

*Gail McLarnon:*

Welcome to Session 40. This is “Public Service Loan Forgiveness and Teacher Loan Forgiveness.” My name is Gail McLarnon, and this is my colleague, Pamela Moran. We work at the Office of Postsecondary Education at the Department of Education, and this morning, or, rather, this afternoon, obviously, we are going to talk about public service loan forgiveness and teacher loan forgiveness.

I’m gonna start off the first half of the presentation by talking about teacher loan forgiveness and the FFEL and the direct loan programs, as well teacher cancellation, as we call it, in the Perkins loan program.

Teacher loan forgiveness, I think it’s fair to say in the FFEL and direct loan program and the Perkins loan program as well, is intended to encourage individuals to enter and remain in the teaching profession by forgiving some or all of their federal student loan a, depending on the kind of loan that they have. The first major loan forgiveness program was authorized way back in 1958 by the National Defense Education Act. It was a loan forgiveness program for public school teachers with national defense student loans. Over the years, the federal loan forgiveness provisions for teaching have expanded, and have been extended to new categories of borrowers to cross the Title IV loan programs.

Let’s begin our discussion with an overview of the FFEL and the direct loan legislative history as it relates to loan forgiveness. The origins of teacher loan forgiveness began back in 1992 when the Higher Education Act was amended to authorize a forgiveness demonstration program, and that was to encourage borrowers to enter the teaching and nursing professions, and to perform community and national service. However, this was a program that was subject to appropriations by Congress, and Congress choose never to fund it. We wrote regulations to implement. We had lots and lots of interest in this program, but ultimately, it was a program that was never funded.

Teacher loan forgiveness as we know it today, began with the enactment of the 1998 amendments to the Higher Education Act. These amendments eliminated the loan forgiveness demonstration program, and authorized loan forgiveness for FFEL and direct loan borrowers of up to \$5,000.00. This was for new borrowers as of October 1, 1998, who has not outstanding balance on loan obtained prior to that date, and this was a program, fortunately, that was not subject to appropriations.

The next significant piece of legislation to affect teacher loan

forgiveness in the FFEL and the direct loan programs was the Taxpayer and Teacher Protection Act of 2004. This legislation increased forgiveness for certain borrowers to \$17,500.00 – big jump up from \$5,000.00 – until September 30th 2005, and instituted a requirement that all borrowers seeking forgiveness had to be highly qualified as defined in the No Child Left Behind Act, so a new qualifier here, highly qualified teachers only to receive forgiveness.

The Higher Education Reconciliation Act, or the HERA, made this increased loan forgiveness amount permanent. This would retroactive to October 1 of 2005. The HERA also extended loan forgiveness benefits to nonprofit private school teachers who are exempt from state certification requirements. Such teachers must demonstrate rigorous subject knowledge and skills by taking competency tests. And this was a requirement that was effective as of July 1 of 2006.

Lastly, the HEOA, or the Higher Education Opportunity Act of 2008, expanded teacher loan forgiveness to the FFEL, direct loan, and Perkins loan borrowers who were employed by educational service agencies. And this change was effective August 14, 2008. That was the date of enactment. Here on the slide, you see the definition of an educational service agency. It is a regional, public, multi-service agency authorized by state law to develop, manage, and provide services or programs to local educational agencies as defined under the Elementary and Secondary Education Act.

Among other things, educational service agencies provide shared educational programs and services to school districts within a state. These are state-established agencies. ESAs often partner with districts to provide a broad range of services that help meet the evolving educational needs of the students in those districts. Rather, many ESA programs provide direct classroom instruction in classroom settings, including career and technical programs for high school students and programs for students with disabilities. So as you can see, it's a very broadly defined type of agency that serves many types of students.

The HEOA also amended the Higher Education Act to prohibit a borrower's received of double benefits, or it prohibits double dipping, as we call it. That means that a borrower cannot receive for the same teaching service, teacher loan forgiveness benefits under both the FFEL and the direct loan programs, loan forgiveness for service in areas of national need, direct loan public service loan forgiveness, or benefits under the National and

Community Service Act of 1990.

What are the eligibility requirements for FFEL and direct loan Luther loan forgiveness? Well, first, a borrower has to be a new borrower as of October 1, 1998. What does that mean? It means that a borrower did not have an outstanding balance on a direct or a FFEL program loan on October 1, 1998 or on the date the borrower obtained a direct or FFEL program loan after October 1, 1998.

A borrower cannot be in default on his or her FFEL or direct loans in order to qualify for loan forgiveness. A borrower who has defaulted on his or her FFEL or direct program loan is not eligible unless the borrower makes satisfactory repayment arrangements with the holder of the loan. Generally, satisfactory repayment arrangements are six consecutive monthly payments on the loan.

The loans on which a borrower is seeking forgiveness must be made prior to the end of the five academic years of qualifying teaching services, and as we just reviewed, a borrower cannot have received benefits for the same teaching service.

Here we get to the core of service requirements that a borrower must perform in order to receive loan forgiveness. A borrower has to be employed as a full-time teacher for five consecutive complete academic years in a low-income elementary or secondary school or educational service agency.

A low-income school or ESA, is a school or ESA in school district that qualifies for Title I funding, that has been determined by the Department of Education to have more than 30 percent total enrollment made up of children who are eligible for services under Title I, and the school has to be listed in the directory of designated low-income schools for teacher cancellation benefits, better known as the low-income directory. We've used this directory in the Perkins loan program for years. It came in handy when Congress decided to extend benefits to FFEL in the direct loan programs. If this directory is not available by May 1 of any year, the previous directly can be used, so we always have a backup or low-income schools.

A couple of important definitions to keep in mind for FFEL and direct loan forgiveness. An academic year means one complete school year at the same school, or two complete and consecutive half-years at different schools, or two complete an consecutive half-years from different school years. Full-time employment as

teacher, is determined by the state's self-determination. For a borrower teaching in more than one school, the determination of full-time is based on the combination of all qualifying service.

Teaching at an eligible elementary or secondary school may be counted toward the five-year period only if at least one year was after the '97-'98 academic year. Teaching in an eligible ESA may be counted toward the five-year period only if the five-year period includes service at an educational service agency after the '07-'08 academic year. And this is directly tied to the statutory requirements of an eligible borrower and the addition of the provisions on ESA added to the Higher Education Act by the HEOA.

