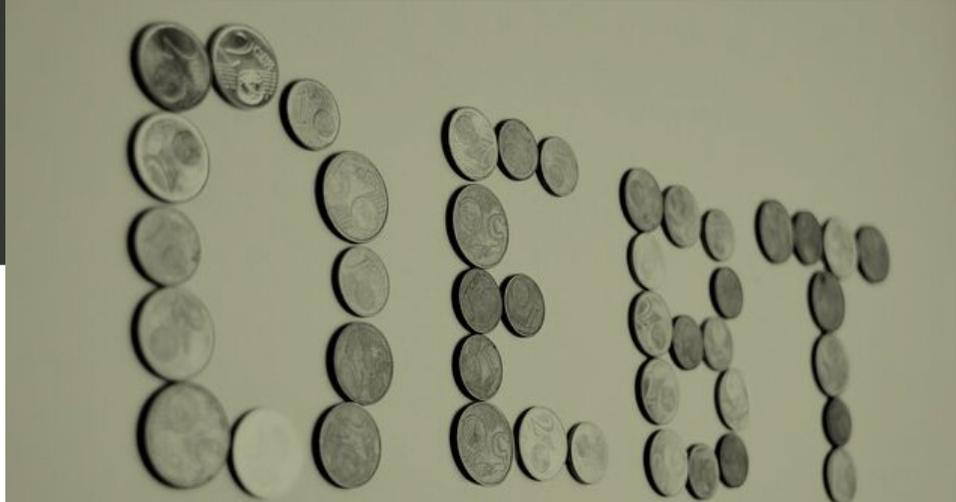


# Public Service Loan Forgiveness: Update

04.25.22 | Linda J. Rosenthal, JD



“Student loans were never meant to be a life sentence, but it’s certainly felt that way for borrowers locked out of debt relief they’re eligible for.”

U.S. Secretary of Education Miguel Cardona made these remarks last week in connection with his recent announcement of the newest fixes for the troubled Public Service Loan Forgiveness (PSLF) program. [\*Department of Education Announces Actions to Fix Longstanding Failures in the Student Loan Programs\*](#), (April 19, 2022) Press Release, U.S. Department of Education.

Best of all, they “... will result in immediate debt cancellation for at least 40,000 borrowers...” See [\*Department of Education forgiving at least 40,000 student loans\*](#) (April 19, 2022) Simon Druker, UPI.com. And changes to the beleaguered Income-Driven Repayment (IDR) program will have even more impact. See [\*Biden’s latest student debt move will bring 3.6 million borrowers closer to loan forgiveness\*](#) (April 19, 2022) Katie Lobosco, CNN.

“In its latest attempt to fix widespread breakdowns in the federal student loan payment system, the Education Department said on Tuesday that it would use one-time waivers and adjustments to retroactively credit millions of borrowers with additional payments toward loan forgiveness.” [\*Millions move closer to student loan forgiveness with one-time government waivers\*](#). (April 19, 2022) Stacey Cowley, The New York Times.

Additional helpful explanations of these somewhat convoluted but critical changes include: [\*Here’s who is eligible for student loan debt relief after Biden’s latest actions\*](#) (April 21, 2022) Katie Lobosco, CNN, and [\*Student loan borrowers will get help after an NPR report and years of complaints\*](#) (April 19, 2022) Cory Turner, NPR.

## The Program History

Beginning with [Public Service Loan Forgiveness: Glitches](#) (April 15, 2019), we've covered the saga of the troubled PSLF program.

The Public Service Loan Forgiveness program is of keen interest to the nonprofit sector, hard-hit by the loss of workers seeking higher paying jobs. "Student loan relief is seen as a vital policy solution to curbing the nonprofit workforce shortage." See *Nonprofit Advocacy Update* (April 18, 2022), National Council of Nonprofits. NCN credits "intensive lobbying from the nonprofit and government sectors" for aggressive reforms of the PSLF. "The COVID-19 pandemic has placed a tremendous strain on public servants, making it even more critical that borrowers are able to access PSLF. Many public servants have been on the front lines of the pandemic, making personal sacrifices to keep the rest of us safe. Nonprofits are still recovering jobs lost in the last year, and some public service workers have reported they are considering leaving public altogether."

The federal legislation from 2007 was drafted as a win-win solution for debt-strapped college grads as well as for the nation's nonprofits and government agencies needing help attracting top-notch talent away from the better-paying private sector. In return for ten years' work with one or more "qualifying" employers, a borrower can have any remaining student-loan balance canceled.

The Public Service Loan Forgiveness statute was well-intentioned but badly crafted. It was complex and confusing. Anecdotally, the PSLF program administration was a hassle and a mess. There was inadequate DOE oversight and the outside companies retained to service the loans were overbearing and unhelpful.

But the extent of the dysfunction became clear only when, in about 2017 and 2018, the first of the borrowers enrolled in the PSLF program became eligible for the 10-year student-loan discharge. A furor erupted when just a tiny percentage of the submitted applications for relief were approved.

In [Nonprofits & Student-Loan Forgiveness: Action Needed](#) (August 24, 2021), we reported on the dramatic turnaround in policy and procedure under the new Administration. The goal has been to: (1) identify and correct deficiencies and problems in the PSLF statute itself or in the interpretation or administration of it, (2) grant relief to borrowers who were treated unfairly, and (3) ensure that the same problems don't arise in the future.

And, of course, there is a growing awareness of the crisis of affordability of a college education in the United States. The status quo – namely, saddling students with crippling debt for many decades – is unsustainable long term.

