

Public Service Loan Forgiveness Program Questions and Answers (Q&As)

Prepared by Federal Student Aid
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The Questions & Answers (Q&As) that follow provide information about the Public Service Loan Forgiveness (PSLF) Program that is available to most borrowers with loans made through the William D. Ford Federal Direct Loan Program (Direct Loan ProgramSM). We have grouped the Q&As into four categories: General Information, Eligible Loans, Qualifying Payments, and Qualifying Employment. Following each answer is the date we posted that response. We will include a new date each time we add a question or when we update a previously posted response.

Public Service Loan Forgiveness – General Information

Q1 What is the Public Service Loan Forgiveness Program?

A1 The Public Service Loan Forgiveness (PSLF) Program was established to encourage individuals to enter and continue in full-time public service employment by forgiving the remaining balance of their William D. Ford Federal Direct Loan Program loans (Direct LoansSM) after the borrower has made 120 qualifying monthly payments (beginning anytime after October 1, 2007) while employed full-time by a public service organization. (February 3, 2010)

Q2 What are the borrower eligibility requirements for loan forgiveness under the PSLF Program?

A2 You must be employed full-time by a public service organization (see Q&A #26) when you made each of the required 120 monthly loan payments on your Direct Loan and at the time you apply for loan forgiveness, after making the last of those 120 payments. (February 3, 2010)

Q3 Are loan amounts forgiven under PSLF considered taxable income?

A3 No. According to the IRS, student loan amounts forgiven under PSLF are not considered income for tax purposes. (February 3, 2010)

Q4 Is income a factor in determining my eligibility for PSLF?

A4 Not directly, but you will not have any remaining balance to be forgiven after 120 payments unless, at some point, your payments have been reduced through your use of the Income-Based Repayment (IBR) Plan or the Income-Contingent Repayment (ICR) Plan (see Q&A#15). (February 3, 2010)



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Public Service Loan Forgiveness – Eligible Loans

Q5 If I have student loans through the FFEL Program, the Perkins Loan Program, or private non-federal student loan programs, can I take advantage of PSLF?

A5 Although PSLF is available only for Direct Loans, borrowers with FFELSM or Perkins loans may qualify for PSLF by consolidating those loans into the Direct Loan Program. Payments made on the FFEL or Perkins loans before they were consolidated into the Direct Loan Program are not counted toward the required 120 monthly payments. Non-federal student loans are not eligible for either consolidation into the Direct Loan Program or for PSLF. For more information about consolidating into the Direct Loan Program, go to www.loanconsolidation.ed.gov, or call 1-800-557-7392. (February 3, 2010)

Q6 Will my interest rate change if I consolidate my FFEL or Perkins loans into the Direct Loan Program to take advantage of PSLF (see Q&A #5)?

A6 The interest rate on a Direct Consolidation Loan is a fixed rate that is based on a weighted average of the interest rates of the loans that you consolidate, rounded up to the next higher one-eighth of one percent. Because of this rounding up, the new fixed interest rate may be slightly higher. (February 3, 2010)

Q7 Are loans that are in default eligible for PSLF?

A7 No. However, a borrower with a defaulted loan may be eligible for PSLF by consolidating the defaulted loan (see Q&A #5) or by rehabilitating the defaulted loan. Rehabilitation includes the making of at least nine on-time payments on the defaulted loan. Specific information on the rehabilitation of a defaulted loan is available from the holder of the defaulted loan. (February 3, 2010)

Q8 Are joint Direct Consolidation Loans (consolidation loans made jointly to married borrowers) eligible for PSLF?

A8 Yes. However, if only one of the two borrowers meets the eligibility requirements for PSLF, the forgiveness after 120 qualifying payments applies only to the remaining balance of the joint consolidation loan that is attributable to the loans originally received by the borrower who performed the qualifying employment. (February 3, 2010)

Q9 My spouse and I have a joint FFEL consolidation loan and we both work in public service jobs. Can we consolidate our joint consolidation loan into the Direct Loan Program to take advantage of PSLF?

A9 No. Because the law no longer permits joint consolidation loans to be made, you cannot reconsolidate an existing FFEL joint consolidation loan into the Direct Loan Program. (February 3, 2010)



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Q10 Are PLUS loan borrowers eligible for PSLF?

A10 Grad PLUS borrowers can benefit from PSLF by working in public service employment and making at least some of the required 120 payments under the IBR or ICR plans (see Q&A #13).

Parent PLUS loans are not eligible to be repaid under IBR or ICR. However, a parent PLUS borrower could consolidate the PLUS loans and then choose ICR for the new Direct Consolidation Loan. While a Direct Consolidation Loan that repaid a parent PLUS loan may not be repaid under IBR, it can be repaid under ICR. Note that if you are a parent PLUS borrower, your eligibility for PSLF is based on your own public service employment, not the employment of the student on whose behalf you obtained the PLUS loan. (February 3, 2010)

Public Service Loan Forgiveness – Qualifying Payments

Q11 What are the specific loan repayment requirements for loan forgiveness under the PSLF Program?

