PUBLIC DEFENSE SERVICES COMMISSION

PUBLIC DEFENSE SERVICES COMMISSION MEETING

Friday, March 22, 2013
10:00 a.m. – 2:00 p.m.
Office of Public Defense Services
1175 Court St. NE
Salem, Oregon 97301

AMENDED AGENDA

1. **Action Item:** Approval of minutes - PDSC meeting held on January 23, 2013 (*Attachment 1*)	Chair Ellis
2. **Action Item:** Discussion and approval of Service Delivery Plan for Linn County (*Attachment 2*)	Chair Ellis Commission members
3. Loan Repayment and Forgiveness Options for Public Defenders	Bill Penn
4. **Action Item:** Commission Approval of Certification Process for Capital Providers (*Attachment 3*)	Paul Levy
5. PDSC Budget Update	Kathryn Aylward
6. Annual Survey Results (*Attachment 4*)	Paul Levy
7. **Action Item:** Juvenile Appellate Section Senior Attorney (*Attachment 5*)	Peter Gartlan
8. April PDSC Meeting – change of date	Chair Ellis
9. OPDS Monthly Report • OSB Bulletin Article (*Attachment 6*)	OPDS Management Team

Please note: Lunch will be provided for Commission members at 12:00 p.m. The meeting location is accessible to persons with disabilities. Please make requests for an interpreter for the hearing impaired, or other accommodation for persons with disabilities, at least 48 hours before the meeting, to Laura Kepford at (503) 378-3349.

Next meeting: April 11, 2013, 10:00 a.m. – 2:00 p.m. at the Office of Public Defense Services. Meeting dates, times, and locations are subject to change; future meetings are posted at: http://www.oregon.gov/OPDS/PDSCagendas.page

Public Defense Services Commission ● 1175 Court Street NE ● Salem, Oregon 97301
(503) 378-3349 ● FAX (503) 378-4462

How Graduates Pay Loans in 2013

Loan Sources

Since the introduction of Grad PLUS loans in 2006, graduate school attendees including law students have been able to satisfy 100% of their student loan needs with federal lending programs. Private loans, although still available to some students, are rarely used. Prior to 2010, federal loan programs were available from both private lenders and directly from Federal Direct Lending—the Department of Education; since then Federal Direct Lending has been the only source of federal student loans. In July 2012, subsidized loans—loans where no interest accrues during a student's enrollment—ceased being available to graduate students.

Students borrow primarily from two sources, Stafford Loans and Grad PLUS loans. The first $20,500 of a graduate student's borrowing comes from Stafford loans at 6.8% interest. The remainder comes from PLUS loans up to the total cost of attending school at 7.9% interest.

Nationally, the median law school student loan burden is about $125,000. Lewis & Clark's median loan burden is about $100,000.

Fixed Monthly Payments

Students have long paid loans using fixed monthly payment plans. The "Standard" plan that loans are automatically in at graduation contemplates repayment in fixed payments over ten years. Graduates, even graduates at high paying firms, rarely use the 10-year repayment plan. Traditionally, graduates have relied on extending their loans over twenty-five or thirty years in order to have a lower monthly payment. The longer the repayment period, the more interest is paid over time. Borrowers can along with extended repayment request that their payments be graduated lowering initial payments and increasing later payments in a systematic manner.

Income Connected Payments

Income-based Repayment—15% of income

In the fall of 2007, Income-based Repayment (IBR) was signed into law allowing graduates to link their federal lone payments solely to income and family size. An older plan called Income Contingent Repayment (now Income Contingent Repayment Type B) allowed for payment to be linked to a combination of income, family size, and debt, and had only infrequently been used by graduates.

Income-based Repayment allows graduates to limit their loan payment to 15% of their disposable income. Disposable income is Adjusted Gross Income from the graduate's tax return less 150% of the poverty index for the graduate's family size. The amount is debt does not matter and is only involved in determining eligibility—if a graduate's debt to income ratio is high enough that they save money when comparing Income-based Repayment to a 10-year payment plan, then they qualify. No matter the occupation and employer a graduate has, they can use Income-based Repayment.

As payments are tied to income and not debt, it is possible for payments to be very low, not even covering the interest on loans or even calculating to zero. With payment amounts low, the length of repayment will stretch longer. To prevent graduates from having to service loans for extraordinary lengths of time, Income-Based Repayment offers loan forgiveness at the 25-year point. A graduate who has made 25 years worth of payments, including payments of zero dollars when that is what the formula has dictated, may request forgiveness. Presently this forgiveness is taxable as discharge of indebtedness income.

Pay as You Earn—10 % of income

At the beginning of 2013, an improvement in the terms of Income-based Repayment became available to some graduates in the form of Pay as You Earn also technically called Income Contingent Repayment Type A (ICR-A)—not to be confused with the older Income Contingent Repayment which was renamed to Income Contingent Repayment Type B. ICR-A reduces the payment amount to 10% of disposable income and shortens the term for forgiveness to 20 years. This forgiveness remains subject to tax.

