

MODULE 4 – Student Education Loan Forgiveness Programs

SLIDE 1 – Title Slide

Welcome to the Maryland Student Loan Ombudsman's Educational Curriculum - Module 4: Student Education Loan Forgiveness Programs.

This presentation was prepared by the Maryland Student Loan Ombudsman in the Office of the Commissioner of Financial Regulation at the Maryland Department of Labor.

For more information about the Ombudsman and the Office of the Commissioner of Financial Regulation, please visit our website at www.labor.maryland.gov/finance.

SLIDE 2 – Student Education Loan Forgiveness and Assistance Programs Available to Maryland Residents

There are two primary federal student loan forgiveness programs:

- Public Service Loan Forgiveness, which includes a Limited Waiver for certain program requirements (this waiver is only in effect through October 31, 2022)
AND
- Teacher Loan Forgiveness.

The State of Maryland also has several student loan assistance programs. These programs provide some financial assistance with loan repayment, but not all of the programs offer full forgiveness of unpaid loan balances.

First we will review Public Service Loan Forgiveness and the limited waiver.

SLIDE 3 – Public Service Loan Forgiveness

If you're employed by a government or not-for-profit organization, you may be able to receive loan forgiveness under the Public Service Loan Forgiveness or "PSLF" Program.

This program, which went into effect in October 2007, forgives the remaining balance on your student loans that were received through the federal Direct Loan program, after you have made 120 qualifying payments, under a qualifying repayment plan, and while employed full-time by a qualified employer.

SLIDE 4 – PSLF Eligibility Requirements

There are a number of eligibility requirements to qualify for public service loan forgiveness.

First, you must have a qualifying loan. A qualifying loan is any non-defaulted loan you received under the William D. Ford Federal Direct Loan Program. These loans include Direct Loans that are Subsidized, Unsubsidized, PLUS and Consolidated Loans.

Loans from the Federal Family Education Loan Program or the Federal Perkins Loan Program do not qualify for PSLF, but they may become eligible if you consolidate them into a Direct Consolidation Loan.

Private education loans (such as those with a lender that is not the U.S. Dept. of Education) and Direct PLUS Loans with parent borrowers are also not eligible for PSLF. Nor are any Direct Loans that are in default - however if you resolve the default, those loans may be eligible.

SLIDE 5 – PSLF Eligibility Requirements (continued)

In addition to having a qualifying loan, you must also be in a qualifying repayment plan, which generally includes all of the income-driven repayment (or "IDR") plans, and the 10-year standard repayment Plan. More information about the various federal student loan repayment plans can be found in Module 3 of this series. Keep in mind that there may be some implications for your prior PSLF-qualifying payment counts if you consolidate loans that were on an IDR plan.

Furthermore, you must make 120 separate monthly payments while on a qualifying repayment plan for each loan. Be aware that paying extra each month won't make you eligible to receive loan forgiveness sooner.

You must also be employed full-time. Full-time work means your employer's definition of full-time or if you work at least 30 hours per week, whichever is greater. If you are employed in more than one qualifying part-time job at the same time, you may meet the full-time employment requirement if you work a combined average of at least 30 hours per week with your employers.

SLIDE 6 – PSLF Eligibility Requirements (continued)

And finally, your full-time work must be with a qualifying employer. This includes:

- Government organizations at any level - whether federal, state, local, or tribal.
- Not-for-profit organizations that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code.
- Other types of not-for-profit organizations that are not 501c3 tax-exempt, IF the organization's primary purpose is to provide certain types of qualifying public services.
- Full-time AmeriCorps or Peace Corps volunteer work also qualifies for PSLF.

- Organizations that are partisan or political in nature, like labor unions; or for-profit organizations, INCLUDING for-profit government contractors, do NOT qualify as PSLF-employers.

SLIDE 7 – Applying for Public Service Loan Forgiveness

The steps for applying for public service loan forgiveness depend on where you are in the process.

If you have made 120 qualifying payments while working full-time for a qualifying employer, you should fill out the PSLF application and submit it to the U.S. Department of Education.

You can use the online PSLF Help Tool, available on the Education Department's website, to assist you in starting the PSLF application that you will then print, sign, and submit. Or, you can download the PSLF application and complete all sections on your own before submitting it.

