

Public Service Loan Forgiveness Q&A

Question: How does the government figure the salary/discretionary income amounts?

Answer: Salary = adjusted gross income (gross income minus exclusions such as IRA contributions, alimony paid. This amount is found on the bottom of page 1 on a 1040 tax form.)

Discretionary income = the amount of income that exceeds 150% of the poverty guideline applicable to the borrower's family size.

Example:

Family Size: 1 (Single)

150% of 2008 Poverty Guideline: \$1,300
(for family size of 1 = \$10,400 x 150% divided by 12)

Income: \$44,743

Monthly gross income \$3,729
(\$44,743 divided by 12)

Minus 150% of poverty line - \$1,300

= \$2,429

15% of difference (\$2429 x .15)

Monthly loan payment = \$ 364

For information specific to you, please utilize the IBR calculator online at <http://www.finaid.org/calculators/ibr.phtml>.

Question: Is income determined by the borrower or the household?

Answer: If the borrower is married, income is determined based on the household. The only exception is if the borrower is married but files a "married but filing separately" tax return only the borrower's income is counted. Additionally, the poverty level guideline is based on household size.

Question: What is the exact dollar amount (salary/discretionary income) that will disqualify me from participating in the Income-Based Repayment plan?

Answer: There is not a specific cap on income. A borrower becomes ineligible for the IBR plan once their payment exceeds what the borrower would have paid on the Standard Repayment plan.

Question: Based on answers to the above questions, will the IBR and ICR monthly payment amounts be recalculated after each year, e.g. after tax time?

Answer: Yes. The tax return will provide documentation required to adjust payments on an annual basis.

Question: Can this program be used with another forgiveness program?

Answer: At this time, there is no clarification on whether or not this program can be used in conjunction with another loan forgiveness program.

Question: What are the terms for consolidation? 25 or 30 years?

Answer: The terms for the Income Contingent Repayment (ICR) Plan are spread over a term of up to 25 years. The terms for the Income-Based Repayment (IBR) Plan will not be available until July 1, 2009.

Question: Why do we have to choose ICR then flip to IBR later?

Answer: As of right now, the Income-Based Repayment (IBR) Plan is not an option. It will become available on July 1, 2009. Once consolidated into the Direct Loan program, the IBR plan becomes more cost effective for borrowers with high debt/low income because it only calculates 15% of discretionary income with a poverty guideline of 150% whereas ICR calculates 20% of discretionary income with a poverty guideline of 100%. IBR is more generous in that aspect.

Question: What is 150% of poverty level?

Answer: Poverty guidelines for 2008 are found on the Department of Health and Human Services Web site (www.hhs.gov).

2008 HHS Poverty Guidelines

Persons in Family or Household	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$10,400	\$13,000	\$11,960
2	14,000	17,500	16,100
3	17,600	22,000	20,240
4	21,200	26,500	24,380
5	24,800	31,000	28,520
6	28,400	35,500	32,660
7	32,000	40,000	36,800
8	35,600	44,500	40,940
For each additional person, add	3,600	4,500	4,140

SOURCE: *Federal Register*, Vol. 73, No. 15, January 23, 2008, pp. 3971–3972.