

Loan Forgiveness for Public Service Employees

Effective October 1, 2007, there is a new loan forgiveness program for public service employees. Under this program the amount forgiven is the remaining outstanding balance of principal and accrued interest on an eligible Direct Loan for a borrower who is not in default and who makes 120 monthly payments on the loan after October 1, 2007. The borrower must be employed full-time in a public service job during the same period in which the qualifying payments are made and at the time that the cancellation is granted.

Which loans can be forgiven under this program?

For purposes of the loan forgiveness program, eligible Direct Loans include Federal Direct Stafford Loans, Federal Direct Unsubsidized Stafford Loans, Federal Direct PLUS Loans (for parents or graduate/professional students), and Federal Direct Consolidation Loans.

What if I have FFEL loans?

Effective July 1, 2008, a FFEL borrower may consolidate FFEL loans into a Direct Consolidation Loan if the borrower intends to be eligible to use the public service loan forgiveness program. However, payments made on those FFEL loans prior to their consolidation into the Direct Loan Program do not count toward the 120-month requirement.

What is a public service job?

A public service job means a full-time job in: emergency management, government, military service, public safety, law enforcement; public interest law services (including prosecution or public defense or legal advocacy in low-income communities at a non-profit organization), public child care, public service for individuals with disabilities and the elderly, public health, social work in a public child or family service agency, public education (including early childhood education), public library sciences, school-based library sciences and other school-based services; or at a non-profit organization under that is exempt from taxation, or teaching full-time as a faculty member at a Tribal College or University, and other faculty teaching in high-needs areas, as determined by the Secretary of the U.S. Department of Education.

What else do I need to do to qualify?

To qualify for this loan forgiveness, the borrower must have made the required 120 monthly payments on the Direct Loan for which forgiveness is sought under one of the following repayment plans, or a combination of these plans. The qualifying repayment plans include:

- An income-based repayment plan;
- An income-contingent repayment plan;
- A Direct Loan standard repayment plan based on a 10-year repayment period; or
- Any Direct Loan repayment plan or as a Direct Consolidation Loan if the monthly payment amounts paid are not less than those that would have been paid under a Direct Loan standard repayment plan based on a 10-year repayment plan.

Parent PLUS borrowers are eligible for the public service loan forgiveness, but they are NOT eligible for the income-based and income-contingent repayment plans. Additionally, a borrower who pays only, or primarily, under a 10-year standard repayment plan or under another repayment plan in amounts consistent with a 10-year standard repayment is unlikely to have a remaining balance for loan forgiveness after making 120 payments on the loan.