May 13, 2024

Dr. Nasser Paydar
Assistant Secretary for Postsecondary Education
Office of Postsecondary Education
U.S. Department of Education
400 Maryland Ave. SW
Washington, DC 20202

Re: Proposed Rulemaking: Student Debt Relief for the William D. Ford Federal Direct Loan Program (Direct Loans), the Federal Family Education Loan (FFEL) Program, the Federal Perkins Loan (Perkins) Program, and the Health Education Assistance Loan (HEAL) Program
Docket Number: ED-2023-OPE-0123

Dear Assistant Secretary Paydar:

The National Council of Nonprofits (NCN) welcomes this opportunity to submit comments in support of the automatic forgiveness provision in the Proposed Rulemaking on Student Debt Relief for the William D. Ford Federal Direct Loan Program (Direct Loans), the Federal Family Education Loan (FFEL) Program, the Federal Perkins Loan (Perkins) Program, and the Health Education Assistance Loan (HEAL) Program, Docket Number: ED-2023-OPE-0123 (Proposed Rulemaking).

Many income-driven repayment plans that qualify for Public Service Loan Forgiveness (PSLF), do not cover the interest accrued each month, resulting in the borrower's debt continuing to balloon. This Proposed Rulemaking would cancel some of that accrued interest, which would greatly alleviate financial and mental strain on borrowers. Many such borrowers work for charitable nonprofits, who have been diligently paying on their loans for many years only to see the payment due amount increase each month. We focus our comments on how the Proposed Rulemaking affects how the PSLF program would be administered.

The National Council of Nonprofits network has a deep interest in a strong, effective, and efficient PSLF program as charitable nonprofits are qualifying employers under the program. For more than 30 years, the National Council of Nonprofits has mobilized the largest network of nonprofits in the United States to achieve transformative results. We champion, connect, and inform nonprofits across the country. Nationwide and in every community in America, charitable nonprofits provide vital services and are a key and necessary component of the economy, employing more people than the construction, finance, and manufacturing industries.[1] Our comments are grounded in this reach and experience.

Prior to the pandemic, nonprofits employed more than 12.3 million workers – 10% of America's private workforce.[2] During the health and economic crises caused by COVID-19, tens of millions more Americans than usual turned to charitable organizations for help – and nonprofits delivered. Yet, data developed by NCN documents the severe workforce shortage in the charitable nonprofit sector even as the country has come out of the dual economic and health crises.[3] For communities and local economies to recover, nonprofits must attract and retain skilled, talented workers despite financial restraints and limited resources.

PSLF is vital to the wellbeing of the nonprofit sector as all 501(c)(3) charitable nonprofits are qualifying employers under the program. Specifically, we support borrowers receiving automatic forgiveness and the reduced administrative burdens upon meeting the requirements of PSLF. Automatic forgiveness without unnecessary paperwork and meeting strict timelines would help ease some of the staffing challenges nonprofits are currently facing by clarifying and expanding the opportunity for loan forgiveness for employees of charitable organizations.

Rulemaking in Context: PSLF helps bridge the gap during the nonprofit workforce crisis to attract and retain qualified workers to the sector.

Charitable nonprofit employers make up the second largest portion of expressly approved qualifying employers under the program next to government employers. PSLF exists to allow charitable

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[1] Nonprofits: America's Third Largest Workforce, Lester Salamon, Johns Hopkins Center for Civil Society Studies, April 2018.

[2] Id.

[3] 2023 Nonprofit Workforce Survey Results: Communities Suffer as Nonprofit Workforce Shortage Crisis Continues, National Council of Nonprofits, August 2023. See also, The Scope and Impact of Nonprofit Workforce Shortages, National Council of Nonprofits, Dec. 13, 2021, and Nonprofit Workforce Shortages: A Crisis That Affects Everyone, An Update, July 2022.

nonprofit professionals to pursue careers in public service even if they have student debt. Currently, charitable nonprofits are facing a severe workforce shortage. [4] Federal programs like PSLF help fill the gap to attract and retain quality employees to perform necessary work and provide desperately needed services within their communities. The benefits of the PLSF program also allow charitable nonprofits to advertise for workers to serve in every community, especially in times of crisis like the recent public health crisis.

