

PSLF Enhancements Offer Relief from Federal Student Loans

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Student loan debt is a burden for many. Various repayment plans and tax-free [public service loan forgiveness](#) (PSLF) can help. Unfortunately, PSLF involves a maze of rules that can be challenging to navigate and often fail to result in loan forgiveness. On October 6, 2021, the Department of Education (DOE) announced changes to help automate PSLF eligibility and, for a limited time, provide an opportunity to receive credit for loan payments previously declared ineligible.

PSLF Eligibility Criteria

Individuals may qualify for PSLF if they work for a qualifying employer, which is defined as a governmental organization, a 501(c)(3) organization, or a nonprofit organization that provides a designated public service. Loan amounts forgiven under PSLF are tax free. Sounds great, right?

That isn't the end of the story, however. PSLF has additional eligibility requirements that can be tricky to navigate: full-time employment, 120 qualifying payments, an eligible Federal Direct Loan (or Federal Direct Consolidation Loan), and payments made under a qualifying repayment plan (e.g., income-driven repayment plan). After years of making student loan repayments while working for a qualifying employer, some individuals have been disappointed to discover that their loan type didn't qualify, payments weren't in a qualifying repayment plan, or a technical requirement was missed. It's crucial that all eligibility components are met. Missing even one requirement will result in a lost opportunity for loan forgiveness under PSLF.

Limited PSLF Waiver

The good news is help is on the way. The [limited PSLF waiver](#), available through October 31, 2022, counts prior ineligible payments made after October 1, 2007, as qualifying payments without regard to the selected repayment plan or if the payment was made in full (off by a few pennies) or on time (payment late by a few days).

Although the income-driven repayment plan and qualifying payment requirements are waived, individuals must work for a qualifying employer (full-time employment or multiple part-time jobs averaging 30 hours per week) and have a Federal Direct Loan (or Federal Direct Consolidation Loan). A federal student loan that has been consolidated into a private student loan is no longer eligible for PSLF or the limited PSLF waiver.

Act By October 31, 2022

To have additional qualifying payments counted toward PSLF, evaluate the following:

1. **Loan type.** To determine the type of federal student loan, review loan details by logging in to the [Student Aid website](#) and viewing the Loan Breakdown section. **Please note:** Parent PLUS loans aren't eligible for the limited PSLF waiver.
2. **Employer certification.** Use the [PSLF Help Tool](#) to submit verification of employment to confirm that the employer is a qualifying employer.
3. **Loan consolidation.** The only qualifying loan type for PSLF and the limited PSLF waiver is a Federal Direct Loan or Federal Direct Consolidation Loan. Federal Family Education Loans (FFELs) or Federal Perkins Loans (Perkins) are not direct loans and are ineligible unless consolidated into a Federal Direct Consolidation Loan. To be considered under the limited PSLF waiver, both the Federal Direct Consolidation Loan application and the PSLF form must be submitted by October 31, 2022.
4. **Submit a PSLF form.** Use the [PSLF Help Tool](#) to file a PSLF form, unless one has previously been filed.

What's Next?

Over the next few months, the DOE will automatically begin counting prior payments where a PSLF form was submitted and there is a Federal Direct Loan or loan previously consolidated into a Federal Direct Consolidation Loan.

Notice will be provided with an updated PSLF payment count once processed through the PSLF limited waiver. Once an updated payment count has been provided, the best practice is to review against your records to confirm.

Each situation is unique; before making changes, it's a good idea to review the loan details, outstanding interest, and eligibility requirements for any other loan repayment assistance or forgiveness programs you may be participating in. Consolidating loans or changing the repayment plan may create an event where interest is capitalized into the loan balance.

Simplification Changes

In addition to the limited PSLF waiver, the DOE is looking to simplify the PSLF process and increase communication. Below are a few highlights:

- **Military service.** Time spent on active duty will now count toward PSLF, even if the student loan is in deferment or forbearance.
- **Military service members and federal employees.** Next year, the DOE will begin to match data with other federal agencies to automatically give military service members and federal employees credit toward PSLF.
- **Reconsideration process for denied PSLF applications.** To combat processing errors and discrepancies by PSLF loan servicers in payment counts, a review will be completed by the DOE on all denied PSLF applications. Next year, the DOE will provide a process to request a second review of previously denied PSLF applications.
- **Communication.** An outreach campaign will begin to help inform and notify borrowers about PSLF and other available tools.
- **Simplification of the PSLF application.** Efforts are underway to improve and simplify the application process.

Additional Updates on the Horizon

The DOE is creating new processes and updating systems, which takes time. Stay connected to the latest changes on the [Federal Student Aid website](#).

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