

**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



# KNOW THE RULES

**ACTION**



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?**



**Are you  
eligible for PSLF?**

- employment
- 120 payments
- loan type



**How do you  
apply for loan  
forgiveness?**



**Latest PSLF news**



**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 school-based 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**

**ACTION**

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

**ACTION**

**Certify your employment at the Department of Education Public Service Loan Forgiveness Help Tool on [Studentaid.gov](https://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?

The screenshot displays the Federal Student Aid dashboard. At the top, it identifies itself as an official website of the U.S. Department of Education. The main navigation includes 'UNDERSTAND AID', 'APPLY FOR AID', 'COMPLETE AID PROCESS', and 'MANAGE LOANS'. The 'MY AID' section features two donut charts: a blue one for 'Loans' showing 'Total Balance' and a green one for 'Grants' showing 'Total Disbursed'. Below these are icons for 'Principal' and 'Interest' for loans, and 'Pell Grant' for grants. A 'MY CHECKLISTS' section lists 'I'M PREPARING FOR SCHOOL', 'I'M IN SCHOOL', 'I'M IN REPAYMENT', and 'I'M A PARENT', each with a checkmark. On the right, 'UPCOMING PAYMENTS' is shown as a table with columns for 'SERVICER' and 'DUE DATE'. Below this are three informational cards: 'Estimate monthly payments and compare loan repayment plans' with a 'LOAN SIMULATOR' link, 'Decide whether a Direct Consolidation Loan is right for you' with a 'LOAN CONSOLIDATION' link, and 'Use the Public Service Loan Forgiveness (PSLF) Help Tool' with a 'PSLF HELP TOOL' link.

Source: U.S. Department of Education

**ACTION**

**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
  - 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

Items in **orange** usually not PSLF eligible

# 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

	\$60k	\$227	\$130	\$34	\$0	\$0
	\$50k	\$143	\$47	\$0	\$0	\$0
	\$40k	\$60	\$0	\$0	\$0	\$0
Income	\$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

Items in **red** are currently blocked by court proceedings as of June 24, 2024.



# 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 an 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.

**ACTION**

**Find out whether you may be in default by creating an account at [Studentaid.gov](https://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 ED-held 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

Federal Student Aid  
AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

FAFSA® Form ▾ Loans and Grants ▾ Loan Repayment ▾ Loan Forgiveness ▾ Log In |

## Complete the Public Service Loan Forgiveness (PSLF) Form With the PSLF Help Tool


Use the PSLF Help Tool to confirm you're eligible and fill out and submit your PSLF form.

### Using the PSLF Help Tool

PSLF is a program for people who work in public service in federal, state, tribal, or local government, or for a non-profit organization.

**For the best experience using this tool**, we strongly recommend that you read [Become a Public Service Loan Forgiveness \(PSLF\) Help Tool Ninja](#) before getting started.

Use the PSLF Help Tool to search for a qualifying employer, learn what actions you may need to take to become eligible for PSLF or TEPSLF, and generate a PSLF form. You will need to provide an email address for an authorized official who can certify your employment and sign your form.



[Log In To S](#)

[Search for Qualifyin](#)

Scan here to go to  
PSLF Help Tool



**ACTION**



## 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.



**IMPORTANT**

**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 Servicing 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 auto-payments

# Q&A



**Ask live questions in the Q&A box.**

**Please remember:**

**We cannot give personal financial or legal advice.**

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# Thank you!



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**For more information,  
visit the Public Service Promise Resources Page  
[PublicServicePromise.org/resources](https://PublicServicePromise.org/resources)**

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