Webinar

Understanding the Public Service Loan Forgiveness Program (PSLF)

Thursday, June 27 | 7 pm ET





Speakers:

Rob Arnold, National Business Representative, NFFE Adam Minsky, Student Loan Lawyer



About Us

Public Service Promise was created to help more eligible borrowers successfully apply for the Public Service Loan Forgiveness (PSLF) program.

As a nonprofit organization, everything PSP offers is free of charge.

Featured expert: Adam Minsky, JD

- Leading voice on student loan law
- Established one of the first law firms devoted entirely to helping student loan borrowers
- Senior contributor to Forbes.com
- Author of many books and articles on student debt







Look for Action Items

- Ask questions in Q&A box throughout. We'll answer questions at the end.
- No personalized legal or financial advice.
- Links to key resources are on our resources page.
- Know that everything we are talking about is up to date as of today. It could change.

Today's Agenda

What is the Public Service Loan
Forgiveness
(PSLF)
Program?



- employment
- 120 payments
- loan type

How do you apply for loan forgiveness?

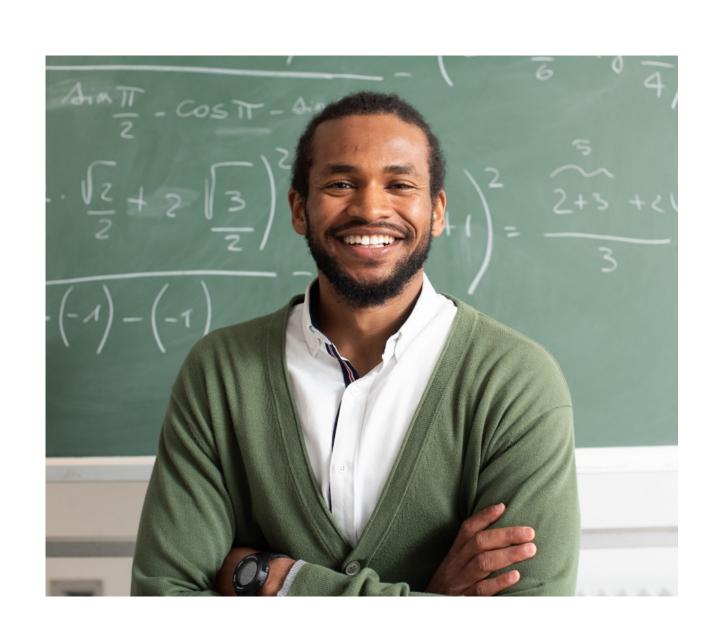




Part I

What is the Public Service Forgiveness (PSLF) Program?

Public Service Loan Forgiveness Program (PSLF)



- Administered by the U.S.
 Department of Education
- Designed to forgive the student loan balances of borrowers employed by a government or eligible non-profit organizations
- Rewards public service to our country

936,000+

borrowers have received
Public Service Loan Forgiveness
discharges so far



\$65.2 billion

amount forgiven under the program



\$70,000

Average amount of individual loan forgiveness under Public Service Loan Forgiveness program (PSLF)

Bonus! The forgiven amount is **not** taxable income under federal law



Part II

Are you eligible for Public Service Loan Forgiveness?

What criteria do you need to meet to qualify for forgiveness?



Work full-time for an eligible employer



Make the equivalent of 120 qualifying monthly student loan payments in a qualifying plan



On a Direct loan from the U.S. Department of Education



Do you have the right employer(s)?

Work full-time for an eligible employer

You must:

- Work for a qualifying nonprofit or government entity
- Work in a W-2 position, full-time (=30 hours a week or greater)
- Have qualifying public service employment for each payment,
 AND when you apply for forgiveness

Eligible employers

- Any government employer (federal, state, local, tribal)
- Serving full time for the military, Peace Corps, AmeriCorps
- Any 501(c)(3) non-profit
- Certain other non-profit organizations



Other non-profits whose primary purpose is one of the following:

- Emergency management
- Public safety
- Law enforcement: crime
 prevention, control or reduction of
 crime, or the enforcement of
 criminal law
- Public interest law services
- Early childhood education
- Public education
- School library or other schoolbased services