By the way, an elementary or secondary school means a public or nonprofit private school that provides elementary education or secondary education as determined by state law. So each state defines what an elementary or secondary school is. If the school is not in a state, that is left to the US Department of Education.

The timing of a borrower's teaching service, as well as the type of teaching service performed determines the dollar amount of forgiveness for which the borrower is eligible. If the borrower's five consecutive complete years of qualifying service begin before October 30th of 2004, the borrower may receive up to \$5,000.00 in loan forgiveness if, as certified by the chief administrative officer of the school where the borrower is teaching, the borrower was a full-time elementary school teacher who demonstrated knowledge and teaching skill in reading, writing, mathematics, and other areas of the elementary school curriculum, or the borrower was a full-time secondary school teacher who taught in a subject area that was relevant to the borrower's academic major.

If the five consecutive complete years of qualifying service began before October 30th, 2004, the borrower may receive the increased loan amount of forgiveness of \$17,500.00 if, again, as certified by the chief administrative officer of the school the borrower taught at, the borrower was a highly qualified full-time math or science teacher in an secondary school or a highly qualified special education teacher whose primary responsibility was to provide special education to children with disabilities, and the borrower taught children with disabilities that corresponded to the borrower's area of special education training, and the borrower demonstrated knowledge and teaching skills in the content areas of the curriculum the borrower taught. So very prescriptive here, and also you notice the addition of that "high qualified" requirement

that we talked about earlier.

If the borrower's five consecutive complete years of qualifying service began on or after October 30th, 2004, the borrower may receive up to \$5,000.00 of loan forgiveness if the borrower was a highly qualified, full-time elementary or secondary school teacher, and if the borrower's service began after October 30th, 2004, the borrower can receive up to \$17,500.00 in loan forgiveness if as, again, certified by that chief administrative officer, the borrower was a highly qualified, full-time math or science teacher in an eligible secondary school, or, again, a highly qualified special education teacher whose primary responsibility was to provide special education to children with disabilities, as we just reviewed on the previous slide.

It's important to note that for borrowers of both direct and FFEL loans, \$5,000.00 or \$17,500.00 is the maximum forgiveness amount for both programs combined.

As I mentioned earlier, the Higher Education Reconciliation Act extended loan forgiveness to nonprofit private school teachers who are exempt from state certification requirements effective July 1 of 2006. In order for such teachers to be eligible for teacher loan forgiveness in FFEL and direct loans, they must satisfy rigorous competency tests. These tests must be recognized by five or more states in meeting the highly qualified teacher requirements, and, lastly, the teacher competency test score must equal or exceed the average passing score for five of those states.

Some of the other provisions that have an impact on FFEL and direct loan provisions involve the borrower being unable to complete an academic year of teaching. However, that year may still be counted towards the required five consecutive complete years under certain circumstances, and those are that the borrower completed at least one half of the academic year and the borrower's employer considers the borrower to have fulfilled the borrower's contract requirements for the academic year for the purposes of salary increases, tenure, and retirement, and the borrower was unable to complete the academic year for one of the following reasons. The borrower returned to postsecondary education on at least a half-time basis in an area of study directly related to the performance of the teaching service described in previous slides, the borrower had a condition under the Family and Medical Leave Act, or the borrower was called or ordered to active duty for more than 30 days as a member of the reserve component of the armed forces.

Note that the before must resume teaching no later than the beginning of the next regularly scheduled academic year, or such absence will constitute a break in service.

Let's talk about the application process for teacher loan forgiveness. First, it's important to note that a borrower can get a forbearance for each of the borrower's qualifying teaching years of service if the expected cancellation amount will satisfy the anticipated remaining outstanding balance on the loan at the time of the expected cancellation. The borrower applies for loan forgiveness after completing the five-year teaching requirement. The borrower has to use a form approved by the secretary. Those forms are posted on our IFAP website.

As I've said several times, the chief administrative officer of the school at which the borrower is performing the qualifying teaching service must complete the certification section of the application. If the borrower taught at more than one school during the academic year, a chief administrative officer from one of those schools can complete the section. If a borrower taught at different schools during different academic years, the chief administrative officer from all of the schools must certify the borrower's eligibility.

The completed form is return to the address shown on the application. If a borrower is applying for forgiveness of loans that are held by different loan holders, the borrower must submit a separate form to each loan holder. If the borrower's application is approved, the lender may cancel again up to \$17,500.00 of the aggregate loan amount that is outstanding after borrower finishes the fifth year of teaching.

Now we're gonna turn our attention to loan cancellation, as we call it in the Perkins Loan program. We call it loan forgiveness in FFEL and direct loan. We call it loan cancellation in the federal Perkins loan program. And as I mentioned at the beginning of this presentation, the first major loan forgiveness program was authorized by the original federal Perkins loans program. That was the National Defense program, and that act was established back in 1958. So there was loan forgiveness back as far as 1958 for public school teachers, again, who had borrowed a National Defense loan.

The National Defense program was incorporated into the Higher Education Act by the Education Amendments of 1972. And over time, as we all know, the National Defense program has been renamed. First, it was renamed the National Direct Student Loan

program, and then finally the Federal Perkins Loan Program.

Also, over time, the teacher cancellation benefits in the Perkins loan program have expanded, and the next few slides detail Perkins cancellations. We begin with this slide. 100-percent loan cancellation is authorized for Perkins loan borrowers over a five-year period for full-time teachers in a public or private nonprofit school serving low-income families and listed in the low-income directory. The low-income school requirements we discussed with regard to FFEL and the direct loan teacher loan forgiveness also apply to the Perkins loan program. So, again, that attendance level has to be at least 30 percent. Students who are eligible for Title I benefits, and the school must be listed in the low-income directory.

We also have teacher cancellation for full-time teachers of math, science, foreign languages, bilingual education, or state-designated teacher shortage areas. We call this the teacher shortage area cancellation. Interestingly, teachers in a teacher shortage area do not have to be teaching in a low-income school in order to qualify for this cancellation. They simply must satisfy the requirement to teach in one of these teacher shortage areas.

