

# Session #40

## Public Service Loan Forgiveness and Teacher Loan Forgiveness

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# Teacher Loan Forgiveness Topics

- Teacher loan forgiveness in the Direct Loan and the Federal Family Education Loan (FFEL) Programs
- Teacher loan cancellation in the Perkins Loan Program

# FFEL and DL Teacher Loan Forgiveness Legislative History

- 1998 HEA amendments authorized loan forgiveness of up to \$5,000
- Taxpayer-Teacher Protection Act of 2004 (TTPA)
  - Increased loan forgiveness to up to \$17,500 (until September 30, 2005) for teachers in certain specialties
  - Required all teachers to be “highly qualified” to qualify for loan forgiveness

# FFEL and DL Teacher Loan Forgiveness Legislative History

- Higher Education Reconciliation Act (HERA)
  - Made loan forgiveness of up to \$17,500 for certain teachers permanent (retroactive to October 1, 2005)
  - Extended loan forgiveness to certain private school teachers effective 7/1/06

# FFEL and DL Teacher Loan Forgiveness Legislative History

- Higher Education Opportunity Act of 2008 (HEOA) expanded forgiveness to teachers employed by educational service agencies (ESAs) effective 8/14/2008
- An ESA is regional public multi-service agency authorized by state law to develop, manage, and provide services or programs to local educational agencies as defined in section 9101 of the Elementary and Secondary Education Act of 1965

# FFEL and DL Teacher Loan Forgiveness Legislative History

- HEOA prohibits receipt of double benefits for same service
  - For DL borrowers, FFEL Teacher Loan Forgiveness
  - For FFEL borrowers, DL Teacher Loan Forgiveness
  - Service in areas of national need
  - Public Service Loan Forgiveness (PSLF)
  - Americorps benefits

# FFEL and DL Teacher Loan Forgiveness – Eligibility

- To qualify, a borrower must:
  - Be a new borrower as of 10/1/1998
  - On loans for which forgiveness is sought
    - Not be in default
    - Loans must be made prior to end of 5-year qualifying teaching service
  - Not have received benefits for same service under Americorps Program, PSLF, or areas of national need



# FFEL and DL Teacher Loan Forgiveness – Eligibility

- Borrower must:
  - Teach full-time for five consecutive, complete academic years in a low-income elementary or secondary school or a low-income ESA listed in the Department's Directory of Low-Income Schools



# FFEL and DL Teacher Loan Forgiveness – Eligibility

- Teaching at an eligible elementary or secondary school may be counted toward the 5-year period only if at least one year was after the 1997-98 AY
- Teaching for an eligible ESA may be counted toward the 5-year period only if the 5-year period includes service at an ESA after 2007-08 AY

# FFEL and DL Teacher Loan Forgiveness – Eligibility

- If the 5 year period began before 10/30/2004, borrower may:
  - Receive up to \$5,000 forgiveness for:
    - Service as a teacher of elementary with demonstrated knowledge & teaching skills in reading, math, and other areas of elementary curriculum, or
    - Service as a full-time teacher of secondary students in a subject area relevant to the borrower's academic major



# FFEL and DL Teacher Loan Forgiveness – Eligibility

- If the 5 year period began before 10/30/2004, a borrower may:
  - Receive up to \$17,500 forgiveness for:
    - Service as a highly-qualified full-time math or science teacher in a secondary school, or
    - Service as a highly-qualified special education teacher of children with disabilities, and the disabilities correspond to borrower's area of training, and the borrower has demonstrated knowledge and skills in curriculum content taught



# FFEL and DL Teacher Loan Forgiveness – Eligibility

- If the qualifying service began on or after 10/30/2004, a FFEL/DL borrower may:
  - Receive up to \$5,000 forgiveness for:
    - Service as a highly-qualified full-time elementary or secondary school teacher



# FFEL and DL Teacher Loan Forgiveness – Eligibility

- If the 5 year period began on or after 10/30/2004, a borrower may:
  - Receive up to \$17,500 forgiveness for:
    - Service as a highly-qualified math or science teacher in an eligible secondary school, or
    - Service as a highly-qualified special education teacher of children with disabilities, and the disabilities correspond to borrower's area of training, and the borrower has demonstrated knowledge and skills in curriculum content taught



