school and must be renewed annually. Yearly payments vary from \$500 to full loan repayment. These awards are typically given as grants which are forgiven after a set amount of time. Some programs have recently changed to incorporate the terms of IBR and the Public Service Loan Forgiveness Program. While many programs are only open to recent graduates, several do not have this requirement. Information on each law school’s LRAP can be obtained from the school or for JAG Corps personnel, from the JAGC Total Force website on Navy Knowledge Online (NKO).

c. College Cost Reduction and Access Act. The College Cost Reduction and Access Act (CCRAA) established a loan cancellation program for public service employees, known as the Public Service Loan Forgiveness Program. 20 U.S.C. § 1087e(m). The Public Service Loan Forgiveness Program discharges any remaining student loan debt (principal and accrued interest) after a borrower makes 120 qualifying monthly payments on eligible Federal student loans while employed full-time in a qualifying public service job. The CCRAA also established a new Income Based Repayment Plan (discussed below under paragraph (e)).

d. Public Service Loan Forgiveness Program. Highlights of the Public Service Loan Forgiveness Program:

- (1) **Eligible Student Loans:**
 - Applies to federal student loans made under the Federal Direct Loan Program, which includes Direct Loans and Direct Consolidation Loans.
 - Federal student loans are eligible for Direct Loan Consolidation.
 - Note: Parent Plus loans are NOT eligible for Public Service Loan Forgiveness.

¹ The implementing regulations state a borrower qualifies for cancellation if the borrower is "a person whose principal responsibilities are unique to the criminal justice system" which may include Judge Advocates assigned to prosecution billets or Staff Judge Advocate billets whose primary duty is providing criminal justice advice. However, the cancellation of the borrower’s loan(s) is determined on a case by case basis.

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(2) **Qualifying Payments:**

- 120 qualifying monthly payments (see subparagraph (e)).

(3) **Effective Dates:**

- **October 1, 2007** – Borrowers with Federal Direct Loans may begin making qualifying monthly payments.
- **July 1, 2008** – Borrowers who do not have Federal Direct Loans (i.e., borrowers with FFEL or Perkins loans) may consolidate into a Direct Consolidation Loan to begin making qualifying payments.
- **July 1, 2009** - Income Based Repayment plan takes effect.

(4) **Public Service:**

- Employed full time in a qualifying public service job during entire repayment period.
- Military service is expressly included under 20 U.S.C. § 1087e(m).

(5) **Tax Status of Amounts Forgiven:**

- Amounts forgiven under the Public Service Loan Forgiveness Program are not taxable.

e. Loan Repayment Plans – “Qualifying Payments”

(1) To be eligible for the CCRAA Public Service Loan Forgiveness Program, a borrower must make payments under one of the following plans:

- Income Contingent Repayment plan
- Income Based Repayment plan (available beginning July 2009)
- Standard Repayment plan with a 10 year repayment period, or one of the other Direct Loan repayment plans (Extended or Graduated Plans) under which the monthly amount is not less than what the borrower would pay under a 10 year Standard Repayment Plan.

(2) Income Contingent Repayment (ICR) Plan. The ICR plan was established in 1993. The ICR plan computes loan payments based on income and household size. Total loan payments are capped at **no more than 20%** of discretionary income. Borrowers making payments under the ICR plan may switch to the Income Based Repayment plan.

(3) Income Based Repayment (IBR) Plan. The IBR plan was established under the CCRAA. Like the ICR plan, the IBR plan computes loan payments based on income and household size. Payments under the IBR plan will be less than under the ICR plan since total loan payments are capped at **no more than 15%** of discretionary income.

(4) Standard Repayment Plan. The Standard Repayment plan consists of fixed monthly payments until the loan is paid in full. If a borrower elects this payment plan for the CCRAA Public Service Loan Forgiveness Program, the payment duration must be for 10 years. The Standard Repayment plan may not be the preferred option because borrowers who remain under this plan will have paid their loan in full after 10 years, and therefore cannot take advantage of the loan forgiveness aspect of the Public Service Loan Forgiveness Program after 120 monthly payments. Borrowers who have been making payments under the Standard Repayment plan may switch to the IBR plan.²

² If a borrower elects IBR and later no longer qualifies for IBR, monthly payments will change but will not exceed the monthly payment amount due under a 10 year Standard Repayment Plan.

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(5) Payments made under any of the above listed repayment plans count toward the 120 “qualifying payments.” Any principal and interest remaining on the student loan after 120 qualifying monthly payments is forgiven.

5. Student Loan Deferment Programs

a. In general, student loan deferment is a period during which a borrower is entitled to temporarily postpone making payments on the principal balance of student loan(s). Deferment for federal student loans is available for members serving on active duty during a war or other military operation or national emergency under the following programs:

- (1) Federal Family Education Loan Program
 - **Authority:** 20 U.S.C. § 1078(b)(1)(M)
- (2) Federal Direct Loan Program
 - **Authority:** 20 U.S.C. § 1087e(f)
- (3) Federal Perkins Loan Program
 - **Authority:** 20 U.S.C. § 1087dd(c)(2)

b. Prior to the CCRAA, military deferment was limited to 3 years. The CCRAA expanded the military deferment by eliminating the 3-year time limit. In addition, the CCRAA enhanced the benefits for mobilized reservists by extending the time period covered by military service deferments -- the deferment period for borrowers whose qualifying active duty service begins on or after October 1, 2007 is extended for an additional 180 days following the date the borrower is demobilized from that active duty service. The additional 180-day deferment period is available each time a borrower is demobilized at the conclusion of an eligible active duty service that supports the military deferment.

c. Deferment may not be beneficial for those participating in the CCRAA Public Service Loan Forgiveness Program and the IBR plan. This is because deferment – not making payments – will simply delay the 120 payments that are required in order to benefit from the loan forgiveness aspect of the program. Borrowers generally will be better off making payments under the IBR plan early in their careers while their income is lower.

6. Conclusion The CCRAA's Public Service Loan Forgiveness Program and the available Income Based Repayment (IBR) plan will provide substantial benefits for many judge advocates. To determine if you are eligible for the CCRAA, visit the resource websites in paragraph 7 and speak with your lender.

7. Additional Resources

- Equal Justice Works – This website provides the ruling determining that loan forgiveness under the CCRAA is not taxable, a checklist to help you evaluate your loans and determine if you can benefit from a new federal student loan forgiveness program, and additional tools to help you navigate through the process. <http://www.equaljusticeworks.org/resource/ccraa>
- IBRinfo.org - An independent, nonprofit source of information about new federal student loan payment and forgiveness programs. It also provides a payment calculator. <http://www.ibrinfo.org/>
- Description of Payment plans and Payment Calculators: <http://www.ed.gov/offices/OSFAP/DirectLoan/calc.html>