

Federal Student Aid Fact Sheet for SCDC Applicants

Loan Forgiveness for Public Service Employees



What is the Public Service Loan Forgiveness Program?

Through the College Cost Reduction and Access Act of 2007, Congress created the Public Service Loan Forgiveness Program to encourage individuals to enter and continue to work full-time in public service jobs. Under this program, borrowers may qualify for forgiveness of the remaining balance due on their eligible federal student loans after they have made 120 payments on those loans under certain repayment plans while employed full time by certain public service employers. Since borrowers must make 120 monthly payments on their eligible federal student loans beginning after October 1, 2007 before they qualify for the loan forgiveness, the first cancellations of loan balances will not be granted until October 2017.

This fact sheet briefly summarizes the terms and conditions of the Public Service Loan Forgiveness Program. **Please note that the qualification and eligibility requirements for this program are based on the borrower's current status with his/her student loan and not as a result of employment with this State Agency.**

What federal student loans are eligible for forgiveness under the Public Service Loan Forgiveness Program?

Any non-defaulted loan made under the William D. Ford Federal Direct Loan Program (Direct Loan Program) is eligible for loan forgiveness. (See below for information on how non-Direct Loans may be eligible.) The Direct Loan Program includes the following types of loans–

- Federal Direct Stafford/Ford Loans (Direct Subsidized Loans)
- Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans)
- Federal Direct PLUS Loans (Direct PLUS Loans) – for parents and graduate or professional students
- Federal Direct Consolidation Loans (Direct Consolidation Loans)

How can other federal student loans qualify for loan forgiveness?

Although loan forgiveness under this program is available only for loans made and repaid under the Direct Loan Program, loans made under other federal student loan programs may qualify for forgiveness if they are consolidated into a Direct Consolidation Loan. However, only payments made on the Direct Consolidation Loan will count toward the required 120 monthly payments.

The following types of loans may be consolidated into the Direct Loan Program –

- Federal Family Education Loan (FFEL) Program loans, which include –
 - Subsidized/Unsubsidized Stafford Loans
 - Federal PLUS Loans – for parents and graduate or professional students
 - Federal Consolidation Loans (excluding joint spousal consolidation loans)
- Federal Perkins Loans
- Certain Health Professions and Nursing Loans

NOTE: To consolidate a Federal Perkins Loan or Health Professions/Nursing Loan into the Direct Loan Program, you must also consolidate at least one FFEL Program loan or Direct Loan. If you are unsure about what kind of loans you have, you can find information about your federal student loans in the U.S. Department of Education's National Student Loan Data System at <http://nslds.ed.gov>.

What are the borrower eligibility requirements for loan forgiveness under the Public Service Loan Forgiveness Program?

- The borrower must not be in default on the loans for which forgiveness is requested.
- The borrower must be employed full time by a public service organization –
 - When making the required 120 monthly loan payments (certain repayment conditions apply – see below);
 - at the time the borrower applies for loan forgiveness; and
 - At the time the remaining balance on the borrower's eligible loans is forgiven.

What are the specific loan repayment requirements for loan forgiveness under this program?

The 120 required payments must be made under one or more of the following Direct Loan Program repayment plans–
Income Based Repayment (IBR) Plan (not available to parent Direct PLUS Loan borrowers)
Income Contingent Repayment Plan (not available to parent Direct PLUS Loan borrowers)
Standard Repayment Plan with a 10-year repayment period

Any other Direct Loan Program repayment plan, but only payments that are at least equal to the monthly payment amount that would have been required under the Standard Repayment Plan with a 10-year repayment period may be counted toward the required 120 payments.