ICR-A introduces three hurdles for graduates who seek to use it. First, graduates must have had a zero student loan balance on October 1, 2007 either because they had not take out any loans or they had already paid of prior loans. Second, graduates must have at least one loan disbursement after October 1, 2011. Third, ICR-A is only available on loans either initially issued by Federal Direct Lending or part of a consolidation loan issued by Federal Direct Lending.

Public Service Loan Forgiveness

Along with Income-based Repayment, 2007 brought to life Public Service Loan Forgiveness. In its present form, Public Service Loan Forgiveness erases the loan debt of graduates who can show that they have 120 loan payments that meet the following requirements.

- The right lender was used: For a payment to count, the graduate's loans must be held by Federal Direct Lending when the payment was made.
- The right payment plan: For a payment to count, the graduate must be using IBR, ICR-A, ICR-B, or a Standard 10-year repayment plan.
- The right job: For a payment to count, the graduate must be working a full-time public service job in the month the payment was made

Public Service Work includes any full-time job with a governmental entity or 501(c)(3) non-profit. Full-time is the greater of 30 hours per week or what the employer considers full-time. Multiple part-time public service jobs can be considered full-time work if the total hours averages 30 or more hours per week.

Graduates may move in and out public service jobs, in and out of the work force, and between public and private sectors. If the graduate performs their 120 months of public service work directly after graduation without break, their loans can be forgiven in ten years. This forgiveness of public service work is not taxable.

Who misses out?

Public Defenders at Private Firms

The determining factor in Public Service Loan Forgiveness is the kind of entity employing the graduate. Public defenders working for non-profits and as government employees will accrue time toward Public Service Loan forgiveness. Their counterparts doing the same work at a private firm or consortium with a public defense contract will not, even if all of their work involves indigent defense.

Some Married Graduates

The formulas for calculating IBR and ICR-A begin with a graduate's tax return whether that graduate files an individual return or a joint return. For married graduates, this means that their spouse's income can influence their loan payments. Graduates may file their taxes as Married Filing Separately, but they give up deductions and credits to do so.

If both partners in a marriage have federal student loans and file a joint return, the calculated IBR or ICR-A payment is split between the partners based on their share of federal student loans. In this case, graduates will typically end up with a similar family loan cost as they would if both partners filed individual returns. If only one partner has federal loans, with a dual income household and a joint tax return, the total family loan cost will be increased over each partner filing a separate return.

Payment Plans

Payment Outlook for Public Service Workers

- $125,000 student debt ($25,000 Subsidized Stafford, $35,000 Unsubsidized Stafford $65,000 Grad PLUS)
- $45,000 starting salary (Median starting Public Interest salary for the Class of 2011), with a 4% annual raise.
- Single Tax Filer.

Plan	First Payment	Last Payment	Total Interest Paid	Total Paid
Standard (10-year)	$ 1,475	$ 1,475	$ 52,081	$ 177,081
Extended (30-year)	$ 863	$ 863	$ 185,807	$ 310,807
Graduated (30-Year)	$ 768	$ 1,092	$ 180,612	$ 305,612
IBR (25 year forgiveness)	$ 353	$ 1,016	$ 176,842	$ 189,478
IBR w/ PSLF	$ 353	$ 527	$ 52,229	$ 52,229
ICR-A (20 year forgiveness)	$ 235	$ 545	$ 88,980	$ 88,980
ICR-A w/ PSLF	$ 235	$ 351	$ 34,819	$ 34,819
ICR-B (25 year forgiveness)	$ 569	$ 1,555	$ 218,270	$ 289,207
ICR-B w/ PSLF	$ 569	$ 831	$ 83,224	$ 83,224

Payment Outlook for Small Firm Workers

- $125,000 student debt ($25,000 Subsidized Stafford, $35,000 Unsubsidized Stafford $65,000 Grad PLUS)
- $50,000 starting salary (Median starting 2-10 attorney firm salary for the Class of 2011), with a 4% annual raise.
- Single Tax Filer.

Plan	First Payment	Last Payment	Total Interest Paid	Total Paid
Standard (10-year)	$ 1,475	$ 1,475	$ 52,081	$ 177,081
Extended (30-year)	$ 863	$ 863	$ 185,807	$ 310,807
Graduated (30-Year)	$ 768	$ 1,092	$ 180,612	$ 305,612
IBR (25 year forgiveness)	$ 415	$ 616	$ 188,270	$ 220,713
ICR-A (20 year forgiveness)	$ 277	$ 410	$ 103,869	$ 103,869
ICR-B (25 year forgiveness)	$ 652	$ 1,413	$ 176,411	$ 306,711