

Public Service Loan Forgiveness

The Public Service Loan Forgiveness (PSLF) program forgives the remaining balance on an individual's federal direct loan after they make 120 qualifying monthly payments under a qualifying repayment plan while working full-time for a qualifying public service employer.

First enacted in 2007 with the intention of helping borrowers manage their student loan debt while pursuing careers in public service, PSLF gave people working in public service—including all levels of government, states and municipalities, school districts, public hospitals, qualifying non-profit organizations, and more—a pathway to pay off their student loans. The intention of the program is commendable, but it has proven exceedingly complicated, and implementation has been fraught.

Over 90,000 people have applied for forgiveness, but only about [845 applications](#) have been approved, meaning that the Department of Education has denied 99% of applications.

- ❖ Problems with the program include:
- ❖ Borrowers must have one of a few specific loan types.
- ❖ Borrowers must make payments for ten years--all in a specific type of repayment plan.
- ❖ Borrowers must work for certain types of approved employers, and must provide documentation of employer eligibility whenever they change jobs.
- ❖ Borrowers have also had their qualifying payments miscounted, or their employment improperly deemed as not qualifying.¹
- ❖ Borrowers do not find out whether their loans will be forgiven until they apply for forgiveness at the end of the 10-year period.
- ❖ Servicers have not placed borrowers in correct repayment plans, or given accurate information.
- ❖ MyFedLoan – the only servicer managing PSLF – announced that it will stop servicing federal student loans in December 2021.

It is important to note that public servants are also impacted by [IDR's](#) shortcomings:

- ❖ Borrowers who rounded up payments to the nearest dollar or made lump sum payments trying to pay down their debt faster in good faith were placed in a "paid ahead" status and prevented from accruing additional qualifying payments. (Note: The Department has since fixed this problem for people paying now, but has not gone back to correct it for all affected borrowers.)
- ❖ Wait times extend 6-12 months to process disputes between borrowers and servicers on payment counts and other issues. Because PSLF requires a borrower to be employed full-time in public service at the time of forgiveness, these disputes artificially extend the service requirement past ten years.

¹ Whistle, Wesley. "The Problem with Public Service Loan Forgiveness? It's Mostly Working." December 2019. *Forbes*. <https://bit.ly/38Eg0Bz>

Congress should make sure the Department and loan servicers are doing their best for borrowers to have the correct information they need to remain on track. In May 2021, over a dozen Members of Congress [signed a letter](#) urging Secretary of Education Miguel Cardona to direct the department to reform PSLF. The letter called for four major reforms to PSLF and eligibility requirements:

- ❖ Make all federal student loans eligible.
- ❖ Make all repayment plans eligible.
- ❖ Waive restrictions at time of forgiveness.
- ❖ Automatically qualify borrowers.

These steps would simplify the process, provide more transparency, and increase oversight of the program itself. They would also help realize the original intent of the program to provide student loan forgiveness for qualifying borrowers.