UNIVERSITY OF MARYLAND EXTENSION

FAMILY & CONSUMER SCIENCES

Public Service Loan Forgiveness: Know the Qualification Rules

Do you hope to work for a non-profit or government organization after college or do you work for one now? If so, you might be eligible for Public Service Loan Forgiveness (PSLF). The federal government offers the option of PSLF to ease the burden of student loan payments. The program is designed to provide an incentive to attract job seekers to employment in much-needed, but often lower-paying service work. Those who qualify for PSLF can have a portion of their student debt balance paid by the federal government. However, there are many rules to follow.

If you want to be eligible for PSLF, keep in mind that you must do **qualifying** work, for a **qualified** employer, make **qualified** payments, for a **qualified** amount of time, under a qualified plan.

The key word is ***qualified.***

What Does "Qualified" Mean for Me?

Qualifying work means full-time employment, defined as 30 hours or more per week, or work that your employer considers full time. Part-time hours at different qualified employers (see below) can be combined to reach the 30-hour minimum. There is a notable exception for religious work. Time spent on religious teaching, worshipping, or evangelizing does not apply toward the 30 hours.

A qualified employer is any government or non-profit organization recognized under section 501(c)3 of the Internal Revenue Code, or federal tax code. Any level of government is acceptable. It could be a local, state, federal or tribal agency. There is a wide variety of jobs offered by qualified employers. Social work, medical research, teaching, law enforcement, and public health are examples of careers available at qualified employers.

What employers do not qualify? If you work for a commercial business or if you are self-employed, you do not qualify for public service loan forgiveness. Also, if you work for a labor union or a partisan political organization, your loan payments will not count toward PSLF. Additionally, if you are performing work for the government but your employer is a for-profit government contractor, you do not work for a qualified employer.

120 qualified payments are required before your debt can be considered for PSLF. These payments are counted only if they are on time. On time means the payments must be made no later than 15 days after the due date. On the other hand, do not pay extra on your student loans. This will put them into 'paid-ahead status'. Payments made while loans are in paid-ahead status do not qualify. Payments are only considered qualified if they are made while you are working for a qualified employer.

Qualified repayment plans include all income-driven repayment plans. There are several income-driven repayment plans that a borrower can select. Payments in these plans are re-calculated each year based on the borrower's income, as well as on other considerations, such as family size.

What Actions do I Need to Take if I Want Public Service Loan Forgiveness?

It is not enough to qualify for Public Service Loan Forgiveness. You also need to follow specific steps to benefit from the program. Borrowers who want to pursue PSLF need to carefully monitor their loan repayment terms and manage documentation.

ACTION 1: Choose the right repayment plan. When borrowers graduate, they are given many choices for loan repayment plans. The default option is the standard repayment plan. In this plan, loan payments are calculated for a 10-year, or 120-month, fixed payment. You must make 120 qualified payments toward your loan before qualifying for PSLF, so there is no benefit to this repayment plan.

What are the other repayment choices? A borrower who wants to qualify for PSLF should select an income-driven repayment plan, or IDR. Income-based payment plans were introduced to ease the burden of loan repayment, especially during the early earning years. Under these terms, your payment is calculated using a formula based on a percentage of your income, with payments stretched over 20-25 years.

ACTION 2: Beware of loan consolidation! It is not unusual to leave school with multiple loans from different loan servicing companies and with different due dates. Tracking payments can be challenging. A federal consolidation loan with a single payment can be a good option. However, loan consolidation will affect progress toward PSLF. A consolidation loan is considered a new loan, and re-starts the counter toward the required 120 payments needed for loan forgiveness. If you have already been making progress toward PSLF before consolidating, those payments will no longer count toward the required 120 payments.

ACTION 3: Document carefully and frequently. Qualifying for PSLF requires that you are employed by a qualified employer. The federal government provides information and a form to document your employment. It must be signed by you AND your employer and filed with the U.S. Department of Education. Directions are on the form. It can be mailed, faxed, or uploaded depending on your loan servicer, but it cannot be completed online. It is recommended that you file the form annually, or at a minimum, whenever you change employers. Otherwise, it becomes more difficult to verify qualifying employment.

What else? There are other important actions for maintaining PLSF qualification:

- Make loan payments every month, on time. You can't double-up or skip months.
- Track qualified payments. You can return to qualified work if you leave, and your loan payments will continue to count toward PSLF. You will not need to start over toward the 120 payments.
- AmeriCorps, Peace Corps, Department of Defense, and military personnel have special rules. Contact the U.S. Department of Education for details.
- Use reliable resources for information. The best information is found at StudentAid.Gov. Follow the links on this page or visit go.umd.edu/PublicServiceLoan

Is Public Service Loan Forgiveness a good option? The best source for more detailed information is on the Federal Student Loan Website.

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