Student Loan Forgiveness for Not-for-Profit Employees
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The Public Service Loan Forgiveness (PSLF) Program also known as Student Loan Forgiveness program was created by Congress in 2007 to encourage individuals to enter and continue to work full time in public service jobs and tax-exempt charitable organizations (501(c)(3) Organizations) which also qualify.

Under the PSLF program, you may qualify for forgiveness of the remaining balance due on your eligible federal student loans after you have made 120 payments on those loans while employed full-time. Because it is required that you must make 120 monthly payments on your eligible federal student loans after October 1, 2007 before you qualify for the loan forgiveness, the first cancellations of loan balances will not be granted until October 2017. However, now is the time to start documenting your qualifications for this fantastic loan forgiveness program.

This white paper will explain in more detail how the program works and what you must do in order to be granted forgiveness. Employers who assist eligible employees in obtaining forgiveness of student loan balances will be providing a valuable employee fringe benefit at no additional cost to the employer.

The Basics

Any non-defaulted loan made under the William D. Ford Federal Direct Loan Program is eligible for loan forgiveness. (See below for information on how non-Direct Loans may be eligible.) The Direct Loan Program includes the following loans:

- **Federal Direct Stafford/Ford Loans** (Direct Subsidized Loans)
- **Federal Direct Unsubsidized Stafford/Ford Loans** (Direct Unsubsidized Loans)
  - **Federal Direct PLUS Loans** (Direct PLUS Loans) - for parents and graduate or professional students. (To qualify for forgiveness of a parent PLUS Loan you, the parent borrower, not the student on whose behalf you obtained the loan, must be employed by a public service organization.)
- **Federal Direct Consolidation Loans** (Direct Consolidation Loans)

Although loan forgiveness under this program is available only for loans made and repaid under the Direct Loan Program, loans made under other federal student loan programs may become eligible for forgiveness if they are consolidated into a Federal Direct Consolidation Loan. However, only payments made on the Direct Consolidation Loan will count toward the required 120 monthly payments. Therefore, if you have a federal student loan that is not one of the qualifying loans above, the faster you turn that into a Federal Direct Consolidation Loan, the faster you will qualify for this loan forgiveness program.
The following loans may be consolidated into the Federal Direct Loan Program:

- **Federal Family Education Loan (FFEL) Program loans**, which include
  - Subsidized Stafford Loans
  - Unsubsidized Stafford Loans
  - Federal PLUS Loans—for parents and graduate or professional students
  - Federal Consolidation Loans (excluding joint spousal consolidation loans)
- **Federal Perkins Loans**
- **Certain Health Professions and Nursing Loans**

To consolidate a **Federal Perkins Loan or Health Professions or Nursing Loan** into the Direct Loan Program, you must also consolidate at least one FFEL Program loan or Direct Loan. If you are unsure about what kind of loans you have, you can find information about your federal student loans in the U.S. Department of Education’s National Student Loan Data System at [www.nslds.ed.gov](http://www.nslds.ed.gov).

You do not have to have made 120 consecutive loan payments. For example, if you worked for a qualifying public service organization for a few years and then worked somewhere else but are again working for a qualifying organization, you may still accumulate 120 monthly payments made (although not consecutive) while employed by a public service organization. Once you reach that point, **the remainder of your student loans are eligible for forgiveness**.

**Who is eligible for the PSLF Program?**

In order to qualify for the PSLF program you must:

- Not be in default on the loan(s) for which forgiveness is requested.
- Be currently employed full time by a public service organization (not-for-profit, 501(c)(3) public charities qualify) and you must have made at least 120 monthly payments on your student loan while employed by a public service organization.

The time period for measuring whether you have made 120 monthly payments on your student loan does not begin until October 1, 2007 (the date the law was passed). Therefore, no one is eligible until September 30, 2017 as that is the first date on which anyone could have accumulated 120 monthly payments. Unfortunately, payments prior to October 1, 2007 do not count. Each of the 120 payments must have been made on time or within 15 days of the installment due date.