If you are still working toward public service loan forgiveness, meaning you have not yet made all the 120 qualified payments, or you have not had your employment certified, you should complete and submit the PSLF Employment Certification form, and continue to do so every year or when you change employers. You will need to submit an Employment Certification form for EACH qualifying employer.

The U.S. Department of Education uses the information provided on the Employment Certification form to determine if you're making qualifying PSLF payments, so it's important that you routinely get that verification to make sure that you are properly on track for loan forgiveness.

If you don't periodically submit the Employment Certification Form, then at the time you apply for forgiveness you will be required to submit a separate Employment Certification Form for each qualifying employer, which could be challenging if you no longer know how to contact former employers.

You can also use the PSLF Help Tool for assistance with the Employment Certification Form or, you can download the form and complete it manually. Either way, this form will need to be signed by your employer before it is submitted to the U.S. Department of Education. Instructions for completion are included in the PSLF Help Tool and on the form itself.

SLIDE 8 – REMEMBER!

A few final points to remember about PSLF...

One - Only Direct Loans are eligible for the PSLF program. Borrowers who have a Federal Family Education Loan, Federal Perkins Loan, nonfederal, and/or private loan are not eligible for forgiveness under the PSLF program. However, those ineligible FEDERAL loans may be

consolidated into a Direct Loan that is then eligible for forgiveness, but your qualifying payment count will likely restart. Defaulted Direct Loans and Direct PLUS Loans made to you as a parent borrower are also not eligible for PSLF.

Two - To ensure that you're on the right track, you should submit an Employment Certification Form annually or every time you change employers.

And finally - Your loan will only be forgiven if you meet ALL of the PSLF Program eligibility requirements.

SLIDE 9 – PSLF Limited Waiver through October 31, 2022

Due to a number of complicating factors regarding implementation of the PSLF program, in 2021 the U.S. Department of Education announced a TEMPORARY change that WAIVES, or gets rid of for a limited time, some of the PSLF payment eligibility requirements that I just discussed. This waiver is only in place until October 31, 2022.

Under the limited waiver, you may now receive credit for many past payments that would not otherwise qualify for PSLF. This includes most prior FEDERAL student loan payments - regardless of the type of loan, repayment plan, or whether the payment was made in full or on time.

But you must act before October 31, 2022 in order to receive credit for those previously-ineligible past payments. Even if you will not have made all your 120 payments by October 31st, you can still receive credit for the ones you did make.

SLIDE 10 – PSLF Limited Waiver - Eligibility

Here's a bit more information about the PSLF limited waiver...

With a few exceptions, any of your previous federal student loan payments will now count as qualifying payments, as long as the payments were made after October 1st 2007, which is when the PSLF program began, AND you submit your PSLF forms before October 31, 2022.

Importantly, this includes payments that were made PRIOR to consolidation into a Direct Loan - those payments are now eligible under the limited waiver.

And the months that a federal student loan was in forbearance during the COVID 19 payment pause are also eligible.

Your loan payments do not have to be consecutive to qualify.

Parent PLUS loans, generally speaking, do NOT qualify, but contact your student loan servicer to learn about your specific options. Private loans also do not qualify.

All the other original PSLF requirements still apply - meaning you must have been working full-time for qualifying employers when you made the qualifying loan payments.

SLIDE 11 – PSLF Limited Waiver - Next Steps

Your next steps depend on the type of loans you have.

If you currently have Direct Loans, all you need to do is submit your PSLF application and Employment Certification forms as described earlier in order to receive PSLF credit for past payments. This must be done BEFORE October 31, 2022. You can use the online PSLF Help Tool for assistance with this step.

If you currently have other federal loans that are NOT Direct Loans - meaning you have at least one Federal Family Education Loan, Perkins Loan, or other federal student loans - and you have been making payments on these loans while working for a qualified employer - you will need to consolidate them into a DIRECT CONSOLIDATION LOAN before October 31, 2022, in order to receive PSLF credit for those payments under the waiver.

The Consolidation Application is available on the U.S. Department of Education's website. Before submitting your application, please make sure that you thoroughly read the instructions and that you understand the implications of loan consolidation for your particular situation.

SLIDE 12 – Teacher Loan Forgiveness

The other federal loan forgiveness program is TEACHER LOAN FORGIVENESS.

