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The Public Service Loan Forgiveness program still solidly in place - and more valuable than ever to nonprofits and their employees

By: Tiffany Gourley Carter and Amy Silver O'Leary

Considerable attention has focused on the [U.S. Supreme Court's decision](#) last month to strike down the Biden Administration's plan to cancel up to \$20,000 of student debt per person, disappointing millions of borrowers.

However, the Court's decision does not affect student loan borrowers who are eligible for, or participating in, the separate [Public Service Loan Forgiveness \(PSLF\) program](#).

PSLF remains a powerful incentive for people to work at charitable nonprofits - and has gotten even better starting this month.

PSLF means that nonprofit (and government) employers have an advantage in recruiting and retaining employees, since we can offer special and meaningful financial benefits to our dedicated workforce. These advantages will soon become even more valuable when the repayment pause ends in August and tens of millions of people must begin making payments on their loans again.

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Congress created PSLF as an incentive program to entice people to work in public service in support of the public good. Recognizing that private sector jobs typically pay more than government or nonprofit jobs, PSLF allows borrowers who work full-time (now defined as 30 hours a week) for a charitable nonprofit or government to essentially work off part of their debt in exchange for their public service.

Once eligible borrowers have worked full-time in public service for 10 years and made 120 monthly payments under a qualifying repayment plan, then any remaining balance on their direct federal student loans is forgiven.

In addition, [new regulations that went into effect](#) July 1, 2023, now broaden eligibility, expand and clarify which loan payments can be credited toward forgiveness, and allow for easier consolidation of loans.

Savvy leaders of nonprofits will find ways to highlight this distinct and powerful recruitment and retention advantage they have in the ongoing competition for talent. For example, here's a tip from CalNonprofits, the state association of nonprofits in California: "in your job announcements, note your standing as 'A Public Service Loan Forgiveness certified employer.'" We've seen an uptick, as well, on [our job board](#) of employers noting PSLF eligibility as one of the benefits they provide.

Preventing Confusion

Even though the recent Supreme Court decision regarding the Administration's debt *cancellation* plan [does not affect the ongoing benefits and protections of the earned forgiveness features of PSLF](#), confusion between the two continues. Coupled with the restarting of loan payments this fall, borrowers – and employers – must be aware of the continuing benefits of PSLF.

To help, the PSLF Coalition has [published fact sheets](#) on how to "chart the path forward for [PSLF]." It also shares [testimonials of public servants who have successfully earned](#) forgiveness.

The National Council of Nonprofits, a member of the PSLF Coalition, is spreading the word in numerous ways, and we urge nonprofit leaders, funders, and others who are connected to the nonprofit community to join us. With nonprofit employees working

even harder because of workforce shortages, both employees and employers need to be aware of this powerful inducement for people to work for charitable nonprofits.

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New regulations improved PSLF as of July 1, 2023

More student loan borrowers, including workers at charitable nonprofits and governments, will be able to apply for loan forgiveness under PSLF as a result of [final regulations](#) that went into effect on July 1. The rules now [count additional previous payments towards loan forgiveness](#), ease administration by permitting digital signatures from both employers and borrowers, allow for more types of loans (i.e., Direct and Federal Family Education Loan (FFEL)) to be consolidated or counted, and clarify the definition of “full time” as 30 hours per week. See the [PSLF Coalition’s FAQs](#) for more information.

What Student Loan Borrowers Should Do Now

The pause on all federal student loan payments that has been in place for three years ends on August 31. Interest will start accruing again on September 1, and the first [payments will be due sometime in October](#) (specific dates will vary between loan servicers). Borrowers will be notified of payment due dates by the Department of Education and loan servicers.

- Check your student loan servicer's website or portal (most commonly [MOHELA](#)) for updates and estimated payment amounts.
- Check payment qualifications on your student loan servicer's website for income-based repayment plans or other qualifying payments for Public Service Loan Forgiveness.
- Nonprofit workers are encouraged to immediately [fill out the PSLF form](#) to determine eligibility via the [PSLF Help Tool](#).
- Budget and make financial plans so you don't default or miss qualifying payments for loan and forgiveness obligations.
- Set up automatic payments or other payment reminders with your bank.

What Nonprofit Employers Need to Know:

- From the time it was created in 2007, the PSLF program was designed to encourage people to commit to working in service to the public, including at charitable nonprofits. Initially, nonprofit employers saw the PSLF program as a helpful recruitment tool. That helpfulness was called into question by [bureaucratic roadblocks to forgiveness](#) from 2017-2020.
- But since the system began working as intended in 2021-2022, it's become a powerful retention and recruitment tool for nonprofit employers. Indeed, PSLF has become even more essential in the face of the [nonprofit workforce shortages crisis](#), offering nonprofit employers an advantage they can tout.
- Ultimately, PSLF serves as a powerful inducement for individuals to commit to working in the charitable nonprofit or government sectors, an inducement that when protected, improved, and publicized can help reduce the shortage of qualified workers and keep them in place to serve their communities.
- Still, many people are not aware of the PSLF program. In addition to highlighting PSLF in ads for job vacancies, be sure that all members of your current staff are aware of the program. It may make a difference in them sticking around.

Americans carry [unprecedented levels of student debt](#) often far surpassing what they originally borrowed and with disproportionate impacts on disadvantaged workers. With the continuing workforce shortages making it tougher to recruit and retain nonprofit employees, it's more important than ever that nonprofits and their staff understand that the powerful PSLF program is still in place - with expanded eligibility and improved terms.

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