The 120 required payments must be made under one or more of the following Direct Loan Program repayment plans:

- Income Based Repayment (IBR) Plan (not available to parent Direct PLUS Loan borrowers).
- Income Contingent Repayment Plan (not available to parent Direct PLUS Loan borrowers).
- Standard Repayment Plan with a 10-year repayment period.
- Any other Direct Loan Program repayment plan; but only payments that are at least equal to the monthly payment amount that would have been required under the Standard Repayment Plan with a 10-year repayment period may be counted toward the required 120 payments.

For more information about the repayment plans available in the Direct Loan program, please visit [www.studentaid.ed.gov/repaying](http://www.studentaid.ed.gov/repaying)
Keeping Track of Eligibility

Even though you cannot have any of your loans forgiven until 2017, you can, and should, start working on documenting your eligibility now and be ready to have your loans forgiven at the first possible month of eligibility. This can be especially useful if you have changed employers or change employers in the future.

Remember, you cannot stop making loan repayments until you receive forgiveness. Therefore, the faster you can have all of your documentation accepted by the U.S. Department of Education, the faster they can accept your loan forgiveness request.

The U.S. Department of Education has created the Employment Certification for Public Service Loan Forgiveness form and they have created a process to help you monitor your progress toward making the 120 qualifying payments necessary to apply for PSLF. At the end of this white paper is the Employment Certification for Public Service Loan Forgiveness form. This form contains detailed instructions on how to complete it.

You can complete this form annually (or more frequently if you change jobs) so that your records are up to date and you will have the minimum amount of paperwork to complete to request loan forgiveness once you have made the 120th qualifying loan payment.

You should complete the form, including obtaining your employer’s certification of employment (which is page 2 of the form), and submit it to FedLoan Servicing, the PSLF service, at the address below or fax it to them at 717-720-1628:

U.S. Department of Education
FedLoan Servicing
P.O. Box 69184
Harrisburg, PA 17106-9184

Keep a copy of the form for your records. You should also retain copies of additional documents that confirm your qualifying employment with the public service organization(s), but do not submit these supporting documents to the PSLF servicer unless requested to do so. Such documents may include:

- W-2 forms
- Pay stubs
- Any other documentation related to your qualifying employment or your employer(s) that you believe would establish eligibility as a public service organization(s).

You should complete one of these Employment Certification for Public Service Loan Forgiveness forms for each qualifying employer for whom you have worked during the time you have made 120 monthly loan payments. Since you need your employer(s) to certify that you worked for them, if you have changed employers in the past and you have to obtain this form from a prior employer, this is another reason to start gathering the documentation that will qualify you for loan forgiveness sooner rather than later.

The form allows you to get your employer’s certification of employment while you are still employed at that organization or shortly after leaving. The process allows you to receive confirmation of qualifying employment and Direct Loan payment eligibility. You may also submit the form less frequently than annually to cover more than one year’s employment or for more than one employer.
While use of the form and process outlined here is not required, it will help you keep track of your progress toward meeting the PSLF eligibility requirements. If you do not periodically submit the form, you will still be required to submit a form for each qualifying employer at the time you apply for forgiveness and when forgiveness is granted.

Once you submit the Employment Certification for Public Service Loan Forgiveness form, the PSLF servicer will review each employment certification you submit to ensure that it is complete. They will verify that your employer qualifies as a public service organization, and that the loan payments you have made during the period covered by the employment certification(s) are qualifying payments.

Following this review, the PSLF servicer will notify you in writing or electronically of the number of qualifying payments you have made while employed in qualifying public service job and the remaining number that you must make before you are eligible to apply for PSLF. You will also be notified in writing or electronically if the PSLF servicer determines that the form(s) you have submitted is incomplete or that your employment does not meet the qualifying criteria, including the reason(s) for the determination(s), along with the steps you would need to take to complete this form and/or correct the information, and submit the corrected or additional information to the PSLF servicer.

The Department of Education will only determine whether you have fulfilled all of the requirements to be eligible for PSLF after you have made all 120 qualifying payments and have submitted your loan forgiveness application. The law does not permit partial forgiveness based on making a lesser number of qualifying monthly payments while working at a qualifying public service organization.
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*Please note that this whitepaper is a general summary of the law and omits many important details, footnotes and caveats. It is no substitute for informed advice from a tax professional based on your particular circumstances.