Continuing with teacher loan cancellation in Perkins, we have cancellation benefits for full-time Head Start members who carry out the educational component of a Head Start program. We have cancellation for full-time special education teachers in a public or private nonprofit school, including teachers of infants, toddlers, children, or youth with disabilities. This cancellation is heavily intertwined with some of the provisions and definitions contained in the Individuals with Disability Act, the IDEA, the educational legislation. This act does have a special definition of children with disability that is applied to this cancellation in order for a Perkins loan borrower to receive the benefit of this cancellation.

Now we have a separate Special Ed teaching cancellation for teachers who provide one of the following services. These are physical occupational or recreational therapy, psychological or counseling services, and speech and language pathology. In order to qualify for this cancellation a borrower has to be licensed, certified, or registered by the state agency for the type of special education services provided.

Effective on August 14th of 2008, the HEOA expanded Perkins loan program cancellation benefits to include teachers employed in or by an educational service agency listed in the low-income directory. And, again, for teacher continental purposes in the

Perkins loan program, educational service agency is defined in exactly the same way we discussed the definition in the FFEL and the direct loan forgiveness provisions.

The HEOA also expanded cancellation benefits to include full-time faculty members at a tribal college or university, and full-time staff of an early childhood education program. This was basically an expansion of the Head Start cancellation we just discussed, and an expansion to include pre-kindergarten and childcare programs.

The next two slides contain some definitions that borrowers have to satisfy in order to receive cancellation for these expanded benefits. The first is the definition of a faculty member at a tribal college or university. This is a very broadly defined term. And as you can see from the slide, it's an educator or tenured individual who is employed by a tribal college or university to teach, research, or perform administrative functions.

Also, for the purposes of this definition, it runs the gamut. Almost any kind of instructor here, lecturer, lab faculty, assistant professor, you name it, as long as the borrower is teaching at this tribal university, almost anything they do will qualify them for cancellation.

The Head Start cancellation, as I just said, was expanded to cover a borrower's qualifying service in a pre-kindergarten program or a child program that is licensed or regulated by the state. And here you see the pertinent definitions for a pre-kindergarten program. It is a state-funded program that serves children from birth through age six and addresses the children's cognitive, social, emotional, and physical development. Childcare program is a program that is, again, licensed and regulated by the state, and provides childcare serves for fewer than 24 hours a day per child, unless more time is needed due to the nature of the parents' work.

As you may have intuited already from the slides that preceded this one, borrowers receiving cancellation in increments in the Perkins loan program over a five-year period. And this slide tells you what those percentages are over the five-year period. 15 percent of principle and any interest that accrues for the first and second years of service. 20 percent for the third and fourth year of service. And, finally, 30 percent for the fifth and final year of service.

Applying for a loan cancellation in the Perkins loan program is a process whereby the borrower applies directly to the school that make the borrower's Perkins loan, or in many cases, to the Perkins



loan servicer. Many Perkins schools use servicers to service their Perkins loan portfolio. Borrowers are put into a deferred status during the period of time they are doing service that qualifies them for cancellation. And this is in anticipation of them receiving a cancellation.

At the completion of each year of qualifying service, the borrower submits the cancellation request form to the school, along with supporting documentation, and by any deadline school establishes, and then the school determines based on that documentation whether or not the borrower qualifies for the cancellation.

This slide contains some restrictions around Perkins loan teacher cancellation. Schools may not cancel any portion of a loan for services the borrower performed earlier than the date loan was disbursed or during the enrollment period covered by the loan. No refund may be made of payments made by borrower during a period the borrower qualified for cancellation unless it was an error by the school. A good reason to keep your borrowers apprised of any new cancellation benefits.

No cancellation for any eligible service performed after the date of acceleration. If a borrower defaults on their loan, they are eligible only for cancellation service qualifying service done before the school accelerates the loan. Acceleration is when the school determines that the entire amount of the loan is due and payable. And after that date of acceleration, the borrower's no longer entitled to loan cancellation.

And, finally, like FFEL and direct loans, borrowers or not allowed to double dip or get benefits for the same service if they have received a National Service Award for volunteer service under AmeriCorps.

Some other cancellation provisions in Perkins. Borrowers may teach part-time at multiple schools if the combined service equals full-time and is certified by a school official. And interestingly, a difference here in the borrowers who cannot complete an academic year, between FFEL and direct loan and Perkins, if they were pregnant or ill, they can still qualify if for the first half of that year is completed and the employer considers the borrower to have fulfilled the contract for the academic year.

Finishing up here, some similarities in FFEL and direct loan and Perkins teacher loan forgiveness. Lots of similar definitions and policies. For instance, the definition of academic year, elementary

school, and secondary schools, educational service agency, and highly qualified are the same across the program. Here you see some more similarities. All of the programs use the low-income directory to determine the status of the borrower's school for eligibility purposes. All Bureau of Indian Affairs schools are considered low-income schools. And if a school or an ESA loses its low-income designation, subsequent years of teaching at that school still qualify.

Some differences in the direct loan and FFEL and teacher loan forgiveness and Perkins loan forgiveness. One is the definition of teacher. It's very different in Perkins. It's a very broad definition, includes direct classroom teaching, classroom-type teaching, or educational services to students directly related to classroom teaching, would include people like school librarians or guidance counselors.

In the FFEL program, a teacher is more restrictively defined. It's a teacher or a person who provides direct classroom teaching or classroom-type teaching in a non-classroom setting, and that would include special education teachers.

And, finally, differences in the programs. As you also may have intuited, FFEL and direct loan borrowers get a lump sum forgiveness after five years of qualifying service. Teacher loan forgiveness in Perkins is applied on a year-by-year basis.

And that concludes my part of the presentation. I'm gonna turn it over now to Pam Moran, who's gonna talk about public service loan forgiveness. Thanks very much.

*[Applause]*

*Pamela Moran:*

Thank you, Gail. Good afternoon. Again, my name is Pam Moran, and we're gonna talk about public service loan forgiveness. Now this is the newest forgiveness program on the block so to speak, the last one enacted by the Congress. It was done as part of the College Cost Reduction and Access Act or CCRAA of 2007. That's the same legislation that brought about the statutory income-based repayment plan. And I've given you reference to the public law and also a link that you can access to find the published final rules that we published in 2008 on October 28th.

