What You Need to Know About Public Service Loan Forgiveness (PSLF)

Chicago Office of Financial Aid
What will we go over?

What is Public Service Loan Forgiveness (PSLF)?

How do I qualify for PSLF?

- Eligible Payments
- Eligible Loans
- Eligible Job(s)

What do I have to do to take advantage of PSLF?

What’s the future hold for PSLF?

FAQs and Resources

This presentation assumes you attended either our “Reality of Repaying Your Student Loans” presentation or the Access Group Repayment presentation, both offered on 2/7/17
What is Public Service Loan Forgiveness?

Public Service Loan Forgiveness (PSLF) is not a repayment plan

Created in 2007 to encourage individuals to enter and continue to work full-time in public service careers by offering forgiveness of their student loan debt after a certain timeframe.
Five Steps to Attain PSLF

Make the right kind of payment...
- Revised Pay As Your Earn (REPAYE)
- Pay As Your Earn (PAYE)
- Income-Based Repayment (Old and New IBR)
- Income-Contingent Repayment (ICR)
- Standard 10-Year Repayment

...on the right kind of loan...
- Federal Direct loans ONLY

...while you are in the right kind of job.
- Full-time paid work for the government or a 501(c)3. Other certain positions may be eligible.

Repeat 120 times.
- Once a month for ten years (does not need to be consecutive)

Prove it.
- Keep records to prove all of these items once the 10 years are over or submit periodic Employment Certification Forms (ECF). There will also be a forgiveness application (currently under development).

What’s the right kind of payment?

• Payments that you make:
  ✓ After October 1, 2007
  ✓ Under a qualifying repayment plan
  ✓ For the full amount due on your bill
  ✓ No later than 15 days after your due date
  ✓ While you are employed full-time by a qualifying employer

• Only payments made during periods when you are required to make payments qualify

• Payments do not need to be consecutive!!
What happens if I make more than the required monthly payment?

The excess will not count as multiple payments for the purposes of PSLF!

• If you’re pursuing PSLF, then excess payments must either be “targeted” towards accrued interest or principal balances, or else saved to be applied towards future required payments
Which repayment plans qualify?

- Income-Based Repayment Plan (IBR)
  - Original IBR
  - NEW IBR
- Pay As You Earn Repayment Plan (PAYE)
- Revised Pay As You Earn Repayment Plan (REPAYE)
- Income-Contingent Repayment Plan (ICR)
- Standard 10-year Repayment Plan
- Any other plan with payments that are at least equal to the monthly payment amount you would be required to pay under the Standard 10-Year Repayment Plan
Which are the right kinds of loans?

• Only federal Direct Loans are eligible for PSLF

• FFEL and Perkins loan(s) must be consolidated into a federal Direct Consolidation loan to be eligible
  – What about payments you’ve already made on those loans?
Should I consolidate my Perkins loan(s)?

Depends on what your job will be after graduation

• Perkins Loan Deferment and Cancellation
  – If you’re working as either a:
    • Full-time lawyer with a public defender organization
    • Full-time Prosecuting Attorney for a federal, state, or local office

… then your Perkins Loan(s) could be cancelled as follows:
  • 1st year of service: 15% of the loan balance
  • 2nd year of service: 15% of the loan balance
  • 3rd year of service: 20% of the loan balance
  • 4th year of service: 20% of the loan balance
  • 5th year of service: 30% of the loan balance

…and deferment of your Perkins payment is available for all 5 years

• Contact the Northwestern Student Loan Office for more details/eligibility info: (847) 491-3125 or studentloans@northwestern.edu
What is the right kind of job?

It’s not about the job title or the job duties. It’s about who your employer is.

• Government organizations at any level (federal, state, local, or tribal)

• Not-for-profit organizations that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code

• Other types of not-for-profit organizations (not including labor unions or partisan political organizations) that provide certain types of qualifying public services
Qualifying Public Services

- Emergency management
- Military service
- Public safety
- Law enforcement
- **Public interest law services**
- Early childhood education (including licensed or regulated child care, Head Start, and state funded pre-kindergarten)
- Public service for individuals with disabilities
- Public service for the elderly
- Public health
- Public education
- Public library services
- Other school-based services
What is considered full-time employment?