- Public library services
- Public service for individuals with disabilities and the elderly
- Public health: includes nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in health care practitioner occupations and health support occupations, as such terms are defined by the Bureau of Labor Statistics

Non-eligible employers

- Labor unions
- Partisan political organizations
- Not-for-profit organizations that are not tax-exempt under Section 501(c)(3) of the Internal Revenue Code and that do not provide a qualifying public service as their primary purpose
- For-profit organizations
 - New exception for states where the law prohibits non-profits from certain hiring (TX and CA physicians)

Work full-time for an eligible employer



Check whether your employer(s) qualifies using the Department of Education PSLF Employer Search.



Certify your employment at the Department of Education Public Service Loan Forgiveness Help Tool on Studentaid.gov.



Do you have the right type of student loan(s)?

Federal Student Loans

ELIGIBLE

- Direct loans
 - Stafford
 - unsubsidized
 - subsidized
 - Grad PLUS
 - Parent PLUS

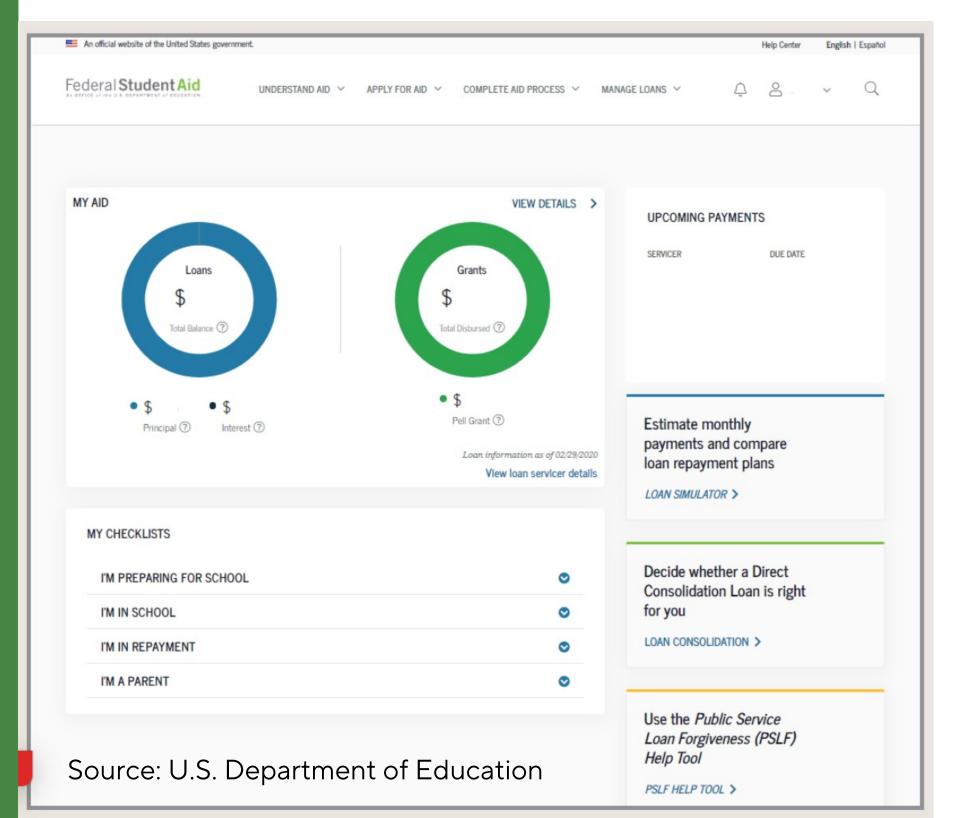
ELIGIBLE IF CONSOLIDATED INTO DIRECT LOANS

- FFEL
- Perkins
- HEAL
- LDS

INELIGIBLE

- Private
- Institution
- State Authority

What type of student loan do you have?





To find out what type of loan you have, login to the dashboard at StudentAid.gov.

Student Loan Players

Knowing who is handling your loan is important in understanding your rights and options.

LENDER: The entity that originates the loan.