Unlike the forgiveness programs that Gail just described, this public service loan forgiveness program is only available to direct loan borrowers. So it's only a benefit offered through the direct

loan program. Now FFEL borrowers can access the program. They have to consolidate their loans into the direct loan program and become a direct loan borrower in order to take advantage of public service loan forgiveness.

The earliest date that a borrower could have been providing qualifying payments and qualifying service that will eventually qualify that before for public service loan forgiveness was October 1, 2007. That's basically the date of enactment of the CCRAA. The earliest date that such a borrower, presuming they were making qualifying payments, they were employed full-time for a public service organization on that date, and that's questionable, the earliest date such a borrower can actually qualify to receive the benefit payment under public service loan forgiveness would be October 1, 2017. 120 monthly payments if ten years of payments.

Public service loan forgiveness eligibility. The security forgives outstanding balances on an eligible direct loan if the borrower does the following. Well, first, they can't be in default. They have to make 120 separate – not lump sum – separate full monthly payments within 15 days of the due date. It has to be an on-time payment that is defined in the regulations as being within 15 days of the scheduled due date for that payment. They have to make their payments under one or more PSLF-eligible repayment plans or schemes, and they have to be a full-time employee of a public service organization while they're making their required payments and at the time the forgiveness is applied for, and at the time the forgiveness is granted.

There are certain loans that are eligible for public service loan forgiveness. Those include direct subsidized loans, direct unsubsidized loans, direct PLUS loans – and this includes both parent loans and graduate and professional PLUS loans, and direct consolidation loans. So all of those are eligible loans.

Now there is a way for other federal Title IV loans or other federal loans – it goes beyond Title IV – to become eligible for a PLSF if they are consolidated into a direct consolidation loan. And, of course, that includes these eligible loans that we just covered, including Parent PLUS loans. It also includes FFEL consolidation loans, excluding joint spousal consolidations. Now for those of you who have been in the loan programs for a while, we used to have the ability of two married borrowers to consolidate their loans into a joint consolidation loan, a joint spousal loan. The Congress did away with that program. And, unfortunately, if you were a FFEL borrower with a joint consolidation on the FFEL side, there

is no way for you to get over to the direct loan side in order to take advantage of public service loan forgiveness. There is no authority in the law to reconstitute that joint consolidation loan on the direct loan side, and joint consolidation loans, whether they're on the FFEL side or the direct loan side, you are jointly and severely liable for the entire amount of that loan for the life of that loan.

So right now, there is no statutory authority for FFEL borrowers who have joint spousal consolidations to reconsolidate over to direct loan for purposes of public service loan forgiveness.

Federal Perkins loans can come over as part of a federal direct consolidation loan, and, therefore, become part of the amount that might be subject to public service loan forgiveness. And, finally, the Title VII health profession and nursing loan programs. Now these loans that always have been eligible for consolidation in the direct consolidation program. And this is the way to set up those loan types to be potentially eligible for public service loan forgiveness even though they are not specified explicitly in the public service legislation.

Income-based repayment plan, getting into what are the PSLF qualifying repayment plans, because you have to make your on-time scheduled monthly payments while you're providing qualifying public service, and you have to make them under certain qualifying repayment plans. Those repayment plans include the income-based repayment plan, but just remember that income-based repayment is not available for Parent PLUS borrowers or for borrowers who have a consolidation loan that includes a Parent PLUS loan.

Income contingent repayment, which is ICR. ICR is not available for Parent PLUS loans, but it is available to direct consolidation borrowers, so, therefore, a Parent PLUS borrower could consolidate into a federal direct consolidation loan and then that federal direct consolidation loan would be eligible potentially for public service loan forgiveness. So ICR is really the only payment plan here that's really logical for a Parent PLUS borrower. IBR for other borrowers. And these are your two repayment plans that will most likely leave you with an outstanding balance at the end of a 120 monthly payments for forgiveness under PSLF.

The other two repayment plans or schemes are the ten-year standard repayment plan. But remember, a 10-year standard repayment is 120 monthly payments. So there is no way that I could see you're going to have an outstanding balance at the end of

that ten-year standard repayment plan to be forgiven under PSLF.

And the last is any other repayment plan that's available to these borrowers, but you must be paying an amount that is equivalent to what you'd be paying under a ten-year standard repayment plan. Well, that still is gonna leave you in a situation where after 120 monthly payments of an amount that's equivalent to what you'd pay under a 10-year standard repayment plan, you are not going to, in most cases that I can imagine, have an outstanding balance that we be subject to public service loan forgiveness. And, of course, the benefit is the forgiveness of any outstanding balance that exists after you have met all of the eligibility criteria.

Eligible employment. Full-time employment in any position with a public service organization. And that does not include staff of a for-profit contractor that may have a contract with a public service organization. So these are full-time employees of a public service organization. And it can also include full-time AmeriCorps or Peace Corps positions, or folks who provided service under AmeriCorps or Peace Corps.

Moving along in the definition, which is rather lengthy, of what constitutes a public service organization, and there are two major categories that you'll see probably encompassed in the first bullet and the third bullet. But here it is in its entirety. A federal, state, local, or tribal government organization, agency, or entity, which, of course, includes military service, but happens to exclude any service by your local congressperson. So we don't cover the congressmen for their service. We thank them for it. Or maybe we thank them for it, but we are not providing public service loan forgiveness.

A public child or family service agency, a nonprofit organization under Section 501C3 of the Internal Revenue Code. And most of your not for profit organizations, your charity hospitals, there's a vast array of organizations that meet that third bullet of being a nonprofit organization with a 501C3 categorization by under the Internal Revenue Code. A tribal college or university, or – and this is a large catchall – a private organization that provides certain public services, and we'll go into what can be included in those public services provided by a private organization. But bear in mind this private organization cannot be a for profit entity.

The private organization has to provide the following, services, emergency management, military service, public safety, law enforcement, public interest law. 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 in the elderly, and the public health area including nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in health care practitioner and health care support occupations.

Now that's a very long laundry list of what can be included in that private organization category. That is going to be the most difficult category for we at the department to determine eligibility on. The others are rather sort of self-evident.