A11 You must have made 120 separate monthly payments (beginning after October 1, 2007) on the Direct Loan Program loans for which you are requesting forgiveness. Each of the monthly payments must have been made for the full scheduled installment amount within 15 days of the due date for the payment. (February 3, 2010)

Q12 I have been making payments on my Direct LoansSM since before October of 2007. Will these payments count towards the required 120 payments for PSLF?

A12 Under the law, only payments made after October 1, 2007 may be counted towards the required 120 payments for PSLF. (February 3, 2010)

Q13 What Direct Loan Program repayment plans qualify under the PSLF Program?

A13 The 120 required monthly payments must be made under one or more of the following Direct Loan Program repayment plans –

- The Income Based Repayment (IBR) Plan;
- The Income Contingent Repayment (ICR) Plan;
- The Standard Repayment Plan, with a 10 year repayment period; and
- Any other Direct Loan repayment plan, but only payments that are at least equal to the monthly payment amount that would have been paid under the Standard Repayment Plan with a 10-year repayment period may be counted toward the required 120 monthly payments. (February 3, 2010)



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Q14 What other Direct Loan repayment plans would give me a monthly payment that is at least equal to the payment that would be required under a 10-year Standard Repayment Plan?

A14 In some cases, payments made during the later portion of the repayment period under the Graduated Repayment Plan may equal or exceed the payment amount that would be required under a 10-year Standard Repayment Plan. Under the Graduated Repayment Plan, payments start out lower and then gradually increase, generally every two years. (February 3, 2010)

Q15 Is it true that, while payments made under the Standard 10-Year Repayment Plan are eligible for PSLF, if I make all required payments under a 10-year plan, there will not be any remaining balance to be forgiven?

A15 Yes. The Standard Plan is included because some borrowers may have made payments under a Standard Plan for a portion of the 120 months and made the remaining payments under either IBR or ICR, leaving them with a remaining balance after 120 payments have been made. While payments under certain other repayment plans may be counted toward the required 120 payments, to receive any forgiveness under the PSLF Program it is likely that you must make at least some of your loan payments under IBR or ICR. (February 3, 2010)

Q16 Must the 120 required payments be consecutive?

A16 No. You must make 120 separate on-time, full monthly payments while you are employed by an eligible public service organization, but the payments do not have to be consecutive. (February 3, 2010)

Q17 If I pay more than the required amount of my monthly student loan payment, can that be counted as more than one qualifying payment for PSLF? For example, if I make a single payment that is equal to three monthly payments, will that be counted as three payments toward the required 120 monthly payments?

A17 No. You must make 120 separate monthly payments. There is a limited exception to this requirement for Peace Corps and AmeriCorps volunteers – see Q&A #19. (February 3, 2010)

Q18 What happens if I can't afford to make the required monthly payment under IBR? Are other repayment options available if I want to qualify for PSLF?

A18 Payments made under certain other Direct Loan repayment plans may be counted toward the required 120 payments for PSLF (see Q&A #13), but the IBR Plan will generally provide you with a lower monthly payment than you would be required to make under any of the other plans. Therefore, changing from IBR to one of the other repayment plans that qualifies for PSLF would most likely increase your required monthly payment amount. If you cannot afford to make your required IBR payment, contact the Direct Loan Servicing Center to discuss deferment or forbearance options that would allow you to temporarily stop making payments



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or, in the case of a forbearance, to temporarily make smaller payments. However, the months when you are in a deferment or forbearance do not count toward the 120 on-time, full monthly payments required for PSLF. (February 3, 2010)

Q19 I'm thinking of serving as a Peace Corps or AmeriCorps volunteer and plan to request a deferment or forbearance on my loans, since I won't be able to afford to make loan payments while I am serving. If I'm not making payments during my service period, can my Peace Corps or AmeriCorps service count for PSLF?

A19 Yes, Peace Corps and AmeriCorps volunteers were afforded special treatment under the PSLF regulations to recognize their service. Peace Corps volunteers receive a transition payment after completing their period of service, and AmeriCorps volunteers receive a Segal Education Award after a year of service. If you use some or all of your Peace Corps transition payment or AmeriCorps Segal Education Award to make a lump sum payment on your Direct Loans, your service will be considered PSLF-eligible service and you will receive credit for up to 12 qualifying payments for PSLF. The number of payments that you receive credit for will be determined by dividing the amount of your lump sum payment by your scheduled full monthly payment amount, not to exceed 12 payments. (February 3, 2010)

Q20 If my monthly payment under IBR or ICR is zero, does each month during which my calculated payment is zero count towards the required 120 payments?