# FFEL and DL Teacher Loan Forgiveness – Eligibility

- For borrowers of both DL and FFEL, \$5,000 or \$17,500 is the maximum forgiveness amount for both programs combined

# FFEL and DL Teacher Forgiveness— Private School Teachers

- Effective July 1, 2006 teachers in private, nonprofit elementary or secondary schools who are exempt from state certification requirements eligible for forgiveness if:
  - Rigorous competency tests satisfied
  - Competency tests recognized by five or more states in meeting “highly-qualified” teacher requirements
  - Competency test score equals or exceeds average passing score for those five states

# FFEL and DL Loan Forgiveness— Complete Academic Year (AY)

- Service counts as a full AY if borrower completes one-half of the AY and fulfills contract requirements but can't complete the AY because borrower:
  - Returned to postsecondary education in area directly related to teaching service
  - Had a condition covered under Family & Medical Leave Act, or
  - Was called to active duty status for more than 30 days as a reservist



# FFEL and DL Loan Forgiveness— Application Process

- Forbearance authorized if forgiveness satisfies anticipated outstanding balance
- Borrower applies for loan forgiveness to each loan holder after completing five year teaching requirement on a form approved by the Secretary
- Chief Administrative Officer(s) at borrower's school(s) must certify teaching service
- If eligible, forgiveness proceeds applied to any outstanding loan balance

# Perkins Loan Program Teacher Cancellation

- HEA authorizes up to 100% loan cancellation over a five year period for:
  - Full-time teachers in a public or private non-profit school serving low-income families and listed in the Low-Income Directory
  - Full-time teachers of math, science, foreign languages, bilingual education or state-designated teacher shortage areas



# Perkins Loan Program Teacher Cancellation

- HEA authorizes up to 100% loan cancellation over a five year period for borrowers who are:
  - Full-time HEAD Start staff members who carry out the educational components of the HEAD Start program
  - Full-time special education teachers in a public or private non-profit school, including teachers of infants, toddlers, children or youth with disabilities



# Perkins Loan Program Teacher Cancellation-Special Ed Teacher

- Performance of one of following services considered teaching special education:
  - Physical, occupational or recreational therapy
  - Psychological/counseling services
  - Speech/language pathology
- Borrower must be licensed, certified, or registered by state education agency for type of special educational services provided

# Perkins Loan Program Teacher Cancellation

- The HEOA, effective August 14, 2008, expanded Perkins Loan Program cancellation benefits to include:
  - Teachers employed in or by an ESA listed in the Low-Income Directory
  - Full-time faculty members at a Tribal College or University
  - Full-time staff of an early childhood education program: HEAD Start, pre-kindergarten and childcare programs

# Perkins Loan Program Teacher Cancellation

- *A faculty member at a Tribal College or University is an educator or tenured individual who is employed by a Tribal College or University to teach, research, or perform administrative functions. For purposes of this definition an educator may be an instructor, lecturer, lab faculty, assistant professor, associate professor, full professor, dean, or academic department head*

# Perkins Loan Program Teacher Cancellation

- *A prekindergarten program is a state-funded program that serves children from birth through age six & addresses children's cognitive, social, emotional, and physical development*
- *A child care program is a program that is licensed or regulated by the state and provides child care services for fewer than 24 hours a day per child, unless more time is needed due to nature of the parents' work*

# Perkins Loan Program Teacher Cancellation—Rates

- Cancellation Rates
  - 15% of principal and interest for the first and second years of service
  - 20% of principal and interest for third and fourth years of service
  - 30% of principal and interest for the fifth and final year of service

# Perkins Loan Program Teacher Cancellation—Application

- Borrower applies for loan cancellation to the holder (or servicer) of the Perkins Loan using forms provided by the loan holder
- Borrower is placed in a deferment during periods of teaching service in anticipation of loan cancellation (no interest accrues)
- Upon the completion of each year of service, the borrower submits documentation confirming eligibility
- Holder grants cancellation