- For Direct loans, this is the Department of Education
- For Federal Family Education Loan (FFEL) loans, the original lender was a private/commercial entity (but that may have since changed).

Student Loan Players

Knowing who is handling your loan is important in understanding your rights and options.

SERVICER: The entity that deals with day-to-day operations of the loan.

- MOHELA was the sole servicer of the PSLF
- PSLF servicing now moving to StudentAid.gov
- Other servicers: AidVantage, EdFinancial, Nelnet



Have you made the right number of payments?

Make the equivalent of 120 qualifying monthly student loan payments

You must:

- Make the payments as directed
- Make the payments while working for a qualifying employer
 - o AFTER Oct. 1, 2007
- Pay under a 10-year standard plan or Income-Driven Repayment plan



Student
Loan Status

- **Grace Period**
- **Deferment or Forbearance**

- Repayment
- Delinquency
- Default



Do you have the right type of payment plan?

Repayment Plan Options

Plans Based on Balance

- 10 year Standard Plan
- Graduated repayment
- Extended repayment
- Extended graduated repayment
- Standard consolidation plan

Plans Based on Income

- "Old" Income Based Repayment (IBR)
- "New" Income Based Repayment (IBR)
- Pay As You Earn (PAYE)
- Saving on a Valuable Education (SAVE) plan (formerly REPAYE)
- Income Contingent

Income-Driven Repayment (IDR)

- Required payments are calculated on "Discretionary Income" formulas based on borrower's adjusted gross income and family size
- Payments last for 12 months and are recalculated annually

Income-Driven Repayment (IDR) Benefits

- Affordable payments, even for large federal loan balances
- Borrower can still make progress towards loan forgiveness
- Better long term solution than deferments or forbearance
- Initial income exemptions
- Interest subsidies available on some plans

Saving on a Valuable Education (SAVE) Plan

New plan replaces REPAYE plan

- Higher poverty exemption –
 225% of federal poverty level
- 10% of discretionary income
- Interest subsidy waives excess interest
- Married borrowers can file taxes separately (unlike REPAYE)

Loan Forgiveness:

- 25 years for borrowers with graduate school loans, 20 years for undergrad borrowers.
- Shorter timeline (10-20 years) for borrowers with smaller initial balances

Saving on a Valuable Education (SAVE) Plan

Estimated Monthly Payment Under the SAVE Plan

Income	\$60k	\$227	\$130	\$34	\$0	\$0
	\$50k	\$143	\$47	\$0	\$0	\$0
	\$40k	\$60	\$0	\$0	\$0	\$0
	\$30k	\$0	\$0	\$0	\$0	\$0
	\$20k	\$0	\$0	\$0	\$0	\$0
	\$10k	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0
	,	1	2	3	4	5

Family Size

Source: U.S. Department of Education

Bonus! The SAVE Plan has an interest benefit: If you make your full monthly payment, but it is not enough to cover the accrued monthly interest, the government covers the rest of the interest that accrued that month. This means that the SAVE Plan prevents your balance from growing due to unpaid interest. **\$0 payments count towards your 120 payments.**

Saving on a Valuable Education (SAVE) Plan

Borrowers in REPAYE are automatically changed to SAVE

 Borrowers who leave PAYE/ICR for SAVE cannot return after July 1, 2024

Available now:

 Higher poverty limit, interest subsidy, marital tax filing flexibilities, accelerated student loan forgiveness for smaller starting balances

Available in July 2024:

 New 5% repayment plan formula, automated income recertification

Temporary Expanded PSLF (TEPSLF)

Qualifies

 Made payments under a graduated, extended or standard consolidation plan.

Does not qualify

- Consolidated after making eligible payments cannot receive credit for these payments
- Payments made on a Perkins or Federal Family Education Loan (FFEL) loans, private loans, and defaulted loans don't qualify.

How TEPSLF Works

- Make 120 qualifying payments while working for a qualifying employer
- Some or all of these payments may have been made under a graduated, extended or standard consolidation repayment plan
- The 12th to last payment, as well as the last payment made, must have been at least as much as you would have paid under and income driven repayment plan.
- Submit PSLF Employment Certification form.

What is Federal Direct Consolidation?

