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Good News for Public Service Loan Forgiveness (PSLF) Borrowers

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In 2007, Congress passed a law essentially entering into a binding contract with certain college and grad school students. The federal government promised that if a student borrowing money for college would commit to a career in public service by working for a government, the military, or a charitable nonprofit and make 120 timely monthly student loan payments, then the federal government would “cancel the balance of interest and principal due” at the end of 10 years. Relying on the federal government’s commitment, so far at least a half million students ultimately made life-altering decisions about their careers.

Unfortunately, the federal government has largely failed to honor its commitments. The U.S. Department of Education admits that its record the last five years – since the first five classes of eligible student loans have been eligible for forgiveness – has been dismal. Only [1% of borrowers have received forgiveness](#) due to complicated and overly burdensome eligibility rules, unnecessary hoops, dreadful oversight, inaccurate reporting, and poor communications spanning many years.

Fortunately, there is some good news. Last week, the [U.S. Department of Education announced](#) that it will expand the Public Service Loan Forgiveness (PSLF) program and make it easier for many borrowers to secure the relief to which they are entitled

under the law, including relief for hundreds of thousands of nonprofit workers across the country, myself included. As a dedicated nonprofit employee married to a government-employed public servant, I know we are celebrating the federal government's decision to honor its previous commitment. We joke that "it's going to be a big year for us!" when we finally see that forgiveness. But first, we'd need to beat the odds, which have not been in our favor.

Current Requirements

Under the PSLF program, full-time employees of 501(c)(3) organizations, government employees, 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 payments for ten years. Nonprofits often use the program to help attract talent to the sector, encourage and incentivize employees to remain in the sector, and provide relief for public service professionals who may be paid less than other employment opportunities. Of the borrowers who have submitted and had employment certification forms approved so far, nearly two out of five borrowers (38 percent) work at 501(c)(3) nonprofit organizations, according to FedLoan Servicing. The remaining 62 percent work in government. Less than 1 percent work at other qualifying organizations.

To receive forgiveness, borrowers [must meet several criteria](#): have the correct type of federal loan, make 120 qualifying payments in the correct repayment plan, and certify that their public service employment qualifies under the program. Due to the pandemic, [borrowers are automatically placed into forbearance](#) with 0% interest rates through Jan. 31, 2022, and an [automatic suspension of payments](#) will apply to any borrower more than 31 days delinquent. Forbearance will count as payments towards the minimum requirements for PSLF; however, the borrower must continue to be employed full time at a qualifying employer during the forbearance period.

The main reasons that applications for forgiveness were denied include that someone had a type of loan that didn't qualify, failure to comply with the repayment plan, or an incorrect amount paid. I once tried to make my monthly payment a few days early to adjust for a personal schedule and was told that the timing would make the payment not count towards forgiveness. I only knew to ask (and sit through the hours-long wait time) because I've been closely watching the program

for years.

New - But Temporary - Adjustments

Now, the Department is instituting a temporary Limited PSLF Waiver to count all prior payments by borrowers (regardless of loan program), improved automation, and simplified qualified payments and application process, the announcement explains. These actions are expected to provide welcome relief to borrowers in the sum of an estimated \$1.74 billion in the near term. Long term improvements will aid in borrowers reducing their collective debt by an additional \$2.82 billion.

Under the temporary Limited PSLF Waiver, more borrowers working at charitable nonprofits will have access to forgiveness through several changes:

- **More Types of Loans to be Included:** Forgiveness will apply to Direct Loans, consolidation of loans, and other types of loans like the Federal Family Education Loan Program or Federal Perkins Loan.
- **More Payments to Automatically Count:** Payments previously removed due to technical requirements like repayment plan, timing, and amount will be automatically counted. For example, my early payment would be counted under the adjustment and people who were late by few days or a few pennies - will automatically be counted.
- **More Outreach and Communications:** An “extensive outreach campaign” about PSLF, individuals who may already qualify for forgiveness, and additional payments automatically applied is planned for the fall.
- **More Changes in Long Term:** The application process, certification forms, automatic certification, simplified qualifying payment rules, and allowance of certain types of deferments and forbearances are expected to be announced in the future.

What Nonprofit Employees Need to Know

The announcement also provides guidance for borrowers currently earning forgiveness. Nonprofit workers who believe they are eligible for forgiveness or wish to have their employment at their current charitable nonprofit employer certified should take action by October 31, 2022 through the PSLF Help Tool, available at www.StudentAid.gov/PSLF. The announcement also provides some guidance for four

types of borrowers:

1. Workers currently with Direct Loans but have not yet applied for PSLF should determine whether current or past employers qualify for PSLF.
2. Workers with at least one federal loan that is not a Direct Loan, such as FFEL loan should submit a consolidation application and a PSLF form.
3. Workers who previously tried to certify employment for PSLF but were denied should submit a new form.
4. Workers who do not know what kind of federal loan they have should log into their www.StudentAid.gov account and see the Loan Breakdown section to determine type of loan and if consolidation is necessary.

More Information Promised Soon

The Department acknowledges that earlier difficulty to access PSLF, compounded by the pandemic, has “placed tremendous strain on public servants,” many of whom “have been on the front lines of the pandemic making personal sacrifices to keep the rest of us safe. Nonprofits are [still recovering](#) jobs lost in the last year, and some public service workers have reported they are considering leaving public service altogether...” Through negotiated rulemaking and ongoing communications, the Department is promising additional changes for automation and simplification to access forgiveness, providing the needed relief for nonprofit workers and public servant across the country. It promises additional information soon.

I, along with my spouse and many of my friends and colleagues, expect these changes to make the odds turn a bit more in our favor. Until then, let’s hope we keep our sense of humor.

Resources

- [Fact Sheet: Public Service Loan Forgiveness \(PSLF\) Program Overhaul](#), U.S. Department of Education, Oct. 6, 2021.
- [Public Service Loan Forgiveness \(PSLF\)](#), U.S. Department of Education, Federal Student Aid
- [Public Service Loan Forgiveness](#), National Council of Nonprofits

Recent News

- [Biden administration temporarily expands student loan forgiveness program for public servants](#), *The Washington Post*, Oct. 6, 2021.
- [More than 500,000 Public Workers Likely to See Debt Under Federal Student Loan Forgiveness Overhaul](#), *Route Fifty*, Oct. 6, 2021.