# Perkins Loan Program Teacher Cancellation – Restrictions

- No loan cancellation for services performed before date loan was disbursed or during enrollment period covered by the loan
- No refund of payments made during a period the borrower qualified for a cancellation, unless school's error
- No cancellation for any eligible service performed after the date of acceleration
- No cancellation if borrower has received an education award from AmeriCorps

# Perkins Loan Program Teacher Cancellation—Other Provisions

- Borrower may teach part-time at multiple schools if combined service equals full-time and is certified by school official
- Borrower who cannot complete academic year because illness or pregnancy still qualifies for cancellation if first half of the academic year is completed and borrower has begun teaching the second half and employer considers borrower to have fulfilled contract for the academic year

# Similarities in FFEL/DL and Perkins Teacher Forgiveness

- All programs use Low-Income Directory to confirm low-income school status for borrower eligibility
- All Bureau of Indian Education schools are considered low-income schools
- If a school/ESA loses its low-income designation, subsequent years of teaching at that school still qualify

# Differences in DL/FFEL and Perkins Teacher Forgiveness

- FFEL/DL definition of teacher is different than the definition of teacher in Perkins
- In Perkins, teacher is a person who:
  - Provides direct classroom teaching
  - Provides classroom-type teaching in a non-classroom setting or
  - Provides educational services to students directly related to classroom teaching such as school librarians or guidance counselors



# Differences in DL/FFEL and Perkins Teacher Forgiveness

- In DL/FFEL, a teacher is a person who provides direct classroom teaching or classroom type teaching in a non-classroom setting, including Special Education teachers

# Differences in DL/FFEL and Perkins Teacher Forgiveness

- FFEL/DL holder grants a lump sum forgiveness after five years of qualifying teaching service. Perkins Loan teacher cancellation is applied on a year-by-year basis.

# Public Service Loan Forgiveness – Legislative and Regulatory History

- Enacted as part of College Cost Reduction and Access Act (CCRAA) of 2007
- Public Law 110-84, 9/27/2007
- Final Rule published 10/28/2008

[www.ifap.ed.gov/freregisters/attachments/  
FR10292009.pdf](http://www.ifap.ed.gov/freregisters/attachments/FR10292009.pdf)

# Public Service Loan Forgiveness

- Direct Loan Program only
- FFEL borrowers may consolidate into DL for PSLF
- Earliest PSLF qualifying service date - October 1, 2007
- Earliest forgiveness date – October 1, 2017

# Public Service Loan Forgiveness –Eligibility

- Secretary forgives outstanding balance on an eligible Direct Loan if the borrower:
  - Is not in default
  - Makes 120 separate, full monthly payments, within 15 days of due date
  - Makes payments under one or more PSLF-specified repayment plans
  - Is full-time employee of public service organization while making required payments and at time forgiveness is requested and granted

# Public Service Loan Forgiveness – Eligible Loans

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct PLUS loans (for parents or graduate/professional students)
- Direct Consolidation Loans

# Public Service Loan Forgiveness – Other Eligible Loan Types

- Other federal loans eligible if consolidated into a Direct Consolidation Loan, including:
  - FFEL Subsidized/Unsubsidized Stafford Loans
  - FFEL PLUS Loans for parents and grad/professional students
  - FFEL Consolidation Loans (excluding joint spousal consolidation loans)
  - Federal Perkins Loans
  - Title VII Health Professions and Nursing Loans

# PSLF Qualifying Repayment Plans

- Income-based repayment (IBR) plan
  - IBR not available for parent PLUS loans or Direct Consolidation loans that repay parent PLUS
- Income-contingent repayment (ICR) plan
  - ICR not available for parent PLUS loans, but may be used for Direct Consolidation Loans that repay parent PLUS loans

# PSLF Qualifying Repayment Plans (cont.)

- 10-year Standard Repayment plan
- Any other repayment plan if monthly payment is not less than that paid under Direct Loan 10-year Standard Repayment plan (excludes Standard Repayment plan for Direct Consolidation Loans)