The significance of the crisis affecting the work of charitable nonprofits often involves human lives and well-being. The loss of nonprofit jobs means people suffer because nonprofits cannot deliver services the public needs by not being able to access housing, safe havens, and food, among other essential needs. Charitable nonprofits from across the country and all subsectors have been experiencing higher job vacancy rates than their for-profit and government counterparts.[5] As reported by NCN in August 2023, three-out-of-four nonprofits (74.6%), with missions ranging from health and human services to arts, culture, and education, reported job vacancies. More than half (51.7%) had more vacancies in 2023 than prior to the coronavirus pandemic, and more than a quarter (28.1%) had longer waiting lists for services. Organizations without adequate levels of personnel obviously cannot deliver the same volume of services, much less respond to growing demands. Nearly three-quarters of respondents (72.2%) identified salary competition as the primary cause for job vacancies. Budget constraints and stress and burnout from the relentless pressure to deliver higher volumes of services without much relief since the pandemic were also factors.

PSLF helps attract and retain nonprofit workers.

The National Council of Nonprofits has long celebrated the fact that the PSLF helps charitable organizations attract talent, incentivizes employees to remain in the nonprofit sector, and provides relief for public service professionals who are often paid less than at other employment opportunities. NCN strongly endorses policies that promote job creation in all sectors of the economy, especially policies that incentivize employment at charitable nonprofits. The Proposed Rulemaking would create automatic forgiveness for borrowers who meet the requirements under PSLF, thus providing a faster, less burdensome pathway to forgiveness and greater access to qualifying charitable nonprofit workers.

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[4] 2023 Nonprofit Workforce Survey Results: Communities Suffer as Nonprofit Workforce Shortage Crisis Continues, National Council of Nonprofits, August 2023.

[5] Ibid.

Access to student debt relief during career decision-making provides potential hires additional incentives to work at mission-oriented nonprofits despite possible higher financial enticements elsewhere, particularly in the for-profit sector. PSLF helps close the financial gap between the charitable nonprofit and for-profit sectors and allows charitable organizations to compete for top talent rather than be portrayed as employers of last resort. The promise to receive full student loan debt forgiveness after ten years in the charitable nonprofit sector has created a vital incentive for workers to remain in the sector regardless of potential recruitment for higher wages elsewhere. A greater likelihood of loan forgiveness with less paperwork and administrative burdens can be the deciding factor that helps someone overcome high levels of burnout or other inducements to abandon the sector and public service.

PSLF is essential to the wellbeing of the nonprofit sector. Full time employees of nonprofit 501(c)(3) organizations, AmeriCorps and Peace Corp workers, and some other public service organization employees with certain types of student loans can receive forgiveness of outstanding debt after working full time and making the required payments under PSLF. Of the borrowers who have submitted and had employment certification forms approved, nearly two-out-of-five borrowers (38 percent) work at 501(c)(3) nonprofit organizations, according to FedLoan Servicing. The numbers of workers who attain forgiveness without the burden of providing regular paperwork and wait for communications from loan servicers, as proposed in the rulemaking, would increase in the nonprofit sector and at other eligible borrowers.

Automatic forgiveness upon meeting qualifying payment requirements would create fairness and allow more borrowers to earn forgiveness under PSLF.

The proposed rulemaking would automate forgiveness for borrowers who meet the requirements of making the number of qualifying payments while working at a qualifying employer, including all 501(c)(3) charitable organizations. The National Council of Nonprofits strongly supports the proposed automation that would streamline forgiveness, reduce burdens on borrowers and government, and clarify expectations. Given the confusing and sometimes tortuous history of PSLF administration and enforcement, this approach is both fair and necessary.

