

***New College Cost Reduction & Access Act of 2007 lowers monthly student loan payments and provides a new loan forgiveness program for low income borrowers working in public service.***

A new law has recently been enacted that could be tremendously helpful for law students interested in pursuing public interest/public service careers. This law is called the College Cost Reduction & Access Act (CCRAA) of 2007 (H.R. 2669) (P.L. #110-84), and some of its provisions will make it easier for low income graduates to manage/repay their federal educational loans and to qualify for loan forgiveness.

One provision of the law (Section 203) has created a new repayment plan for qualified borrowers. The new plan is called the Income Based Repayment (IBR) option. Under IBR, annual federal educational debt payments will be capped at no more than 15% of discretionary income for low income borrowers. (Discretionary income is defined as the borrower's adjusted gross income (AGI) minus 150% of the federal poverty level for the borrower's family size.) Compared to the current Standard Repayment option, this formula should dramatically reduce required monthly payments for most borrowers.

Another provision of the law (Section 401) has accelerated loan forgiveness for public service employees. The current Income Contingent Repayment (ICR) option provides relatively low monthly payments and forgiveness of all remaining federal educational debt after 25 years of repayment. The new CCRAA provides that if a qualified borrower elects the Income Based Repayment (IBR) plan, spends 10 years in full time public service employment, and makes the required 10 years of IBR payments, all remaining debt will be forgiven at the end of the 10 years.

Only federal Direct Loans (Subsidized & Unsubsidized Stafford Loans, Perkins Loans, Graduate PLUS loans, and federal Direct Consolidated Loans) qualify for this program. However, Rutgers is a Direct Loan school, so all federal loans incurred at the law school will qualify.

The new College Cost Reduction & Access Act of 2007 will not be fully effective until July 1, 2009. However, borrowers who are currently in repayment with Direct Loans and who intend to work in public service for 10 years, can start counting any payments made after October 1, 2007 towards their 10 years of service and repayment. These borrowers could then switch to the IBR plan effective 7/1/09. In some cases, it might be more beneficial for these borrowers to contact Direct Loans now though, and immediately switch their current repayment plan to the Income Contingent Repayment (ICR) plan and then switch again to IBR effective 7/1/09.

Borrowers who entered repayment prior to 10/1/07 and had other federally guaranteed loans, or who consolidated their loans with an entity other than Direct Loans, have the right to seek a new consolidation with Direct Loans if they plan to work in public service for 10 years and want to qualify for the new public service loan forgiveness program. These borrowers should file an application to consolidate with Direct Loans before 7/1/08; they should elect the ICR option until 7/1/09 and then switch to the IBR plan. The right to re-consolidate with Direct Loans to use the new forgiveness program, despite a previous consolidation, seems to be covered by 20 U.S. C. Sec.1078-3(a)(3)(B)(i)(v)(bb), as amended by Sec.401(b)(1)(A) of the CCRAA, effective 7/1/08. Borrowers having problems re-consolidating can contact the Federal Student Aid

Ombudsman in the Dept. of Education at 877-577-2575 or at [fsaombudsmanoffice@ed.gov](mailto:fsaombudsmanoffice@ed.gov) .

Borrowers who enter repayment after 10/1/07 but before 7/1/09 may elect the ICR plan until the IBR plan is available July 1, 2009. All payments made under the ICR option while in public service will qualify towards the 120 month (10 year) payment/service requirement.

Borrowers who enter repayment after July 1, 2009 and who intend to enter public service for 10 years to qualify for the new loan forgiveness program will be able to elect the Income Based Repayment (IBR) option from the beginning of their repayment period.

This law is very new and we expect that there will be some minor changes/clarifications made along the way to full implementation. This information is only a brief explanation of our current understanding of some of its key points and provisions. Each individual has a unique loan portfolio and needs to base any repayment decisions on his/her personal circumstances. However, we do think this law could be extremely beneficial for many of our graduates and students, and encourage you to thoroughly investigate how it might help you.

An article by Professor Philip Schrag of Georgetown Law School is available at <http://www.law.georgetown.edu/news/documents/Forgiveness.pdf>. Prof. Schrag is Vice -chair, Committee on Government Relations & Student Financial Aid, ABA Section of Legal Education & Admission to the Bar and is largely responsible for the passage of this initiative. His article explains the key provisions of the law and how they will be implemented.

Equal Justice Works has a very informative power point presentation on their website at [www.equaljusticeworks.org](http://www.equaljusticeworks.org) . The presentation includes a good description of the law, explanations of applicable terms & definitions, and also provides examples and formulas that highlight how the IBR plan will work.

FinAid.org has prepared some information on the Public Service Loan Forgiveness Program as well. It can be found at <http://www.finaid.org/loans/publicservice.phtml>.

These three resources should answer many of the questions you may have regarding CCRAA. Our law school financial aid office is available to help as well. Contact Nicky Fornarotto at 973-353-1702 or at [nfornarotto@kinoy.rutgers.edu](mailto:nfornarotto@kinoy.rutgers.edu) with any questions or for more information.