# Public Service Loan Forgiveness – Eligible Employment

- Full-time employment in any position with a public service organization
  - Does not include staff of for-profit contractors working for public service organizations
- Full-time AmeriCorps or Peace Corps position

# Definition of Public Service Organization

- A federal, state, local, or tribal government organization, agency, or entity
  - includes military service but excludes time served as member of the United States Congress
- A public child or family service agency
- A non-profit organization under section 501(c)(3) of the Internal Revenue Code
- A tribal college or university
- Private organization that provides certain public services

# Definition of Public Service Organization (cont.)

- Private organization must provide:
  - Emergency management
  - Military service
  - Public safety
  - Law enforcement
  - Public interest law

# Definition of Public Service Organization (cont.)

- Private organization must provide:
  - 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 and health care support occupations)



# Definition of Public Service Organization (cont.)

- Private organization must provide:
  - Public education
  - Public library services
  - School library and other school-based services

# Definition of Public Service Organization (cont.)

- Private organization cannot be:
  - For-profit business
  - Labor union
  - Partisan political organization or
  - An organization engaged in religious activities unless activities are unrelated to religious instruction, worship services, or any form of proselytizing

# Public Service Jobs for Loan Forgiveness – Other Eligible Service

- AmeriCorps position:
  - A position approved by the Corporation for National and Community Service under section 123 of the National and Community Service Act of 1990
- Peace Corps position:
  - A full-time assignment under the Peace Corps Act as provided for under 22 U.S.C. 2504

# AmeriCorps or Peace Corps Lump Sum Loan Payments

- Borrower lump sum loan payments from AmeriCorps service award or Peace Corps transition payment treated as qualifying payments equal to lesser of:
  - # of payments derived from dividing amount of lump sum payment by monthly student loan payment amount, or
  - 12 payments

# Definition of “Full-time” Employment

- Full-time in qualifying employment in one or more jobs for the greater of:
  - An annual average of at least 30 hours weekly or, for a contractual or employment period of at least eight months, an average of 30 hours per week; or
  - The number of hours the employer considers full-time (unless employed with two or more employers)



# Definition of “Full-time” Employment

- Not considered in determining average hours on annual or contractual basis:
  - Vacation or leave time provided by the employer
  - Leave taken for a condition that is a qualifying reason for leave under the Family and Medical Leave Act



# Public Service Loan Forgiveness – Important Points

- PSLF benefit is forgiveness of remaining balance of eligible loans after borrower makes 120 qualifying payments while providing qualifying public service
- IBR or ICR repayment most likely to leave outstanding balance to forgive after 120 monthly (10 years) of payments
- PSLF forgiven loan amounts are not income for tax purposes

# Public Service Loan Forgiveness – Important Points

- Parent PLUS borrowers may consolidate their FFEL or DL parent PLUS loans and pay under ICR
  - Parent PLUS borrowers must qualify based on their own public service, not the student for whom they borrowed
- 120 full monthly payments not required to be consecutive

# Public Service Loan Forgiveness – Important Points

- Scheduled \$0 IBR/ICR payments count as PSLF payment
- Federal government, state government, local government, or tribal government employment includes military, public schools and colleges, public child and family service organizations, and special governmental districts

# Public Service Loan Forgiveness - Implementation

- PSLF Fact Sheet and Q&As available at:  
[www.studentaid.ed.gov](http://www.studentaid.ed.gov)
- Voluntary Employment Certification Process to be introduced in early 2012
- Final PSLF Application to be developed

# Public Service Loan Forgiveness - Implementation

- Employment Certification Form (ECF) has received final approval by OMB under Paperwork Act
- ECF is optional, can be submitted annually
- Intended to assist borrower in tracking PSLF eligibility over required 10 years
- Provides for employer's certification re: organization and employee's full-time status

# Public Service Loan Forgiveness

## - Implementation

- ED reviews ECF for employment eligibility, reviews payment history for period certified, confirms interim eligibility or ineligibility to borrower, and retains EFC/review results
- Borrower will submit final PSLF application after meeting all eligibility criteria for receipt of forgiveness amount

# Contact Information

We appreciate your feedback & comments.

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