• Must meet your employer’s definition of full-time employment OR
• Work at least 30 hours per week, \textit{whichever is greater}

✓ Can work part-time for multiple qualifying employers at the same time, as long as you work a total of at least 30 hours per week
To review…

PSLF forgives the remaining balance on your federal Direct loans after:

- You’ve made 120 qualifying on-time, separate monthly payments…
- Under a qualifying repayment plan…
- While working full-time for a qualifying employer

Amount forgiven under PSLF is NOT considered taxable income by the IRS at the time of forgiveness

Must be a full-time employee of a qualifying employer when forgiveness is both requested and granted
What will repayment and forgiveness under PSLF look like?

<table>
<thead>
<tr>
<th></th>
<th>STANDARD</th>
<th>IBR</th>
<th>PAYE</th>
<th>REPAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Month's Payment</td>
<td>$1,761</td>
<td>$402</td>
<td>$268</td>
<td>$268</td>
</tr>
<tr>
<td>Final Payment</td>
<td>$1,761</td>
<td>$695</td>
<td>$464</td>
<td>$464</td>
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<tr>
<td>Total Amount Paid</td>
<td>$211,356</td>
<td>$64,606</td>
<td>$43,071</td>
<td>$43,071</td>
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<tr>
<td>Total Forgiveness</td>
<td>$0</td>
<td>$191,239</td>
<td>$212,677</td>
<td>$184,227</td>
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<tr>
<td>Repayment Period</td>
<td>120 months</td>
<td>120 months</td>
<td>120 months</td>
<td>120 months</td>
</tr>
</tbody>
</table>

Assumptions: Average 2015 JD debt ($155,777), $50,000 starting salary, single, no dependents
Taken from the PSLF Forgiveness Estimator at [studentloanhero.com](http://studentloanhero.com)
How do I know I’m on the right track to receive PSLF?

Complete the PSLF Employment Certification Form (ECF)!

- Department of Education form that can track your eligible payments towards PSLF
- Processed and maintained by FedLoan Servicing, the sole PSLF federal servicer

- Form available at studentaid.gov/publicservice
How is the PSLF ECF processed?

Submit the form to FedLoan Servicing

Form is reviewed for employer approval or denial

If Employer is Approved:
Borrower notified, all federal loans not serviced by FedLoan Servicing transferred to FedLoan Servicing

Once loans are transferred:
Payments reviewed, borrower notified of number of qualifying PSLF payments previously made and the number remaining

Borrower will receive annual reminders to submit a new ECF

If Employer is Denied:
Borrower notified, no further steps taken
### View Loan Details

**Loan Details**

<table>
<thead>
<tr>
<th>Date</th>
<th>Loan Type</th>
<th>Status</th>
<th>Balance</th>
<th>Current Principal Balance</th>
<th>Late Fees</th>
<th>Unpaid Interest</th>
<th>Total Current Balance</th>
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<tbody>
<tr>
<td>06/12/2008</td>
<td>Direct Unsub Stafford Loan</td>
<td>Repayment</td>
<td>$77,709.90</td>
<td>$37,709.90</td>
<td>20.00</td>
<td>$158.53</td>
<td>$77,978.41</td>
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<td>06/20/2013</td>
<td>Direct Sub Stafford Loan</td>
<td>Repayment</td>
<td>$76,410.37</td>
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<td>20.00</td>
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<td>$76,668.90</td>
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<td>06/23/2013</td>
<td>Direct Unsub Stafford Loan</td>
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<td>07/03/2013</td>
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<td>Repayment</td>
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<td>20.00</td>
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<td>07/09/2013</td>
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<td>Repayment</td>
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<td>$72,770.32</td>
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<td>07/17/2013</td>
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<td>08/17/2013</td>
<td>Direct Unsub Stafford Loan</td>
<td>Repayment</td>
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<td>$30,912.66</td>
<td>20.00</td>
<td>$158.53</td>
<td>$70,171.22</td>
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</tbody>
</table>