Overview

- Federal loans only: one combined balance
- Weighted average interest rate
 (rounded up to the nearest 8th of a percentage point)

Benefits

- Converts non-Direct loans into Direct
- Simplified repayment
- May open up new repayment plan options
- May be necessary to qualify for forgiveness

Drawbacks

- New loan, new repayment term (but not always)
- Individual loans cease to exist
- Interest and credit bureau considerations

Delaying Payment: Deferment vs. Forbearance

Deferments

- Delays payments
- Borrower may accrue interest
- May qualify if student or unemployed
- Result in capped interest

Forbearance

- Delays payments
- Interest always accrues
- Broader requirements than for deferments (general economic hardship)
- No capped interest

Heads up: Deferments and forbearance can have a number of negative consequences for the borrower.

Income Driven Repayment is a better option for most borrowers.

Delaying Payment: Deferment vs. Forbearance

These deferments and forbearances can count toward forgiveness, due to new rules that went into effect in July 2023:

- Cancer treatment deferment
- Economic hardship deferment
- Military service deferment
- Post-active-duty student deferment
- AmeriCorps forbearance
- National Guard Duty forbearance
- Certain administrative forbearances are available



Default

Borrowers who fail make the required payments on their federal student loans are considered in default.

If you are in default, you may have options to get back into good standing.

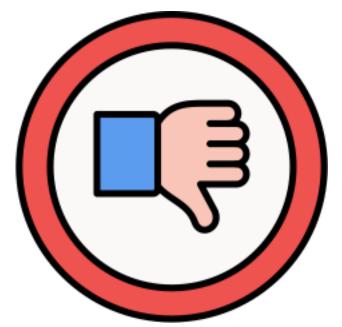


Find out whether you may be in default by creating an account at Studentaid.gov.

Default: The Consequences

- Negative credit reporting
- Denial of new federal aid
- Collection fees up to 24%
- "Forced" Administrative Collections Treasury offset (SSA offset and tax refund intercepts), admin wage garnishment (AWG)
- Litigation (in a small number of cases)
- No statute of limitations applies
- Most collections activity for defaulted federal student loans has been suspended since 2020, but

that will end later this fall



Default: Fresh Start Initiative

Temporary Biden administration initiative that provides pathway out of default

- Borrower simply needs to contact their defaulted loan holder to make arrangements
 - Dept. of Education's Default Resolution Group
 - Federal Family Education Loan (FFEL) program guaranty agency
- No collections fees, deletion of default in credit report
- Ends September 2024
- Collections efforts against defaulted borrowers with EDheld loans remains suspended until then

Default: Other Resolutions



Rehabilitation

Temporary, 9-month repayment plan tied to income

Direct Consolidation

 New federal consolidation loan – must select Income Driven Repayment (IDR) plan

Compromise/settlement

Will not get pennies on the dollar



Part III

How to Get Credit Toward Public Service Loan Forgiveness

Reminder:

Public Service Loan Forgiveness Requirements

Only Direct loans qualify.