Private organization also must provide public education, public library services, and school library and other school-based services. Private organization cannot be a for-profit business. So if you look back at that long laundry list of private organizations providing all of those various public services, it's hard to imagine the context in which they would be provided that's not a not-for-profit situation. Most of them would be not-for-profit. Some of them may be 501C3. But there are some other Internal Revenue Service Code designations that some of these private organizations that are not for profit may have, and so borrowers could conceivably qualify under those.

Cannot be a labor union. Cannot be a partisan political organization or an organization engaged in religious activity unless the activities are unrelated to religious instruction, worship services, or any form of proselytizing. So, again, folks who are employed full time at a private organization that provides public service, these are the additional eligibility criteria attached to them.

We found a way through the negotiating rule process when we did these regulations to acknowledge service, implement public service done by members of the AmeriCorps or the Peace Corps. Now this was difficult because they are not making monthly payments while they are providing their qualifying service. So we had to regulate way whereby we could acknowledge their service as qualifying, and also acknowledge payments as qualifying toward public service loan forgiveness.

So you can be in a position approved by the corporation for national community service and serving in AmeriCorps. You can also be a full-time volunteer on assignment in the Peace Corps under the Peace Corps Act.

So how did we get to providing for acknowledgment of qualifying

payments for these borrowers who are not required? They're actually deemed to have an economic hardship deferment while they are providing their ongoing service. Well, what we did in the regulations is acknowledge that if they made a lump-sum payment from a service award that is available at an individual's option under AmeriCorps for their AmeriCorps service, or Peace Corps transition payment that Peace Corps volunteers receive when they exist the Peace Corps. If they take that payment and they apply that toward student loan payment, we will acknowledge that as a qualifying payment for PSLF, and we'll do it in the following manner.

We'll take that lump-sum payment and we'll divide it up based on what the borrowers schedules payment amount would have been during their service period if they had actually continued to make payments. So we'll divide that lump-sum payment by that amount, and we will acknowledge that as payments that meet the PSLF qualifying payment requirement, not to exceed 12 payments. So we amortize it in that fashion, and acknowledge up to 12 payments for purposes of public service loan forgiveness.

Definition of full-time employment, because you have to be full-time employee of a public service organization to qualify for PSLF. Full-time – and this is defined in the regulations in qualifying employment in one or more jobs is for the greater of an annual average of at least 30 hours weekly, or for a contractual or employment period of at least 8 months, an average of 30 hours per week. So we tried to acknowledge as many kind of work situations as you could imagine in defining full-time.

Also, there's another caveat in the regulatory definition of full-time. Number of hours the employer considers full-time, unless the employee's in employed with one or more employees. But let's say an employee is employed only with one particular public service organization. We've provided for an annual average of at least 30 hours per week to constitute full time. But if that employer considers 40 hours per week as their full-time standard, then this regulatory definition defaults to that employee standard. So it is the greater of what you see in the first block, or whatever the employer considers to be full-time, and that could be greater.

What's not considered in determining your average hours on an annual or a contractual basis that we saw in that last slide. Well, your vacation or leave time that's provided by the employer, that's not considered in determining the average hours. Nor is leave taken for a condition that is a qualifying reason under the Family

and Medical Leave Act.

Important points to consider around PSLF. The PSLF benefit is forgiveness of remaining balance of eligible loans after borrower makes the 120 qualifying payments while providing the qualifying public service. As I mentioned before, IBR and ICR repayment are the payment plans that are PSLF-eligible that are most likely to leave you with an outstanding balance to be forgiven after 120 monthly payments which is 10 years of payments.

The loan amounts that are forgiven under public service loan forgiveness are not income for tax purposes. We have a ruling from the Internal Revenue service to that effect related to public service loan forgiveness. Now that, of course, is not true for IBR and ICR borrowers who go onto to make 25 years of payment and are subject of forgiveness after that 25-year point. Those amounts, until we can get statutory change would be subject. They would be consider income, for tax purposes. Public service loan forgiveness amount, not so.

Parent PLUS borrowers, and I think I mentioned this previously, may consolidate their FFEL or direct loan Parent PLUS loans into direct consolidation loan and pay under ICR which is a eligible PSLF repayment plan. They cannot, of course, pay under IBR.

Parent PLUS borrowers have to qualify for PSLF based on their own service. Believe it or not, we have had questions from parent borrowers as to whether or not they can seek the forgiveness based on dependent student's qualifying employment. And the answer to that is no. This is based on your full-time employment with a public service organization as the borrower who is seeking the benefit.

And 120 full monthly payments are not required to be consecutive. So there is the possibility that someone might do eligible service for four or five years, step away because of children, family obligations, a medical reason. They go to the private sector. Payments made, of course, during that period would not count. You would not be in qualifying service. But this does not demand that this service be consecutive, that the payments be consecutive. So then you could go back eligible public service employment. Pick up making your full payments under a eligible repayment plan, and still receive the benefit.

Now this presumes you have a significant probably student loan, a level of indebtedness that would leave you if you stopped out still



with a balance left after you came back and fulfilled your 120 monthly payment requirement. But it is possible. It does not have to be 120 consecutive payments.

Scheduled zero payments under either IBR or ICR, which we all know are possible. There is provision for negative amortization in IBR and ICR, and that can include an actual scheduled payment of zero. Those will count as eligible payments for PSLF purposes, assuming you're otherwise meeting the eligibility criteria. And federal government, state, government, local government, tribal government, includes military, public schools and colleges, public child and family service organizations, and special governmental districts. So a lot is covered under that major bullet category that we saw back under the definition of public service organization.

And I've provided a link to the fact sheet. You will find a fact sheet and public service loan forgiveness Qs&As on our website at StudentAid.ed.gov. We are going to be introducing in early 2012, a voluntary employment certification program, 'cause we know ten years of service, even if you do it consecutively, is a long period to track your progress toward ultimate eligibility for forgiveness. So we will be implementing a voluntary – this is voluntary on the borrower's part – employment certification or verification process. The form has already been approved by the Office of Management and Budget. We will be posting it on our website. It will be available through the various direct loan servicers or Ed, Department of Education loan servicers. And we will be developing the final PSLF application probably in another couple of years as we get closer to the point where someone could actually come forward and apply for the PSLF benefit.

