

PUBLIC SERVICE LOAN FORGIVENESS

Public Service
Employers

Program Overview

Background

The Public Service Loan Forgiveness program (PSLF) is a program established by Congress with the passage of the College Cost Reduction and Access Act (CCRA) of 2007. The CCRA Act states the “The Secretary shall cancel the obligation to repay the balance of interest and principal due, on any eligible Federal Direct Loan not in default for a borrower who:

1. Has made 120 monthly payments on the eligible Federal Loan after October 1, 2007 under an income-based repayment plan.
2. Is employed in a public service job and has remained employed during the period in which the borrower makes each of the 120 payments

This program was created to encourage individuals to pursue careers in public sector. The PSLF program allows eligible borrowers to qualify for forgiveness of remaining balance of their Federal Direct Loan Program loans; following 10 years of full-time service within a public service organization, while making 120 qualifying payments.

Scope of Public Service Loan Forgiveness Program

Any non-defaulted loan made under the Direct Loan Program is eligible for loan forgiveness. The Direct Loan Program includes:

1. Federal Direct Stafford Loans (Direct Subsidized Loans)
2. Federal Unsubsidized Loans (Direct Unsubsidized Loans)
3. Federal Direct PLUS Loans (For parents and graduate or professional students)
4. Federal Direct Consolidation Loans

Parents who received a Direct PLUS Loan, may qualify for forgiveness of the PLUS loan, **if** the parent borrower is employed with a public service organization.

In order for Parents who work in public service to qualify for PSLF they have to meet the criteria outlined in the standard PSLF program in addition to:

- Consolidating the loan under the Federal Direct Consolidation Loan program

Including Federal Parent PLUS loans in the Federal Direct Consolidation Loan program will in turn make it eligible for Income Contingent Repayment (ICR) which is required to make a qualified payment under the PSLF program.

Eligibility

Public employees who wish to take advantage of the PSLF must meet the following criteria:

1. Employed **full-time** by a public service organization
2. You must not be in default on the loans for which forgiveness is requested
3. Payments are made under an income-based repayment plan (IBR) or an income-contingent repayment plan (ICR)
4. Maintain a full time position with a public service organization while all 120 payments are made

Things to Consider

Generally, payments above or at the amount set under a standard 10-year repayment plan qualifies for PSLF. However, most employees will likely pay off their entire student loan before they are eligible for the loan forgiveness. Considering this, it is important to urge employees to enroll in an Income Based repayment (IBR) plan.

Income Based Repayment Plans

An Income Based repayment Plan (IBR) is an income-driven repayment plan that sets the borrower's monthly student loan payment at an amount that is intended to be affordable based on the borrower's current salary and family size. This will allow city employees to keep their payments low while making progress toward the 120 qualifying payments. Under the PSLF program, this is the best repayment plan option.

Qualifying Public Service Jobs

All individuals employed **full-time in any position** by a public service organization, AmeriCorps or Peace Corps qualify for the PSLF program. “Public Service Organization” for the purpose of the PSLF program is defined as follows:

- Any government organization including federal, state, local or tribal organization, agency or entity; public child or family service agency; tribal college or university.
- Any non-profit, tax-exempt organization under section 501(c)(3) of the Internal Revenue Code.
- A private, non-profit organization (excluding labor unions and partisan political organization).



The position/ nature of employment or position within the qualifying organization does not matter for purposes of determining full-time public service employment.

National Student Debt Statistics

Across the United States the outstanding student loan debt amounts to \$1.2 trillion dollars. This makes up approximately 6% of the overall national debt. With these amounts it is no surprise that over 70% of all college attendees graduate with student loan debt. The data below analyzes the student loan debt and repayment statistics on a national level.

Student Loan Debt Statistics	Data
Percent of college students who borrow annually to help cover costs	70 %
Approximate number of student loan borrowers with outstanding loans today	37,000,000
Student Loan Repayment Statistics	Amount
Approximate amount of past due student loan debt	\$85,000,000,000

A program such as the Public Service Loan Forgiveness Program is instrumental in encouraging recent graduates to obtain a career in public service, while assisting them on making sound financial decisions. All full-time public service employees automatically meet one of the requirements to enroll and benefit from the PSLF program.

The Public Service Loan Forgiveness Program will allow certain federal student loans owed by all your full time employees to be forgiven after 10 years of on-time, qualifying monthly payments. To benefit, your employees need to have a qualifying loan and sign up for a qualifying repayment plan.

Sample Letter from Public Service Employer to Employees

Dear New Employee,

(Employer Name) is a qualified employer under the federal Public Service Loan Forgiveness program. We are committed to helping you manage your student loan debt and start on the path to a stronger financial future.

The path to loan forgiveness may seem complicated, but with a few smart choices early on, you can save thousands of dollars on your student loans. The key is to know and understand your options.

- Employees who qualify are eligible to have certain federal student loans forgiven after 120 on-time monthly payments.
- Employees with high student loan amounts will save the most money, relative to your income-so it pays to get started early in your career.
- To be eligible for the program, you need to have a qualifying loan, be enrolled in a qualifying repayment plan and you need to certify that you work for a qualified employer.

Please find attached, the “Path to Loan Forgiveness”, a one-page action guide to help you get started.

The Human Resources department can help you certify that you work for a qualifying employer and will be able to provide more information if you have questions.

Remember, you’ll save the most if you get started early- you might even be able to lower your monthly payments as you work toward loan forgiveness, so essentially, it pays to start now.

Please let us know if we can provide additional assistance.

Contact Us

City of Cincinnati- Human Resources Department

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