

Frequently Asked Questions Regarding Public Service Loan Forgiveness

The recently enacted College Cost Reduction and Access Act (CCRAA) creates a new loan forgiveness option for borrowers who hold public service jobs. Borrowers who meet requirements outlined in the law may be eligible to have a portion of their student loan debt forgiven. This article answers many of the questions student loan borrowers have been asking since the CCRAA went into effect last October.

How do I qualify for public service loan forgiveness?

To qualify for public service loan forgiveness, a borrower must:

- Make 120 qualifying monthly payments on an eligible Federal Direct Loan on or after Oct. 1, 2007;
- Be employed in a public service job as defined in the CCRAA during the time he or she makes the qualifying monthly payments;
- Be employed in a public service job as defined in the CCRAA at the time the Secretary of Education forgives the loan; and
- Make qualifying payments under one (or a combination of) the following:
 - Income contingent repayment plan;
 - Income-based repayment plan (not available until July 2009);
 - Standard repayment plan with a 10 year repayment period; or
 - One of the other Direct Loan repayment plans under which the borrower paid a monthly amount that is not less than what the borrower would pay under a 10 year repayment plan.

How do I know if I have a Federal Direct Loan?

Using your Federal Student Aid Personal Identification Number (PIN), log on to the National Student Loan Data System (NSLDS) at www.nsls.ed.gov to view all of your federal student loans. NSLDS will clearly indicate whether you have a Federal Direct Loan. If your federal loan is held by a private student loan provider, it will not be eligible for this program. If you do not currently have a PIN, you may request one at www.PIN.ed.gov.

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So if my federal loans are held by a private loan company I won't qualify for this program?

Correct. However, the law allows students with federal student loans with private companies to [consolidate](#) or reconsolidate into the [Direct Loan program](#) beginning July 1, 2008, in order to qualify for the public service loan forgiveness.

What jobs qualify for public service loan forgiveness?

The CCRAA defines a public service job as a full-time job in emergency management, government, military service, public safety, law enforcement, public health, public education (including early childhood education), social work in a public child or family service agency, public interest law services (including prosecution or public defense or legal advocacy in low-income communities at a nonprofit organization), public child care, public service for individuals with disabilities, public service for the elderly, public library sciences, school-based library sciences and other school-based services, or at an organization that is described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code; or Teaching as a full-time faculty member at a Tribal College or University as defined in section 316(b) and other faculty teaching in high-needs areas, as determined by the Secretary.

Because of the newness of the program there has not yet been any additional guidance provided by the Department of Education.

I have been in a qualifying job for several years already, will those years count toward the 120 payments necessary to qualify for forgiveness?

No. Public service loan forgiveness is prospective, meaning that all 120 payments must be made on or after Oct. 1, 2007. Payments made before Oct. 1, 2007, do not count toward the 120 payments required to qualify for loan forgiveness. Borrowers with loans made before this provision are still eligible for loan forgiveness, but their past loan payments will not count toward the 120 payments required for forgiveness. Also, any payments made on or after October 1, 2007, on federal student loans that are not currently in the Direct Loan program do not count as qualifying payments.

What is an eligible payment plan?

Payments made under the standard repayment plan and payments made under other Direct Loan repayment plans that are no less than what a borrower would pay under a standard 10 year repayment period count toward the 120 qualifying payments necessary for forgiveness.

However, eventually you would need to enter into either the income contingent or the new income-based repayment plan to be eligible for forgiveness.

Contact the Direct Loan Servicing Center to enter into any of these repayment plans. The Direct Loan Servicing Center's Web site is www.dlsonline.com.

I do not qualify for either income contingent or income based repayment. Will I qualify for public service loan forgiveness?

Borrowers who remain in the standard repayment plan will have no need for forgiveness after 10 years of payments because the loan will have been paid in full. Payments made under extended repayment plans would be ineligible if they are less than the amount calculated under the standard 10-year repayment plan.

The law allows only public servants with salaries low enough to qualify for income contingent or income-based repayment plans to be eligible for loan forgiveness of remaining debt over and above the amount that can be paid off in 10 years. If you do not qualify for either of these plans at some point during your repayment schedule, you will not qualify for forgiveness.

Are there other considerations I should make before trying to qualify for this program?

You will need to consider whether you are willing to work in a public service job for the 10 or more years required for this program. Borrowers who only work in a qualifying job for a few years will not qualify for any of the benefit. Entering into alternate repayment plans that extend your repayment schedule may also increase the amount you pay in interest over the life of your loan(s).

Borrowers with federal student loans held by private loan companies will want to examine the borrower benefits offered by their loan holders before consolidating into the Direct Loan program. Consolidating your loans will generally negate any previous borrower benefits – such as interest rate reductions or other rebates – for which you qualified.

- About NASFAA -

The National Association of Student Financial Aid Administrators (NASFAA) is a nonprofit membership organization that represents more than 13,000 financial aid professionals at nearly 3,000 colleges, universities and career schools across the country. Based in Washington, D.C., NASFAA is the only national association with a primary focus on student aid legislation, regulatory analysis, and training for financial aid administrators. Each year, members help more than 8 million students receive funding for postsecondary education. In addition to its member Web site at www.NASFAA.org, the Association offers a Web site with financial aid information for parents and students at www.StudentAid.org.