### *Series of Fixes*

Over the summer of 2021, the Department of Education invited public input about the student-loan repayment system. The federal agency was swamped with over 48,000 responses.

By early October 2021, the agency published ([Archived](#)) [Fact Sheet: Public Service Loan Forgiveness \(PSLF\) Program Overhaul](#) (October 6, 2021), U.S. Department of Education.

"The Public Service Loan Forgiveness (PSLF) Program," explained Secretary Cardona, "is an important—but largely unmet—promise to provide debt relief to support the teachers, nurses, firefighters, and others serving their communities through hard work that is essential to our country's

success.”

He added: “By cancelling loans after 10 years of public service, PSLF removes the burden of student debt on public servants, makes it possible for many borrowers to stay in their jobs, and entices others to work in high-need fields.”

“Today, the Department of Education is announcing a set of actions that, over the coming months, will restore the promise of PSLF....” to workers who have in good faith complied with requirements for student-loan cancellation.

The key element of the October announcement is the offer of a “time-limited waiver” of many of the onerous restrictions and limitations of the Program. The effect is to “count all prior payments made by the borrower regardless of the loan program. Previously, many “loan types and payment plans” were ineligible. This waiver period starts in October 2021 and borrower can choose to opt-in until October 31, 2022.

See “The Forgiveness (PSLF) Form With The PSLF Help Tool” on the DOE website. It “helps determine whether you work for a qualifying employer for the PSLF or the Temporary Expanded Public Service Loan Forgiveness (TEPSLF) programs, suggests actions you can take to become eligible for PSLF, and guides you through the PSLF form and submission process.”

The Department of Education’s October 6th press release also indicated that the agency “will pursue opportunities to automate PSLF eligibility, give borrowers a way to get errors corrected, and make it easier for members of the military to get credit toward forgiveness while they serve.” It “will pair these changes with an expanded communications campaign to make sure affected borrowers learn about these opportunities and encourage them to apply.”

The DOE characterized these changes as “important steps toward a better and stronger PSLF program, one that will move away from the current situation in which too few borrowers receive forgiveness, and too many do not receive credit for years of payments they made because of complicated eligibility rules, servicing errors or other technicalities.”

See our update in *Student Loan Forgiveness Program: “Transformational” Fixes* (October 7, 2021).

### ***Newest DOE Notice***

In *Department of Education Announces Actions to Fix Longstanding Failures in the Student Loan Programs* (April 19, 2022), the focus expands beyond the Public Service Loan Forgiveness program to include another of the student-loan debt avenues of relief, the Income-Driven Repayment (IDR).

The notice makes clear that the goal is to “make it easier for federal student loan borrowers to receive forgiveness that they may already be entitled to under existing programs.”

“Today, the Department of Education announced steps that will bring borrowers closer to public service loan and income-driven repayment (IDR) forgiveness by addressing historical failures in the administration of the federal student loan programs.”

In this document, there's a particular focus on a problem that regularly occurs under both the IDR and the PSLF programs. The DOE is training its sights on improper "forbearance steering."

Department regulations emphasize that borrowers who are facing difficulty making their loan payments are entitled to receive clear and accurate information from loan-servicing firms about their options (including an Income-Driven Repayment plan) for staying out of delinquency and about the financial consequences of choosing short-term options like forbearance.

Forbearance seems, at first blush, to be a reasonable option, except when that borrower's monthly payment under an IDR plan "could have been as low as zero dollars." Choosing the IDR option would help the borrower get closer to the statutory debt cancellation date.

By contrast, a borrower advised to choose forbearance – particularly long-term consecutive or serial uses of forbearance – can see their loan balance and monthly payments grow due to interest capitalization and lead to delinquency or default. Borrowers "steered or inappropriately placed into long-term forbearances miss out on critical progress toward IDR and PSLF forgiveness." It can "set them back years."

While there were safeguards in the statute and in the servicer firm contracts, they were routinely violated. For example, there is a 12-month limit for any single use of forbearance, and a 36-month cumulative limit on discretionary forbearance." But a "review of past forbearance use shows that long-term use of forbearance was remarkably widespread."

The Department of Education's April 19, 2022, press release indicates that there will be a one-time account adjustment so that borrowers damaged by these improper activities can receive a credit towards the IDR or PSLF forgiveness calculation.

"Beyond the immediate corrective actions announced today that will provide relief to borrowers harmed in the past," there will be "action to ensure that borrowers are treated correctly in the future, including stepped-up oversight of the servicing firms.

Separately, on April 5, 2022, the President ordered another extension of the student-loan payment freeze. It will be in effect at least up to the end of August 2022. [\*Biden-Harris Administration Extends Student Loan Pause Through August 31\*](#) (April 6, 2022) Press Release, U.S. Department of Education.

Of course, that pause in the payment obligation applies to all student-loan borrowers across the board.

### *Conclusion*

Taken together – (not just those focusing specifically on PSLF) – the cumulative changes taken by the Administration so far are set to help a broad swath of student-loan borrowers. "The credits will help borrowers seeking to have their loans eliminated under the Public Service Loan Forgiveness program and through the use of income-driven repayment plans. The public service program eliminates the debts of government and nonprofit workers after 10 years of qualifying loan payments, and those who enroll in income-driven plans are entitled to have their remaining debt wiped out after 20 to 25 years."

And there are hints there may be additional relief either by the Administration or by Congress.

– *Linda J. Rosenthal, J.D., FPLG Information & Research Director*