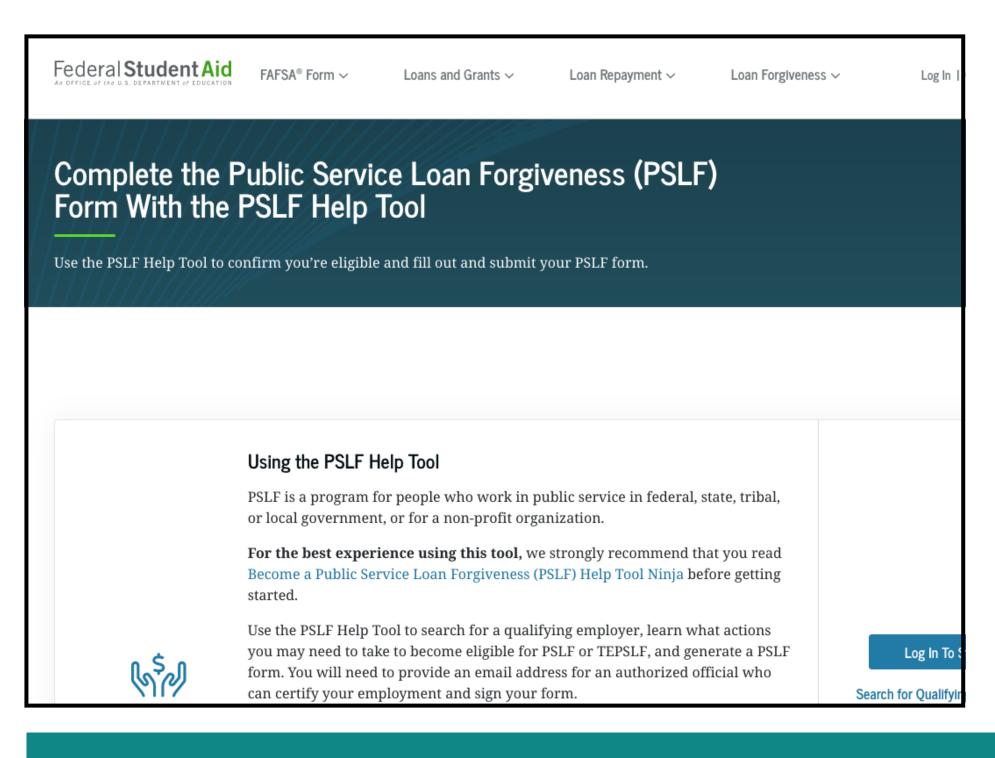
You must make 120 payments (10 years of payments) AFTER Oct. 1, 2007.

Payments must be made through eligible plans.

 10-year Standard or Income-Driven Repayment (IDR)

You must be employed by a qualifying public service employer at the time of payment

- 30 hours per week on average
- W-2 employment (1099 employment generally does not count, with some limited exceptions)
- For a qualifying nonprofit or public/government organization



Scan here to go to PSLF Help Tool





Visit the PSLF Help Tool to walk you through the process

If you haven't created a StudentAid.gov account yet, do so now. You'll need it to login to the Help Tool.



Part IV

Other Important Things to Know

Income-Driven Repayment Account Adjustment

Dept. of Ed will make one-time adjustment and count towards IDR and PSLF, essentially extending Limited PSLF Waiver

- Any months in a repayment status, regardless of the payments made, loan type, or repayment plan
- 12 or more months of consecutive forbearance or 36 or more months of cumulative forbearance toward IDR and PSLF forgiveness
- Any months spent in deferment (with the exception of in-school deferment) prior to 2013, and hardship deferments after 2013; and
- Any time in repayment prior to consolidation on consolidated loans.

Income-Driven Repayment Account Adjustment

Other major features:

- Consolidation benefits for loans with different IDR/PSLF counts
- Parent PLUS loans are eligible
- Borrowers with non-Direct loans have to apply to consolidate by June 30, 2024 in order to benefit.

New PSLF Rules as of July 1, 2023

- Additional periods can count toward loan forgiveness
- Simplified definition of qualifying employment
- Moderately expanded employment qualifications for faculty (3.35 multiplier per credit hour) and contractors
- Weighted average when consolidating
- New buyback option
- In very limited circumstances, allows employment at for-profit entity if state law actively prohibits direct employment by eligible non-profit.

Major PSLF Serving Changes

PSLF Servicing Transferring to StudentAid.gov:

- PSLF data moving from MOHELA to new dashboard at StudentAid.gov
- During transition (May through July), no access to PSLF data and no PSLF processing
- Transition ends in July, but advocates expect backlogs and delays

Major PSLF Serving Changes

Most borrowers will stay with MOHELA:

- MOHELA is going through its own internal servicing platform transition, but borrowers will continue to make payments to MOHELA
- Borrowers may need to establish new log-in credentials via new MOHELA website

Separately, around 1 million borrowers will be transferred to other loan servicers:

- EdFinancial, Aidvantage, Nelnet
- Borrowers should be notified of transition
- Borrowers will need to set up a new account with new servicer and re-establish autopayments





Ask live questions in the Q&A box.

Please remember:

We cannot give personal financial or legal advice.

Thank you!



For more information, visit the Public Service Promise Resources Page PublicServicePromise.org/resources