Employment verification, at the borrower's option, they can secure certification from their employer as to their eligible empts, their status as full-time on this employment verification form. And once that is submitted to the department and we will have one designated loan servicer to which these employment verification forms will go, they can come in at least annually at the borrower's options. They could come in less frequently. We will be then looking at that, or that designated servicer will be looking for eligibility of the employer and of the employee that they are truly an employee, and that they meet the full-time definition. And we'll also be looking at the payments that the borrower has made during the period that's certified by the employer, and the repayment plan that the borrower is paying under.

So that when we give an assurance back to a borrower that they are

on track toward ultimate PSLF eligibility, they will know that we've looked at their employment situation and status of their employer. They will also know that we have looked at their repayment plan to see that the payments they made during that period were under an eligible repayment plan, that they were on time within 15 days of the scheduled due date, and that they were full monthly payments.

So that's what we will be introducing. Again, it's voluntary on a borrower's part. They could save their information and not present it to us until they apply for the final benefit, if that was their choice. Most people will elect to come in through this employment verification or certification process, hopefully, as frequently as annually because then if something isn't right about their repayment plan or whatever, we'll be able to counsel and all will not be lost. Whereas, if they waited ten years out, they could have provided a long period of public service and not see any benefit because somewhere along the way, they fell out of eligibility.

As I mentioned, we're gonna attempt through this process to assist borrowers in tracking their PSLF eligibility over the required ten-year period. And this slide just covers what I just provided you in terms of what we'll be looking at and what kind of confirmation we will provide back to the borrower. We also be keeping copies of what they submit, so there will be a record with us of their submission and our evaluation and determination.

And, again, we'll be reviewing all of the things I mentioned, the payment history, the employment elementary. We'll confirm their interim status, or their ineligibility. And we'll retain the results. The borrower will submit their final PSLF application to us after met all of the eligibility criteria for receipt of the forgiveness amount. And they have to be continuing in public service, not only at the time that they are providing their qualifying payments, but also at the time that they submit the application and we review it for eligibility and grant the forgiveness.

And with that, we thank you and I guess we'll take some questions.

*[Applause]*

Yes.

*Audience:*

*[Inaudible comment]*

*Pamela Moran:* Yes. And I think the question is whether or not eligible employment in a public service organization includes full-time employment at a public college or university? Private college or university.

Because, as far as I know, most of private colleges and universities have a 501C3 status, that, yes, they would fall under the category of an organization that has a 501C3 status.

*Audience:* I have three questions.

*Pamela Moran:* Uh-huh.

*Audience:* Number one, the Perkins cancellation options. I suppose that is the responsibility of the school or servicer to notify students of those elementary requirements, that the Department of Education is not notifying Perkins borrowers of those cancellation options. Is that correct?

*Gail McLarnon:* Yes, that's correct. The Perkins loan borrower applies to the school that make the loan to the student or the servicer, generally, and the school makes the determination of the borrower's eligibility, and that's the responsibility that cannot be delegated. It's the responsibility of the institution, not the Department of Education, unless, perhaps, for whatever reason, the department might hold a Perkins loan, like under a closed school situation or a liquidation situation or a situation where Perkins loans come into the department that we would then be the holder. But otherwise, the school would make the determine.

*Audience:* Okay. But there's no way the student would know of the various cancellation options unless the school actively notifies the students of those options?

*Gail McLarnon:* Well, the cancellation options are included in the borrower's promissory note. The cancellation options should be reviewed and exit counseling, and the cancellation options are increased or expanded as they were under the HEOA, the school should let the borrower know that that has occurred.

*Audience:* Okay. Question No. 2. This is a rather detailed, but under the old rule or regulation that allowed a married couple to consolidate, and, again, this is a very technical question. I know of a situation where this happened, and then the husband, as it were, is now deceased. She would not have any way even though he's deceased

to bring her loans back into the direct loan consolidation. Is that correct? For the public forgiveness option.

*Pamela Moran:* Okay. So we have a joint consolidation situation where one of the two of the joint borrowers is now deceased and that presumably, there's been a death discharge of a portion –

*Audience:* Well, because they consolidated, there was no –

*[Crosstalk]*

*Pamela Moran:* Oh, that's right. They both jointly and severably have liability. Right. And there's be no ability on the part of that individual because they're still attached to a joint consolidation loan to reconsolidate that loan in any way.

*Audience:* Wow, yeah. Okay. And then last, just wanted to make sure this applies to all PSLF loans about the 120 full monthly payments does not have to be consecutive under any of the parameters. Is that correct? You had mentioned it in the PLUS loan under the ICR, but that would be true in every –

*Pamela Moran:* Oh, right. Now just clarify. The 120 monthly payment requirement for public service loan forgiveness is not a consecutive monthly petroleum requirement for any borrower.

*Audience:* Okay. Thank you.

*Audience:* Pam, I'm **Nancy Coolidge**, from the University of California. I just want to clarify. The application for borrowers to make to be considered by this federal panel, for public service forgiveness is a paper process at this point, and the first part is are there plans to make it online with mailed-in documentation or scanned documentation.

And second question is what then does the borrower get back in confirmation from the organization that reviews this, and will that be reported in your database like NSLDS. Will there be some record that you've acknowledged so many months of eligibility so that it'll be cumulative? Those are the questions.

*Pamela Moran:* Right. Again, those are sort of operational issues, and I don't know, Nancy, that we've ironed out all of them. We clearly will be keeping a record of what we confirm back to the borrower. I'm not sure what form that will take, whether it'll be a Dear Borrower letter or whatever. That's just sort of something that we'll have to

work out.

And I don't know what plans we have going forward. I think we wanna get this up and running to go to any kind of an electronic approach to this. Probably most of the ED servicers will have this available for people to pull down. So we'll have them posted on the website so that they can pull them down. But I don't know that at the current time, we're going to – you're gonna have to get a employer's certification.

So if you were going to go to an electronic process, you'd have to have a process where both the borrower and the employer conceivably could electronically sign the document for submission, and that gets tricky because you're talking about more than one party.

*Audience:* Thank you.

*Pamela Moran:* So we'll get going on this and see how it goes. I wouldn't look Ford to an electronic process quickly, if at all, because it involves more than one party, which gets tricky.

*Audience:* Will you be recording your ED's decision in any other database so that it can be captured later, that there's a permanent record of what's been granted to the borrower?

