So you have student loans: Are you aware of PSLF?

Public Service Loan Forgiveness is intended to encourage student loan borrowers to pursue full-time employment in the public service sector. Through this program, borrowers can qualify for the forgiveness of their student loan balance after making 120 scheduled qualifying payments, and while employed full time in public service. Borrowers who meet the program requirements can have their loans entirely forgiven, and not pay taxes on the forgiven balance – since it is not treated as taxable income. To qualify for PSLF, pay attention to the following requirements:

Only Direct Loans qualify.

This means that borrowers interested in qualifying for PSLF must convert any non-Direct Loans they have into Direct Loans. Borrowers may convert student loans, like Perkins, FFEL, and other Federal loans, into Direct Loans by consolidating their existing Federal obligations. Only payments done towards Direct Loans qualify for PSLF - payments on Perkins and FFEL will not qualify. Any consolidation of Direct Loans effectively resets the count on the required 120 payments.

Full time employment in public service is required.

PSLF requires that borrowers work full time in public service while making the 120 required payments. Borrowers must still be employed when they apply for forgiveness. Eligibility is determined by the employer’s classification, rather than the work performed, position, or title of the borrower. To qualify, borrowers must be employed at any level of government (Local, State or Federal), or at a 501c3 nonprofit. Other nonprofit designations may qualify and need to be verified on a case by case basis. Full time employment requires an annual average of 30 hours per week at minimum. There are special provisions for teachers and those working at more than one qualifying part-time job simultaneously.

PSLF requirements will take at least 10 years to complete. That is because completion is measured through the scheduled 120 qualifying payments. Since PSLF does not require that the 120 qualifying payments be consecutive, it is important to understand that loan forgiveness may take more than ten years for a variety of professional and personal reasons. Borrowers must be employed in public service when forgiveness is applied for. This means that the borrower must apply for forgiveness before retiring, for example, even if the borrower has completed the 120 qualifying payments before retirement.

120 scheduled qualifying payments are required.

While these payments do not need to occur over consecutive periods of employment, they must meet certain requirements. The borrower’s loans must be in “Repayment” status under one of the qualifying repayment options. Loans in Default, Deferment, In-school Status, etc, even if being repaid, do not qualify. Only payments made under a Standard repayment plan and income based repayment options qualify for forgiveness. Though, it is important to point out, that if a borrower makes 120 payments under the Standard repayment option, he or she will have paid off the loans in full. To benefit from the PSLF strategy requires that borrowers minimize monthly payments as much as possible. This way, borrowers maximize the amount of student loans forgiven through the program – including all the interest accrued over time. By minimizing their payments, borrowers free up money in their monthly budget that can be used towards meeting living costs, paying for a mortgage, or funding retirement.
For some borrowers, monthly payments under one of the income based repayment options may be as low as $0. A borrower with a $0 payment will be reported as current, or paying as agreed, to credit bureaus.

**Is PSLF right for me?**

PSLF is not a practical student loan management option for all borrowers employed in public service. Some public service employees make enough income to not qualify for one of the income based repayment options that make the forgiveness program worthwhile. Others may have student loan balances that are low and, even when qualifying, participating in the program would cost more over time than other repayment strategies. Borrowers should think about the costs and benefits of the program before pursuing it as a long term student loan management option.

**What do I need to do to benefit from PSLF?**

In practical terms borrowers only need to be able to prove they meet all qualifying requirements when they apply for the forgiveness of their student loan debt. In reality, providing proof can be challenging. It is recommendable, therefore, that borrowers pursuing PSLF track their qualifying employment over the years, rather than try obtaining proof of employment years after the fact. Borrowers can fill the Employment Verification Form on a yearly basis, or at least every time they change employer or job, and submit it to the servicer handling PSLF (Fedloan) to track and prove qualifying employment.