Automation would reduce administrative and paperwork barriers borrowers currently face at various stages of the certification process, such as when communicating with loan servicers, certifying employment with employers, and uploading documentation. Borrowers are currently requested to submit the same paperwork annually. Because of this process, should a borrower forget to submit the final form at exactly the time that they meet the necessary number of payments, forgiveness is delayed despite their loan servicer and Federal Student Aid already having the information.

Borrowers should not be punished, and forgiveness should not be delayed, if newly counted payments push the borrowers over the threshold to forgiveness. As stated in the Proposed Rulemaking, "The Department has historically seen many situations where borrowers do not successfully apply for available relief when they are eligible."[6] The explanations for these unsuccessful applications are plentiful and range from a borrower not knowing they are eligible to active interference by loan servicers. Loan servicers have a history of improper action (e.g. failure to process forms, improperly placing borrowers into forbearance, not counting qualifying payments). As a result, the Department has been forced to recalculate and recount certain additional, qualifying payments for many borrowers.[7] While the Department has attempted to right these previous wrong actions, problems persist.[8] Automation helps rectify this by automatically forgiving borrowers as soon as the requisite number of qualifying payments has been determined to have been met.

The relief of financial stress on nonprofit professionals allows for a higher work performance and greater organizational impact.

An effective and accessible PSLF program is in the public interest because it can reduce financial stress for workers resulting from student debt while encouraging them to perform meaningful work with mission-driven charitable organizations. Nonprofit professionals depending on PSLF have committed to serving their communities for at least ten years. During this tenure, financial strain can cause nonprofit workers to question whether the typically lower salaries are worth staying at a job and mission in which they are committed. The promise of debt relief after a set period of payments allows people to make life decisions – getting married, having children, buying a house – that they otherwise would forestall. Conversely, knowing that daunting student loan debt will haunt them for the next 20 or more years acts like an anchor pulling people out of the public sector.

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[6] See Notice of Proposed Rulemaking at 27578.

[7] The MOHELA Papers: The Rise of a Student Loan Servicing Giant and the Fall of the Student Loan System, Student Borrower Protection Center, February 2024.

[8] During this comment period, Federal Student Aid is undertaking moving all PSLF operations and has paused processing PSLF administration to "streamline[e] [the] loan and grant experience." No access to PSLF progress or reports has been available since May 1, 2024. While operations will hopefully improve due to the transfer, the need for the transfer at all is yet another example of the poor administration and management of PSLF by loan servicers. See We're Streamlining Your Loan and Grant Web Experience, Federal Student Aid, U.S. Department of Education, last accessed May 7, 2024.

A study by AIG Retirement Services found that 66% of public service employees cite student loans and payments as the top cause of financial stress and 42% of respondents "describe their financial stress level as moderate or high." However, the promise of loan forgiveness after ten years allows those same workers to remain dedicated to their jobs without the same financial fears. The study concludes, "Debt forgiveness can relieve stress, which can reduce absenteeism, improve productivity, strengthen talent retention, and yield meaningful savings for employers."[9] Ultimately, the communities those nonprofit workers serve receive both the direct and indirect benefits of committed nonprofit workers not distracted by the burdens of student debt.

Loan forgiveness under PSLF allows workers to reduce their monthly costs and obtain financial freedom despite their salary or wage amounts. The faster borrowers can earn financial freedom, the better off they are. Thus, more workers at charitable nonprofits may be able to remain in their positions for longer periods of time post-forgiveness because of the elimination of the monthly financial burden of federal student debt.

Thank you for publishing this proposed rulemaking. As the largest network of charitable nonprofits, we stand ready to work with the Department to preserve, support, and strengthen the Public Service Loan Forgiveness program. Please let us know if you have any questions.

Sincerely,

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[9] Student Loan Debt and Public Service Employees, AIG Retirement Services, 2021.