

## College Cost Reduction And Access Act (CCRAA) (P.L. 110-84)

*Signed into law on September 27, 2007.*

### TITLE II - STUDENT LOAN BENEFITS, TERMS, AND CONDITIONS

#### Sec. 203 Income-Based Repayment

- Generally, the provisions in this section become effective **July 1, 2009**.
- Loan payments will be limited to 15 percent of a borrower's discretionary income or 15 percent of the amount that a borrower's (and spouse's if applicable) adjusted gross income exceeds 150 percent of the poverty line, divided by 12. Unpaid interest and principal are capitalized and any outstanding loan balance is forgiven after 20 years of repayment.
- PLUS Loans made on behalf of a dependent student and Direct Consolidation Loans that contain PLUS loans are not eligible for the income-based repayment program.
- Holders of these loans must apply the borrower's payments first to interest, second to fees, and then toward the principal of the loan.
- Any interest due and not covered by the borrower shall be paid by the Secretary for up to three years except for periods that a borrower is in deferment due to economic hardship.
- The lender shall also capitalize the interest due when the borrower stops participating in the income-based repayment program, or begins making payments larger than what is specified under income-based repayment.
- Principal due and not paid under income-base repayment shall be deferred.
- Borrowers may remain in income-based repayment more than 10 years.
- When borrowers leave the program the maximum payment required on the loan shall not exceed the monthly amount based on a 10-year repayment period when the borrower first joined income-based repayment. The time the borrower is permitted to repay the loan may exceed 10 years.
- The Department must repay or cancel any outstanding loan principal and interest for borrowers after 25 years of repayment.
- Borrowers currently repaying loans according to income-contingent repayment or income-sensitive repayment plans will have the choice to continue in their current plans or may participate in the program created by this bill.
- The Department must establish procedures to annually determine borrowers' eligibility for the program, including verification of a borrower's income and the amount of their loans.

#### Title IV - LOAN FORGIVENESS

The legislation allows the Secretary of Education to cancel the balance of any interest and principal due on any Federal Direct Loan - including Direct Stafford, PLUS, or Consolidation Loan - that is not in default for borrowers who:

- Have made 120 monthly payments on a Direct Loan **after October 1, 2007** as part of an income contingent repayment plan or a standard repayment plan based on a 10-year repayment schedule
- Are employed in a "**public service job**" and has been employed in a public service job during the 120 payment period.

A public service job is defined as a full-time job in emergency management, government, military service, public safety, law enforcement, public health, public education, social work, public interest law services, child care, public library sciences, or any other job at an organization that is described in section 501(C)(3) of the Internal Revenue Code of 1986.