

Student Loan Forgiveness

For Public Service Employees

Currently there are several student loan forgiveness programs nationally, each with its own eligibility criteria, which can include:

- Type of employment
- Number of years employed in a specific area
- Timeliness of loan payments
- Personal issues and concerns, including illnesses, disabilities, and death.

Ways to Forgive Loan Debt

There appear to be at least 3 different ways these programs tend to forgive student loan debt.

1. The borrower works for a certain number of years in a certain field, at which point the borrower may apply to forgive his/her remaining student loan balance. This is known as back-end forgiveness.

Program Example: Public Service Loan Forgiveness Program

Borrower works full-time in a local county child protection unit for 10 years, during which time borrower makes 120 monthly, on-time payments to borrower's federal Direct Loans for at least the full payment amount on each statement. Borrower is also participating in one of the 4 qualifying repayment plans. After submitting the 120th payment, borrower submits application to forgive borrower's remaining balance and is approved.

More information: <https://studentaid.ed.gov/repay-loans/forgiveness-cancellation/charts/public-service>

2. The borrower works in a certain field and gets his or her loan debt partially forgiven each year, until the balance is \$0. This is known as up-front forgiveness.

Program Example: Federal Perkins Loan Forgiveness Program

Borrower works in a local county child protection unit. Each year borrower submits employment certification to borrower's lender (generally the institution that gave out the loan), and borrower's Federal Perkins Loan is reduced by a certain percentage, until after a few years, the loan's balance is \$0.

More information: <https://studentaid.ed.gov/repay-loans/forgiveness-cancellation#perkins-loan>

3. The borrower participates in a national program aimed to increase the number of qualified professionals in a certain field, for which the borrower receives a stipend for student loan repayment.

Program Example: National Health Service Corps (NHSC) Loan Repayment Program

Borrower applies to NHSC and agrees to work for 2 years at an NHSC-approved site in exchange for a loan repayment stipend of either \$30,000 or \$50,000 (dependent on the site).

More information: <http://nhsc.hrsa.gov/loanrepayment/>

Program Example: Herbert S. Garten Loan Repayment Assistance Program

Borrower is an attorney working at a Legal Services Corporation (LSC)-approved site. Borrower applies to be one of the limited number of recipients of an LSC loan, which can be renewed (pending continued eligibility) for up to 3 years. Borrower uses the LSC loan to repay law school debt, and at the end of the term the LSC loan (and its accrued interest) is forgiven.

More information: <http://grants.lsc.gov/apply-for-funding/lrap>

Public Service Loan Forgiveness (PSLF) Program

Purpose

To encourage individuals to enter and continue to work full-time in public service jobs through federal Direct Loan forgiveness.

Eligible borrowers making qualifying payments under qualifying repayment plans would essentially have their Direct Loans forgiven after 10 years of public service employment.

Borrower Eligibility Requirements

- Be employed full-time by a public service organization, AND
- Make 120 qualifying payments on the borrower's Direct Loans after October 1, 2007, during the borrower's public service employment, AND
- Participate in a qualifying repayment plan, AND
- Must not be in default.

Definitions

Public service organization—Any federal, state, local, or tribal government organization or agency and most nonprofit organizations. Includes: U.S. military; public schools, colleges, and universities; public child and family service agencies; and tax-exempt, 501(c)(3) nonprofits, including private, nonprofit schools, colleges, and universities, among others.

Qualifying payments—Separate, on-time, monthly payments made after October 1, 2007 for the full scheduled amount. Must be no later than 15 days after the scheduled payment due date. Payments need not be consecutive.

Qualifying repayment plans—Income-Based Repayment (IBR) Plan, Pay As You Earn Repayment Plan, Income Contingent Repayment Plan, 10-Year Standard Repayment Plan.

Full-time—At least 30 hours per week.

Resources

- PSLF Program Webpage: <https://studentaid.ed.gov/repay-loans/forgiveness-cancellation/charts/public-service>
- PSLF Program Fact Sheet: <https://studentaid.ed.gov/sites/default/files/public-service-loan-forgiveness.pdf>
- Q&As for Federal Student Loan Borrowers: <https://studentaid.ed.gov/sites/default/files/public-service-loan-forgiveness-common-questions.pdf>

Federal Perkins Loan Forgiveness

This program is included here as another example of a public service loan forgiveness program. Rather than forgiving student loans after a certain number of years, in one lump sum, this program provides a percentage of loan forgiveness after each year of qualifying public service, often resulting in a zero balance after a few years.

Eligibility

There are several cancellation conditions that a borrower may meet in order to get full or partial Federal Perkins Loan forgiveness. For the purposes of this factsheet, conditions include:

- Full-time employee of a public or nonprofit child- or family-services agency providing services to high-risk children and their families from low-income communities
- Full-time qualified professional provider of early intervention services for the disabled

For both of these conditions, the borrower's Federal Perkins Loan may be forgiven up to 100%. Borrowers submit certifications of employment each year of their employment to the institution that made the loan or to the loan servicer the school has designated. For each year of qualifying employment, a percentage is taken off the total amount of the remaining balance.

All Federal Perkins Loan borrowers are eligible for all cancellation benefits as of October 7, 1998, regardless of when the loan was made or the terms of the borrower's promissory note.

Resources

- Federal Perkins Loan Cancellation and Discharge Summary Chart: <https://studentaid.ed.gov/repay-loans/forgiveness-cancellation/charts#perkins-loan-cancellation>
- Federal Perkins Loan Webpage: <https://studentaid.ed.gov/types/loans/perkins>

Additional Resource

- E-Book from American Student Assistance – “60+ Ways to Get Rid of Your Student Loans (Without Paying Them)” - Catalogs many of the programs available to the general public - https://www.saltmoney.org/content/media/eBook/60-ways-to-get-rid-of-your-student-loans-without-paying-them-ebook/_/R-101-15238

Presented By:

Karen Goodenough, MSW, LGSW
UMN School of Social Work, Ph.D. Student
metz0091@umn.edu

Summary by:

Heidi Ombisa Skallet, MSW, LISW