**Public Service Loan Forgiveness Details**

- Qualifying Payments Made: 6
- Qualifying Payments Remaining: 114
- Estimated Eligibility Date: 07/05/2021

### Loan Status

- Original Balance: $77,709.90
- Current Balance: $77,978.41
- Monthly Payment: $158.53
- Repayment Term: 133 Months
- Disbursement Date: 06/12/08
- Expected Payoff Date: 07/29/22

### Loan Details

- Loan Type: Direct Unsub Stafford Loan
- Loan Program: Direct Unsub Stafford Loan
- Credit Type: Direct Stafford Loan
- Publisher: University of Montana
- Out of School Date: 09/21/13
- Interest Rate: 2.350%
- Subsidized: Yes
- First Payment Due: 01/20/09

### Last Payment on this Loan

- Payment Date: 01/23/12
- Payment Amount: $158.53
- Principal: $0.00
- Interest: $15.86
- Late Fee: $0.00

### View Full Payment History

- Make a Payment on this Loan
Will I automatically receive PSLF once I’ve made 120 qualifying payments?

No, you must apply for PSLF

- The application is currently being finalized

- Remember:
  - Must be a full-time employee of a qualifying employer when forgiveness is both requested and granted
  - Amount forgiven under PSLF is NOT considered taxable income by the IRS at the time of forgiveness
FAQs

1. Why will all of my federally-owned loans be transferred to FedLoan Servicing?
2. Are defaulted Direct Loans eligible for PSLF?
3. Do scheduled IDR payments of $0 count towards PSLF?
4. Are borrowers of Parent PLUS loans eligible for PSLF?
5. If I consolidate my loans, will payments made before consolidation still count towards PSLF?
6. Who can complete section 4 (employer authorized official) of the PSLF Employment Certification Form?
FAQs

7. I’m employed full-time by a company that is doing work for a qualifying PSLF employer under a contract. However, the company that I work for is not a qualifying PSLF employer. Does this employment qualify for PSLF?

8. If I’m employed overseas or by a foreign organization, would the employment qualify under the PSLF program?

9. Does full-time volunteer service or a fellowship for a public service organization qualify for PSLF?

10. If I don’t make 120 qualifying payments because I switched to non-qualifying employer, is partial forgiveness available?
What’s the future hold for PSLF?

We just don’t know

• Originally passed in 2007 with bipartisan support
• What does the Master Promissory Note (MPN) say?
• Proposals have been put forth to cap benefits and even eliminate the program – But would current borrowers be grandfathered in?
Resources

Federal Student Aid’s PSLF website:
• studentaid.gov/publicservice

National Student Loan Data System (NSLDS):
• nslds.ed.gov

Federal Repayment Estimator:
• studentloans.gov (lower right)

Student Loan Hero’s PSLF Calculator:
• studentloanhero.com/calculators/public-service-loan-forgiveness-calculator/
The “Ultimate Resource”

Your federally-assigned loan servicer!

For PSLF specific questions, contact FedLoan Servicing:

myfedloan.org/PSLF

PSLF Specialists at FedLoan Servicing:
(855) 265-4038
Monday through Friday 8am to 9pm (EST)
Bar Study Loans

Things to think about and plan for:

✓ Fixed and variable rate loan options are available
✓ Maximum loan amount is typically $15,000

! Co-signer release is not always available
! Repayment period varies greatly
! Most lenders set aggregate lifetime borrowing limits that may impact your eligibility for a Bar Study Loan
Northwestern Offices

Chicago Office of Financial Aid
• Abbott Hall, 6th floor
• Open Monday through Friday, 8:30am to 5pm
• Phone: (312) 503-8722
• Email: financial-aid-chicago@northwestern.edu

Office of Student Loans (Perkins questions)
• 555 Clark St, 3rd floor, Evanston
• Open Monday through Friday, 8:30am to 5pm
• Phone: (847) 491-3125
• Email: studentloans@northwestern.edu