

How public service workers can wipe out their student loans in California



Student loan forgiveness is available to those who work 10 years in public service jobs.
(Al Seib/Los Angeles Times)

Advocates are scrambling to get the word out to public service workers that they could be eligible for a federal program that could wipe out or reduce student loan debt.

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By Debbie Truong, Sep 12, 2022

Hundreds of thousands of former college students in California are eligible for a federal program that could wipe out or reduce student loan debt for those who work in public service. But few have signed up.

The basics of the program called Public Service Loan Forgiveness, or PSLF, seem clear: Government and nonprofit workers who make monthly payments on their federal loans for 10 years are eligible to have the rest of their debt wiped clean. But as thousands of borrowers discovered in the years since the federal program was created in 2007, enrolling in PSLF has been extremely complicated.

Onerous rules and poor communication mired borrowers in confusion, shutting out many who qualify — if they knew about the program at all. Between May 2018 and May 2019, the Department of Education loan servicers denied 99% of applications submitted for PSLF, according to a report from the federal government.

But the rules have temporarily changed. To address the problem, the Biden administration introduced a waiver last year that relaxes program requirements until the end of October by making it possible for many borrowers to retroactively receive credit for previous payments that would not otherwise count.

In California, more than 825,000 people qualify for PSLF but less than 15,000 borrowers have received loan forgiveness, according to a coalition of groups that have launched the California Student Debt Challenge, an effort to notify borrowers of their eligibility.

Now, advocates are racing to equip employers and borrowers with information about PSLF so they can submit applications before the waiver expires on Oct. 31.

“There are a lot of borrowers who are completely unaware that the program exists or that their employment qualifies,” said Cody Hounanian, executive director of Student Debt Crisis Center, a nonprofit that advocates for fixes to the way higher education is financed.

What are the basics?

In addition to working in public service and making 120 qualifying payments over 10 years, borrowers must meet other criteria.

In the past, applicants needed a specific federal loan called a Direct loan or consolidate other federal student loans into a Direct loan. And they had to enroll in an income-driven repayment plan, which sets monthly payment amounts according to a person’s income. Both of these requirements are suspended under the temporary waiver.

Until Oct. 31, borrowers can recoup credit for past repayment periods — regardless of the type of federal loan they have or repayment plan they are enrolled in, or whether a payment was made in full or on-time.

Many borrowers could receive enough credit to have the rest of their loan balances canceled, advocates say. Others will receive credit for loan payments they've already made, partially reducing their loans and putting them closer to becoming debt-free sooner.

The program is separate from the plan President Biden announced in August to cancel up to \$10,000 or \$20,000 in federal loans for borrowers who make less than \$125,000 a year. Borrowers can participate in both programs as long as they meet eligibility requirements.

To receive public service loan forgiveness, borrowers must submit a PSLF form to the Department of Education, which also requires a signature from an employer certifying a person's employment. The department recommends borrowers complete that form annually to help track and verify qualifying payments.

What type of jobs qualify as public service?

Workers employed by a federal, state, local or tribal government, or nonprofit organizations, are eligible for the Public Service Loan Forgiveness program.

That covers a host of jobs including public school workers, and many first responders and healthcare workers. Borrowers can check if they work for a qualifying employer on the federal PSLF website.

Borrowers need to make monthly payments for 10 years while working for a government or nonprofit job to receive credit for forgiveness, but those years do not need to be consecutive.

For example, a borrower who worked three years at a nonprofit while making monthly payments on their loans would still receive credit for those payments if they choose to leave for a job at a for-profit company. If the borrower decided to work for another nonprofit later in their career, they would have to make seven years worth of payments in order to qualify for loan forgiveness.

Where can I find more detailed information and help?

Advocates are focusing on educating employers about Public Service Loan Forgiveness, who can then pass on the information to workers. They're distributing information to county governments, teachers' unions, and nonprofit organizations in the hope of signing up as many borrowers before the waiver period ends.

But borrowers do not need to wait on their employer to apply for PSLF.

"Right now it's kind of easy for you to certify that you've worked those 10 years in service," said Samantha Seng, the legislative director and policy advisor at NextGen Policy, a California-based nonprofit. "After October 31, you'll have to go through the regular process."

Borrowers interested in finding more information about the recent changes to PSLF can visit this White House webpage or the Department of Education PSLF help tool established to answer questions about changes to the program.

Borrowers interested in finding more information about the recent changes to PSLF can visit the White House webpage established to answer questions about changes to the program. A step-by-step guide for applying for PSLF is also available at forgivemystudentdebt.org.

Advocacy groups that are working to distribute information about Public Service Loan Forgiveness include:

NextGen Policy

Student Borrower Protection Center

Student Debt Crisis Center

Young Invincibles

One worker's experience

At her first job after graduate school as a mental health therapist for a nonprofit in Santa Clara County, Christine Shea stumbled across a federal loan forgiveness

program that gave her hope she could one day erase most of her \$160,000 in student loan debt.

“Nobody seemed to know about it,” said Shea, who received her master's degree in 2015. “So I educated myself. I read all the fine print.”

The waiver is a newfound source of hope for Shea. During her four years as a therapist in Santa Clara County, the 44-year-old said she made monthly payments toward her student loans with the belief the installments would count toward eventual loan forgiveness.

But when Shea left the job, she learned two years worth of her payments did not count toward PSLF. The payments were disqualified from the program after she inadvertently made two student loan payments in one month instead of one payment, she recalled learning from her loan servicing company.

An investigation by National Public Radio published earlier this year found "pervasive inaccuracies" in how loan servicers counted payments that were supposed to count toward forgiveness.

At the time, Shea said she felt too overwhelmed to go through a formal process to petition for the payments to count.

“It felt very disheartening,” she said.

She plans on applying for the waiver in hopes those payments will count toward the forgiveness. And if they do, she said she would seriously consider finding another job in public service since she is not eligible for PSLF through her current employer.

Despite making payments, Shea's student debt swelled to \$180,000 because of interest.

“It will get forgiven before I could ever pay it off because my loans have just ballooned under the interest rates,” she said. “I can't keep up with it.”