

# Urgent Action Needed on PSLF Program

08.09.22 | Linda J. Rosenthal, JD



The Public Service Loan Forgiveness (PSLF) Program was enacted in 2007 with high hopes. It was crafted as a win-win solution all around: debt-strapped college grads needed relief and the nation's nonprofits and government agencies needed help attracting top-notch talent away from the better-paying private sector.

The concept was simple: For ten years' work with one or more "qualifying" employers, a borrower has any remaining student-loan balance canceled.

As we explained most recently in [Public Service Loan Forgiveness: An Update](#) (April 25, 2022), the PSLF Program was a mess and a hassle straight out of the gate. See also our earlier posts: [Public Service Loan Forgiveness: Glitches](#) (April 15, 2019) and [Nonprofits & Student-Loan Forgiveness: Action Needed](#) (August 24, 2021).

The law was complex. It was confusing to borrowers, to program administrators, and to the outside contractor firms hired to service the loans. Making matters much worse was gross misconduct by the loan servicers. The full 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 was approved.

Since the Biden Administration came into office in early 2021, there has been a continuing effort to solve past errors, to ease the path for applicants near the ten-year mark to apply for and receive loan cancellation including temporary waivers of certain requirements, to establish long-term fixes for the program, and to (possibly) wipe out a portion of debt for borrowers across the board.

These reforms and accommodations are moving forward on separate tracks, but simultaneously. Right now, all of them are in the news. It's understandable if you are confused – and frustrated – at this point.

Nevertheless, community leaders including the National Council of Nonprofits are urging immediate action by the nonprofit sector on two particular matters.

First, there is a public-comment deadline of this Friday, August 12, 2022, for the Department of Education's proposed regulations on reforming the administration of student loans, including under the Public Service Loan Forgiveness program. While inviting and accepting public comments is a statutory requirement when an administrative agency issues proposed regulations on a particular law, it's by no means a meaningless, "going through the motions," exercise. Particularly where (as here) there is (1) broad agreement that reforms are needed and (2) a friendly executive department open to significant changes, the suggestions by stakeholders are generally welcomed and given serious consideration.

Second, there has been an ongoing call for several months now for nonprofit organizations to educate their workers on how to maneuver through the application process for the one-time, temporary waiver of past obstacles. This is a generous opportunity to grant relief to perhaps millions of borrowers who were unfairly shut out of partial or full loan cancellations. But there is an October 31, 2022 deadline which is rapidly approaching.

### ***Proposed Regulations***

The U.S. Department of Education has proposed new regulations to the Public Service Loan Forgiveness (PSLF) program. The official government announcement dated July 12, 2022, is the Notice of Proposed Rulemaking. See also *NCN Advocacy Update* (August 8, 2022).

"The proposed rules would make permanent some of the relaxed eligibility terms in the temporary Limited PSLF Waiver set to expire Oct. 31. Key provisions would recognize more kinds of payments (certain types of deferment and forbearance, and payments made in advance, late, or in lump sum) to count as qualifying payments; clarifying and expanding the definitions of full-time employment and qualifying employer; and codifying the reconsideration process. The proposed regulations, if adopted, would also provide a hold-harmless option for deferment or forbearance, automate progress toward forgiveness, and eliminate prospective interest capitalization not required by statute."

"This notice of proposed rulemaking (NPRM) covers student loans and affordability issues." Among the six topics is one about the Public Service Loan Forgiveness Program: "[W]e propose to amend regulations governing Public Service Loan Forgiveness (PSLF) in the Direct Loan program to improve the application process, and to clarify and expand definitions for full-time employment, qualifying employers, and qualifying monthly payments."

The Notice of Proposed Rulemaking sets the customary public-comment period to end on August 12, 2022. That document includes all the specifics of how to submit the comments.

There are two important sources of information for the nonprofit sector on these proposals and recommended responses. The first is yesterday's official public-comment submission by the National Council of Nonprofits. The *second* is a July 29, 2022, letter by twenty state attorneys general addressed to President Biden and Secretary of Education Michael Cardona.

The National Council of Nonprofits (NCN) expresses “strong support for many of the proposed regulatory improvements that, if substantially implemented as proposed, ‘would help ease some of the staffing challenges nonprofits are facing by clarifying and expanding the opportunity for loan forgiveness for charitable nonprofit employees, thus fulfilling the purpose behind PSLF as Congress originally intended.’”

[NCN's 10-page letter](#) is an excellent, plain-English presentation on the importance of the Public Service Loan Forgiveness Program for both the nonprofit-sector workers as well as their employers' ability to keep talented staff in a challenging workforce-shortage climate and attract new hires. More specifically, it includes explanations in easy-to-understand terms on which aspects of the revised PSLF regulations are workable and desirable improvements.

They have also prepared a helpful chart comparing the existing provisions and those newly proposed. See [Comparison of Key Provisions](#).

NCN invites anyone in our community to freely lift and use any or all of parts of that letter for use in their own submissions to the government.

In [RE: Urgent Need to Extend, Expand, and Harmonize the Limited Public Service Loan Forgiveness Waiver](#) (July 29, 2022), the state attorneys general provide a deep-dive in 13 pages on the significant problems in the existing student-loan law as well as their opinions on the government's proffered fixes.

They write from the vantage point of having been on the receiving end of many consumer complaints by aggrieved student borrowers who were mistreated by loan-servicers and otherwise denied loan-forgiveness relief. Their comments are comprehensive and scholarly. It's an important read, although not an easy or quick one.

### ***Temporary Waiver***

There have been reminders for months by the National Council of Nonprofits and others about the upcoming scheduled expiration of one-time temporary accommodations (a “waiver”) for beleaguered public-service borrowers as to their existing obligations.

It's an extraordinary opportunity that too many nonprofit workers don't know about at all or who haven't yet taken the actions necessary to preserve their rights. Recently, one such nonprofit worker/borrower wrote an article to urge immediate action. See [Commentary: Nonprofits should spread the word on little-known \\$10B federal student loan forgiveness for their employees](#) (June 2, 2022) Rich Leimsider, nymmedia.com. There, Mr. Leimsider cautions that “the program can help those eligible public service workers, but only until October.”

He was spurred on to write this piece because of his own recent “life changing experience a few weeks” before. His entire “remaining student debt was forgiven by the government, eliminating hundreds of future monthly payments.” If his fellow “nonprofit and government leaders don't act fast to spread the word,” he warns, they “... may lose billions of dollars forever.”

The original PSLF was so complicated and bureaucratic that almost no one actually received forgiveness,” he explained. “Despite millions theoretically eligible across the country, literally only

16,000 had received forgiveness by 2020.” But in October 2021, the Department of Education introduced the PSLF waiver program “which made significant changes. Millions of borrowers were newly eligible for immediate loan forgiveness – or at least to have years of payment credit newly added to their progress tracker.” Mr. Leimsider “went from having zero qualifying payments” in his tracker “to having 134.”

He describes the PSLF waiver application as “complicated” but actually “fairly straightforward,” finding it “harder than getting a library card, easier than doing” his taxes. He recommends that all borrowers check the “[Help Tool](#)” at StudentAid.gov to see if they qualify.”

### ***Conclusion***

These two tracks on which nonprofit leaders urge action are separate and distinct from the ongoing discussions in and beyond Washington, D.C. about the possibility – or probability even – of making across-the-board student-loan cancellations of at least a portion of outstanding debt.

The rumors about imminent action by the president have gone on for weeks. News of this move could come at any time, but this action alert was critical enough so we decided not to wait. If and when a broader presidential announcement is issued, we’ll report about it then.

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