A20 Yes. Any month when your calculated payment under IBR or ICR is zero will count toward your required 120 monthly payments. (February 3, 2010)

Public Service Loan Forgiveness – Qualifying Employment

Q21 How do I know if my employer is a “public service organization” that is an eligible employer for the PSLF Program?

A21 The term “public service organization” covers a broad range of employers, including any federal, state, or local government organization or agency and most charitable non-profit organizations. (February 3, 2010)

Q22 What public (government) employers qualify as eligible employers for the PSLF Program?

A22 Any federal government, state government, local government, or tribal government entity (including the military, public schools and colleges, public child and family services agencies, and special governmental districts) is an eligible employer for the PSLF Program. (February 3, 2010)



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Q23 What private non-profit employers qualify as eligible employers for the PSLF Program?

A23 Eligible non-profit employers include those that have received a 501(c)(3) designation from the IRS. These include most private schools, colleges, and universities, as well as thousands of other organizations, agencies, and charities. Your employer will easily be able to tell you if it has the required IRS designation. The IRS has a searchable database of 501(c)(3) organizations at <http://www.irs.gov/app/pub-78/>. (February 3, 2010)

Q24 Can a private employer that has not received a 501(c)(3) designation qualify as a public service organization for the PSLF Program?

A24 Yes, if the employer is a non-profit organization that meets certain requirements (see below) and provides one or more of the following public services:

- Emergency management,
- Military service,
- Public safety,
- Law enforcement,
- Public interest law services,
- Early childhood education (including licensed or regulated childcare, Head Start, and state-funded pre-kindergarten),
- Public service for individuals with disabilities and the elderly,
- Public health (including nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in health care practitioner occupations and health care support occupations),
- Public education,
- Public library services, and
- School library or other school-based services.

In addition, the employer must not be a labor union, a partisan political organization, or an organization that is engaged in religious activities (unless the qualifying public services it provides are unrelated to religious instruction, worship services, or proselytizing). (February 3, 2010)

Q25 What types of public service jobs will qualify me for loan forgiveness under the PSLF Program?

A25 The specific job that you perform does not matter, as long as you are employed by a public service organization. For example, if you are a full-time employee of a public school system, your employment would meet the requirements for PSLF, regardless of your position (teacher, administrator, support staff, etc.). (February 3, 2010)



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Q26 What is considered full-time employment for PSLF?

A26 Generally, this means you are working an average of at least 30 hours per week or the number of hours the employer considers full-time. For more detailed information about what is considered full-time employment for PSLF purposes, see the definition of “full-time” in the PSLF regulations at 34 CFR 685.219(b). (February 3, 2010)

Q27 Will the Department of Education track my qualifying employment and payments while I am working toward meeting the 120 months of required payments for PSLF?

A27 It is the borrower’s responsibility to have documentation that supports a request for loan forgiveness under the PSLF Program. This includes documentation from the borrower’s employer or employers. Based on this employment documentation, the U.S. Department of Education will be able to identify qualifying employment and payments. The U.S. Department of Education is developing a PSLF application that borrowers may use to document their qualifying employment while they are making the required 120 payments. (February 3, 2010)

Q28 What kind of documentation do I need to keep to show that I worked for a qualifying employer while making the required 120 payments?

A28 A PSLF application form that may be used to document qualifying employment is being developed. Until the form becomes available, you should keep records that clearly identify your employer, show that your employer meets the definition of a public service organization (see Q&As #23 and #24), show your dates of employment, and demonstrate that you are a full-time employee. (February 3, 2010)

Q29 Does Peace Corps service qualify as public service employment?

A29 Yes, if you are serving as a full-time Peace Corps volunteer. (February 3, 2010) (See Q&A #19)

Q30 I am employed full-time by a private company, doing work under a contract with a state government agency. Does this employment qualify for PSLF?

A30 No. You must be directly employed by the public service organization. (February 3, 2010)

Q31 I know that employment with a public school qualifies for PSLF. What about employment with a private school?

A32 Most private schools, colleges and universities are not-for-profit entities that are tax-exempt 501(c)(3) organizations. Therefore, they would qualify as public service organizations for PSLF purposes. (February 3, 2010)



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Q33 May I hold several different qualifying jobs while making the required 120 payments for PSLF and still be eligible for forgiveness?

A33 Yes. As long as you can provide documentation verifying that you were employed full-time by a public service organization (or by a combination of public service organizations) at the time you made each of the 120 required payments, and also at the time you applied for and received the PSLF benefit. (February 3, 2010)

Q34 If I receive my pay in the form of a stipend, will my employment qualify for PSLF?

A34 The determining factor for PSLF eligibility is whether you made each of the required 120 payments while you were employed full-time by a public service organization. The form of payment you received from the public service organization does not matter. (February 3, 2010)

Additional information on the Public Service Loan Forgiveness Program is available at:
<http://studentaid.ed.gov/students/attachments/siteresources/LoanForgivenessv4.pdf>



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