

BACKGROUND

The Public Service Loan Forgiveness (PSLF) program was established in 2007 as part of the College Cost Reduction and Access Act (CCRAA) and was designed to encourage student loan borrowers to enter and remain in the public non-profit sector for at least ten years with the promise to forgive any remaining federal student loan debt at that time tax free. The program is neither discipline nor degree specific, and thus applies to all student loan borrowers who meet the eligibility requirements. This most certainly includes medical and dental school graduates who pursue careers in the public sector.

ELIGIBILITY

The basic eligibility requirements for PSLF are not complicated, and they have not changed, even with the changes and improvements to the program made in 2022 by the Biden Administration. In order to qualify for PSLF, a borrower must:

1. **Make 10 years' worth of qualifying payments with an eligible repayment plan such as SAVE (which replaced REPAYE), IBR, or PAYE (which is being phased out July 1, 2024).** You **MUST** at some point use an Income Driven Repayment (IDR) plan to qualify. Payments do not have to be consecutive nor do they have to be from the same plan.
2. **Payments must be made on Federal Direct Loans** (these are loans directly from the government). Therefore, if your loan does not say Direct, it is not eligible for PSLF. The government cannot forgive loans it did not make.
3. **Payments with an eligible plan on Direct Loans must be made while working full time (now defined as 30 hours per week) for an eligible non-profit employer.** The employment does not have to be consecutive nor from the same employer.

Please note that while the payments do not have to be consecutive and the employment does not have to be consecutive, the PSLF "clock" is not moving towards eligibility unless all three of these things are happening at the same time. This is why it may take some borrowers more than 10 years to qualify.

STEPS TO SET UP PSLF ELIGIBILITY

In order to start qualifying for PSLF, borrowers should:

1. Complete the PSLF Form available at www.StudentAid.gov/publicservice.
2. **We strongly suggest you use the PSLF Help Tool referenced on this site to complete the PSLF Form.** With the PSLF Tool, you can:
 - a. Check to see if your employer is already in the federal employer database as an eligible PSLF employer.
 - b. Request your employer's eligibility be reviewed if your employer is not already in the database of eligible employers.
 - c. Prepare and sign your PSLF Form, and request certification and signature from your employer, all electronically.
 - d. Generate your PSLF Form for a wet signature and submission if electronic submission is not possible.
3. Borrowers should apply for an eligible repayment plan (an IDR like SAVE) when their loans come due.

We strongly suggest borrowers submit the PSLF Form every year and certainly any time they change employers, as this should help with tracking. This lets the government compare the date of payments with an income plan against the same date of eligible employment, which is what results in a qualifying payment.

IMPORTANT CHANGES TO PSLF PROCESSING

Please see www.StudentAid.gov/Steamlining for important information about the processing of PSLF Forms.

IMPORTANT COMMENTS ON PSLF

Please note the following:

1. The PSLF Form is not a contract, it is simply a way of letting the government know you are interested in PSLF and that you want help tracking your qualifying payments so that you always know how far along you are towards forgiveness.
2. While the PSLF Form is not required, it is the only way to track your payments and the only way the government knows you are interested in the program.
3. While there were some decided challenges with PSLF when the program first started, these have long since been addressed and borrowers are now qualifying and have been for years. This is no doubt due to better counseling and an overall better understanding of how the program works.
4. The extremely high denial rate for the first groups of borrowers who applied for forgiveness was due in large part to a) borrowers applying for forgiveness on loans the government did not make and b) borrowers applying for forgiveness when they were using the wrong repayment plans. This was largely addressed with the temporary PSLF Waiver put in place by the Biden Administration in 2022.
5. The forgiveness amount with PSLF is not considered taxable income for federal tax purposes, though state tax provisions may be different.

Should you have questions about PSLF and want some help determining if PSLF should be part of your repayment strategy, please contact us at paul@PGPresents.com or visit us at www.PGPresents.com.

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