*Pamela Moran:* Well, nothing actually is granted to the borrower until they are completely eligible for the PSLF benefit. We will be

*Audience:* Well, I understand but –

*Pamela Moran:* We will be confirming the result of our review, communicating that and retaining what we have provided to the borrower in terms of that confirmation. But, again, that's getting down into some of the weeds that I'm not sure that we've really totally ferreted out yet.

*Audience:* But in the meantime, we should tell borrowers to keep that in a safe deposit box or something.

*Pamela Moran:* From the beginning – well, you mean our confirmation? They certainly should keep a copy or their confirmation that they get back from us. We will be retaining that as well.

*Audience:* Okay, thank you.

*Pamela Moran:* Before this process is up and running, which it should be shortly, we have been telling folks to retain documentation about their employer so that they can show their employer status, about their employment status with the employer. Of course, the servicer will have payment information, but they can also contact their servicer and confirm that they are making payments under what is a PSLF-eligible repayment plan, and that their payments are being made on time, et cetera. But that's sort of informal work that a borrower can do. This will formalize a \_\_\_\_\_ and give them some feedback from us on an ongoing basis.

*Audience:* Thank you.

*Audience:* Yeah, I just had a question, sort of clarification. You had said that the public service loan forgiveness amounts are not income for tax purposes, unless IBR and ICR. What about TLF?

*Pamela Moran:* What about TLF income tax services? All of the teacher loan forgiveness as well as public service loan forgiveness not taxable under IRS code.

*Audience:* My name's **Michael Thoberbale**. I work for the Harvard Kennedy School of Government. Our mission is to put people into public service, so obviously, this is a very important part – it's very important to us. A lot of our graduates go into programs – to work for employers such as United Nations. Is there any thought into pre-vetting certain large employers – for example, the United Nations would appear to be the two-tier test for being a non-for-profit and not offering one of the listed services. But when I'm trying to counsel our students and to make them feel competent that they're on the right path, that these organization are likely to qualify. At the moment there's a lot of ambiguity. So has there been any discussion about providing a list of some of the larger better-known organizations that might qualify under the second set of tests?

*Pamela Moran:* Yeah. There has been discussion along those lines. And I believe that we've – I'm looking at a colleague who sitting in the audience who's worked on this **Ion Vass** with FSS. We are aware of a couple of links, bought on the IRS website and one other place that will take folks to designated 501C3 organizations, whatever, so that there's already some of that out there. We have talked about how difficult it would be with these private organizations doing public services to do anything of that nature. Some of these other organizations that have special status, like United Nations, we've also had some questions about foreign charities over time. So

there are some questions that have come n and we are planning to update the Qs&As that are attached to public service loan forgiveness. So some of it we may address there. In terms of developing laundry lists of organizations, again, we will send people to preexisting list if it's an obvious status quo situation, but we haven't gone beyond the discussion stage of what we certain do beyond that to identify organizations that we have predetermined are eligible. But we'll continue t discussion.

*Audience:* Thank you.

*Audience:* Hi, **Steven Brown** from Fordham Law School in New York. Just on continuing that discussion, if you could put those links on the FSA website or in the Qs&As I think that would be very useful. We have some link and we sending people to state attorney general, it's a mess. So that would be helpful.

*Pamela Moran:* Right.

*Audience:* These employment verification forms are going to one servicer. Is that servicer just holding them, or do the borrower's loans get transferred to that servicer?

*Pamela Moran:* I don't know that all the organization details have been worked out. It's my understanding that they will do the review. They'll do the confirmation. They'll do the retention. And that there may, in fact, be a transfer for purposes of going forwards with that borrower.

*Audience:* I would echo Nancy's request for anything electronic in terms of the forms, but I do understand the signatures. And other comment was I know forgiveness won't occur till 2017. We have a lot of borrowers who are looking toward that final application as a road map guideline, something that is tangible to them that they can say, "This is real." Of course, we tell it's them it's a law and it can be changed and all of that.

But if there's any possibility of speeding that up, I think we've pointed our students and alumni to the draft forms for employer verification and then they felt better, because then it seemed real. So if I could encourage you to get that application up sooner rather than later, I think that will help as well.

*Pamela Moran:* Right. The one difficulty we have with that is, of course, all of these forms that are federal forms are subject to the Paperwork Reduction Act. The approval on federal forms is generally a three-

year period. So you don't wanna go out and go through the entire public comment period which is one 60-day followed by another 30-day public comment period, and turn all of that around in to a form that will not still be a live form at the time that borrowers can actually apply for the benefit.

So some of our thinking about when we start out to go down the road to that practice that yields the final public service loan forgiveness benefit application form, is gonna be somewhat tied into that Paperwork Reduction Act, and the three-year limitation on the life of a form. Because we could go through that process, the form's expiration date could hit, and then we'd have to go through the process again.

*Audience:* Even that would be useful, again in the Q&A. We don't have a form because there is a three-year limitation on forms. Just something to reassure borrowers.

*Pamela Moran:* Okay. We understand. Thank you.

*Audience:* I agree.

*Audience:* Hi. It's **Tony Sosa** from New York Medical College. Pam, how are you?

*Pamela Moran:* Fine, thanks.

*Audience:* I'm very intrigued with, and I've still been working on having a zero IBR payment. Can I run this scenario by you? Now if the IBR essentially is based and students have to give permission to go in and check your IRS every year, and if someone in 2010 had a zero income and is now in IBR, makes application, gets accepted, they should, I assume, have a zero payment that first year. Am I correct?

*Pamela Moran:* Okay. Now this is an IBR payment question?

*Audience:* Yes.

*Pamela Moran:* And I'm not sure that I heard the question.

*Audience:* Well, we saw it up there where you had it there's an opportunity to have a zero payment the first –



*Pamela Moran:* Right. You could have under IBR, or ICR, you'd have a scheduled payment that is calculated as a zero payment. And that would count for public service loan forgiveness purposes, as a payment.

*Audience:* Correct. And someone who had a zero income that previous tax year, would then have a zero payment under IBR.

*Pamela Moran:* They could, unless there was a change of circumstance under which alternate documentation would be used because the income situation is no longer that, because certainly there's the ability to use alternative documentation if the AGI that was most recently filed, is no longer reflected of that borrower's financial circumstances, or income circumstance.