You may be eligible for Teacher Loan Forgiveness (or "TLF") if you teach full-time at certain elementary or secondary schools, or for educational agencies that provide services to low-income students.

This program forgives up to \$5,000, or up to \$17,500 for teachers in certain subject areas, of your subsidized and unsubsidized loans, provided you teach for five consecutive years as a "highly-qualified" teacher.

PLUS loans for parents and graduate or professional students are not eligible for this type of forgiveness.

SLIDE 13 – Teacher Loan Forgiveness - Eligibility

In order to be eligible for Teacher Loan Forgiveness...

You must have been employed as a full-time, "highly-qualified" teacher for five complete and consecutive academic years, and at least one of those years must have been AFTER the 1997–98 academic year.

A "highly-qualified" teacher means a teacher that has:

- Attained at least a bachelor's degree;
- Received full state certification as a teacher; and
- Not had any certification or licensure requirements waived on an emergency, temporary, or provisional basis.

SLIDE 14 – Teacher Loan Forgiveness – Eligibility (continued)

You must also have been employed at a low-income school or educational service agency - meaning an elementary school, secondary school, or educational agency that provides services to low-income students.

Additionally, the loans for which you are seeking forgiveness must have been made before the end of your five academic years of qualifying teaching service.

AND you must not have had an outstanding balance on Direct Loans or Federal Family Education Loans as of October 1, 1998, or on the date that you obtained a Direct Loan or Federal Family Education Loan, if after October 1, 1998.

SLIDE 15 – Applying for Teacher Loan Forgiveness

To apply for Teacher Loan Forgiveness, submit a completed Teacher Loan Forgiveness Application (available on the U.S. Department of Education's website), to your student loan servicer after you have completed the required five consecutive years of qualifying teaching.

The chief administrative officer of the school or educational service agency where you performed your qualifying teaching service must complete the certification section.

If you are applying for forgiveness of student loans that are with different loan servicers, you must submit a separate form to each of them.

SLIDE 16 – Maryland Student Loan Assistance Programs

The State of Maryland has a handful of programs to assist certain student borrowers with their loan repayment. These programs are administered by different state agencies and based on different criteria.

They include:

- The Maryland Student Loan Debt Relief Tax Credit Program;
- Maryland SmartBuy, which is part of the Maryland Mortgage Program;
- Maryland SmartWork's State Employee Student Loan Repayment Plan; and
- Five additional career-specific Student Loan Assistance Repayment Programs

For the next few slides, I will provide a BRIEF overview of each program. More information about these programs is available online, using the resource links shown at the end of this video.

SLIDE 17 – Maryland Student Loan Debt Relief Tax Credit Program

The Student Loan Debt Relief Tax Credit assists Maryland taxpayers who have a certain amount of undergraduate or graduate student loan debt, by providing a tax credit on their state income tax return.

To be eligible, you must have incurred at least \$20,000 in undergraduate and/or graduate student loan debt, and have at least \$5,000 in outstanding student loan debt at the time of applying for the tax credit.

The program is administered by the Maryland Higher Education Commission (or "MHEC").

The annual deadline to apply for this tax credit is September 15th, and award notifications are sent in mid-December.

SLIDE 18 – Applying for the Maryland Student Loan Debt Relief Tax Credit

To apply for the Student Loan Debt Relief Tax Credit, you must complete the MHEC online application and submit a complete transcript from each undergraduate and/or graduate institution that you attended. The transcripts do not need to be official.

You must also submit documentation from your lender, or lenders, showing the educational loans that qualify for the credit (including the name, address, and phone number of the lender; the account number; the original and currently outstanding balances; and the person responsible for repayment of the loan).

And you must submit a copy of your Maryland income tax return for the most recent prior tax year.

Be aware that even though the online application process is STRONGLY preferred, paper applications, as well as any accompanying documentation, can also be mailed directly to the Maryland Higher Education Commission. To be considered, the application and supporting documentation must be postmarked by September 15th.

SLIDE 19 – Maryland SmartBuy/Maryland Mortgage Program

Maryland SmartBuy helps Maryland homebuyers with qualifying student debt to purchase a home. The SmartBuy program is one of the financing options available in the Maryland Mortgage Program.

With SmartBuy, the homebuyer's student debt is PAID upon the purchase of move-in-ready houses currently owned by, and available from, the State of Maryland.

