

## 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 Pay As You Earn (PAYE) or SAVE (formerly Revised Pay As You Earn, aka REPAYE).** 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](http://www.StudentAid.gov/publicservice).** This can be completed once a borrower starts working full time for an eligible employer. Borrowers should complete Section 2 on page 1 and submit to their employer who will complete page 2. Borrowers should make a copy of their PSLF Form then submit to MOHELA (the designated loan servicer for borrowers interested in PSLF), with details for this in Section 8 at the bottom of page 5. Once received, MOHELA will confirm the employer is an eligible PSLF employer then transfer the borrower's loans from the borrower's original loan servicer to their servicing system, if they are not already the loan servicer of record for the borrower. The PSLF Form can also be done online (please see the above website for details).
2. **Borrowers should apply for an eligible repayment plan (an IDR like PAYE or SAVE) when their loans come due.** Ideally, their first payment will go to MOHELA, if MOHELA has their loans before repayment starts, so that MOHELA can track the borrower's payments from payment one. However, if a borrower's loans come due before their loans are transferred to MOHELA, they should still apply for an eligible plan with their current servicer as all the repayment information will be transferred to MOHELA eventually, and payments made to another loan servicer while the borrower is working full time for an eligible employer will count for PSLF.

We strongly suggest borrowers submit the PSLF Form every year to MOHELA and certainly any time they change employers, as this should help with tracking.

## 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. The PSLF Form can now be done online by using the PSLF Tool at [www.StudentAid.gov/PSLF](http://www.StudentAid.gov/PSLF).
4. While there were some decided challenges with PSLF when the program first started, many of these have 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.
5. 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.
6. 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](mailto:paul@PGPresents.com) or visit us at [www.PGPresents.com](http://www.PGPresents.com).

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