So I can't absolutely guarantee that that would lead to that person having a zero scheduled payment. But if, in fact, that situation employment-wise or income-wise was unchanged for that individual, certainly I would say yes, most likely it would be a zero scheduled payment.

*Audience:* Okay, thank you.

*Audience:* Hi. I'd like some clarification on when you were talking about the double dipping or the prohibition on double dipping. If a student going for the teacher loan forgiveness did their five years of service, got the teacher loan forgiveness of either \$5,000.00 or \$17,500.00, continued to work, can they still pursue the public service loan forgiveness if they continue to have a new ten years of qualifying.

*Gail McLarnon:* I believe the answer to that question is yes. You can receive a benefit, and then if you start anew and you're, therefore, not using the same service to qualify for the benefit, then yes, you can.

*Audience:* So the only prohibition is the new service –

*Gail McLarnon:* The new service –

*[Crosstalk]*

*Audience:* – can't be concurrent.

*Gail McLarnon:* Right. You can use new service to go forward and earn another benefit. You just can't use the same service.

*Audience:* Thank you.

*Gail McLarnon:* Okay.

*Audience:* I really thought she was gonna steal my question. Very similar is what about the TEACH grant, then. I'm assuming they can't use the same period of time for a TEACH grant fulfillment, or is that not the same?

*Gail McLarnon:* No, for the TEACH grant program, you can use the same service.

*Audience:* You can use the same five years?

*Gail McLarnon:* Your service to fulfill your teaching requirement in the TEACH grant program can be service that you use to also obtain loan cancellation. There is no statutory prohibition there.

*Audience:* Hi. I have a question actually about dental and medical residencies. If a borrower does their residency in a community health clinic and they've opted into IBR during their residency, and they're doing a residency in that nonprofit, if they stay at that community health center after their residency is over, would those residency years be considered work or would they have to do the ten years after their residency, even though they were in IBR during the residency?

*Pamela Moran:* I think it would depend upon what their status was with that community health organization at the time they fulfilled the resident requirements. They would have to be considered a full-time employee of that organization, and I'm not sure if people pursuing residencies or internships would necessarily be considered full-time employees of the organization. I'm not ruling it out, but that would be a key factor as to whether those years of residency could count toward the effectively the ten years of payments.

*Audience:* Okay, thanks.

*Audience:* Pam, hi. I'm **Jose Pechecko** from San Jose, California. To follow up on that question regarding the medical residencies, you state that medical residence would not qualify under the qualifying payment structure. Can you clarify that, please?

*Pamela Moran:* Okay. I'm sorry. You said that we said that a medical residency –

*Audience:* Well, a medical resident, from my understanding is when a medical resident graduates from medical school, they'll start their

first year post-graduate Year 1, Year 2, Year 3. They are considered full-time employees under the IRS guidelines. And, actually, that is an underlying issue with respect to that. So I'm just trying to figure all that out.

*Pamela Moran:* Okay. So if, in fact, they are considered full-time employees of the public service organization and they are making on-time monthly payments while they're providing this qualifying public service, under correct repayment plan, I don't see a basis whereby they would not be eligible. It just I'm not that familiar with medical internships and residencies in terms of what their status is with the party in which they're doing the residency or internship.

*Audience:* I have another question. Just with respect to the private organizations with a public service, have you spoken to the IRS regarding these limited partnerships or partnership arrangements that certain corporations set up so that they don't actually show – they won't show no profit, but they are profit? I mean, the money is basically a draw from the owners of the corporations. Have you explored that with respect to the private organizations with a public service if they serve some purpose of a public service?

*Pamela Moran:* No. Ian is shaking his head, and he's done the most research with the Internal Revenue Service on all the possibilities that we might be confronting as we go into this employment verification process. I think we're gonna see a little bit of everything in that process. We've had questions about what about folks who are self-employed and who decide that they're going to establish a not-for-profit organization, and those kinds of things. And we'll try to cover I think as much as we can of that in the revised PSLF Qs&As, including the links and all this kind of thing. But there will still be, especially in that private organization category, there's gonna be so much unknown that we're not gonna – oh, two minutes. We're not gonna know until we see what comes in.

*Audience:* Just one more question. I'm so sorry. Will those particular issues be addressed in the rule-making committee next in January, February, and March? They're gonna be PSLF program? I'm just curious if you're gonna be addressing some of these issues in the rule-making committees.

*Pamela Moran:* There's nothing on the agenda for – at least from what – in terms of the federal regular notice that the department published where we listed the items that we were interested in taking up, PSLF is not in that listing.

*Audience:* I see. Thank you very much.

*Audience:* Hi. **Lavern Walker** from Cornell Medical College. \_\_\_\_\_ question about the IBR \_\_\_\_\_ suggestion 'cause I know you guys used a term "adjusted gross income," and most people associate that with a 1040, a federal tax return. Can I suggest that you guys create some kind of bubble for the application, for the applicant to define how you guys define AGI, because AGI based on some of my alums who've been calling me who just recently graduated, they were under the assumption that could use their most-recent tax returns which would have been in most cases for them a zero AGI. But then as you just shared, if they have current information in which they're now \_\_\_\_\_ payment, the Department of ED is looking for their gross income of their recent pay stuff.

So all I'm suggestion for easier application process if we can define what AGI is, and also highlight that you're not really necessarily looking at the most recent AGI, but you're also looking at the most current wages information.

*Pamela Moran:* Okay. Well, to clarify, AGI is a defined term. Okay? AGI for federal tax purposes is a defined term. It's just that the regulations governing IBR provide for the use of AGI or alternate documentation.

*Audience:* Now you're saying that information is on the application, on the Studentloan.gov, whatever that website, students \_\_\_\_\_ the borrowers are going to?

*Pamela Moran:* I believe that there is some reference to the possible use of alternative documentation. But AGI is a defined term of the Internal Revenue Service, and so we're not redefining that. That has its own meaning. But whether or not a loan servicer is using that most-recently filed AGI or because the regs allow for use of alternative documentation, they are turning to pay stubs or something that more clearly reflects the current financial income information of the borrower as opposed to the most recently filed AGI, that's provided for in regs. And on the FFEL side, it is the option of the lender to examine alternative documentation if they think the most recently filed AGI does not reflect the borrower's financial situation.