This is a limited-time program, administered by the Maryland Department of Housing and Community Development.

SLIDE 20 – Maryland Smart/MMP - Eligibility and Application

Maryland SmartBuy financing provides up to 15% of the home purchase price for the borrower to pay off their outstanding student debt, with a maximum cap that varies from year to year.

To be eligible, homebuyers must have existing student debt with a minimum balance of \$1,000, AND the full student debt must be paid off at the time of the home purchase. Also, the homebuyer must meet all the other eligibility requirements for the Maryland Mortgage Program.

Financing through Maryland SmartBuy is available only through pre-approved mortgage lenders. The lenders can help you confirm your eligibility and ensure you meet all applicable requirements.

SLIDE 21 – Maryland SmartWork-State Employee Student Loan Repayment Plan

The SmartWork Student Loan Repayment Plan is a program that financially assists eligible Maryland State employees with repaying their student loan debt. This program is administered by the Maryland Department of Budget and Management. It was implemented in June of 2018, when Governor Hogan issued an Executive Order directing the establishment of the Student Loan Repayment Plan to provide assistance to employees in certain hard-to-hire and hard-to-retain job classifications within State government.

PLEASE NOTE THAT EFFECTIVE June 30, 2021, the Student Loan Repayment Plan has been closed to new applicants. Visit the SmartWork Initiative page on the Maryland Dept. of Budget and Management's website for more information and program updates.

SLIDE 22 – Maryland Student Loan Assistance Repayment Programs

Maryland has five specialized programs that provide student loan repayment assistance to eligible graduates working in specific occupations in certain sectors.

I will provide a quick overview of each of these programs. For more information about eligibility requirements and how to apply, see the Maryland Higher Education Commission's "State Financial Aid Programs" webpage.

- The Janet L. Hoffman Loan Assistance Repayment Program provides some assistance with education loan repayment for qualified individuals employed in the government or

nonprofit sectors, particularly those in fields where there are critical manpower shortages in the state and lower salaries than in the private sector.

- The John R. Justice Grant Student Loan Repayment Program is a federally-funded program that provides loan repayment assistance for state and federal Maryland public defenders and prosecutors.

SLIDE 23 – Maryland Student Loan Assistance Repayment Programs (continued)

- The Maryland Loan Assistance Repayment Program for Foster Care Recipients provides state assistance in the repayment of educational loans owed by foster care recipients who are employed by the state, or by a county or municipality of the state, AND who received a graduate or undergraduate degree from a Maryland institution of higher education.
- The Maryland Department of Health administers the State Loan Repayment Program and the Maryland Loan Repayment Assistance Program that provides educational loan repayment funds to physicians and physician assistants who meet certain requirements.
- And finally, the Maryland Dent-Care Loan Assistance Repayment Program is designed to increase access to oral health services for Maryland Medical Assistance Program recipients, by providing educational loan repayment funds to eligible dentists who treat that population. This program is also administered by the Maryland Department of Health.

SLIDE 24 – MODULE 4 RESOURCES

This concludes the Maryland Student Loan Ombudsman's Educational Curriculum for Module 4: Student Education Loan Forgiveness Programs.

Please make note of these valuable resources that were referenced in this module.

See also the PDF version of the Maryland Student Loan Ombudsman's full Educational Curriculum - which is available on the website of the Office of the Commissioner of Financial Regulation at www.labor.maryland.gov/finance.

[text on-screen...]

Federal Student Aid/U.S. Department of Education

- PSLF Help Tool- studentaid.gov/pslf
- PSLF Limited Waiver- studentaid.gov/announcements-events/pslf-limited-waiver
- Direct Consolidated Loan Application- studentaid.gov/app/launchConsolidation.action

- Teacher Loan Forgiveness- studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/teacher

Maryland Higher Education Commission (MHEC)

- Student Loan Debt Relief Tax Credit- mhec.maryland.gov/preparing/Pages/StudentLoanDebtReliefTaxCredit.aspx
- State Financial Aid Programs- mhec.maryland.gov/preparing/Pages/FinancialAid/descriptions.aspx *(scroll to mid-page)*

Maryland Dept. of Housing and Community Development

- Maryland SmartBuy Program- mmp.maryland.gov/Pages/SmartBuy/default.aspx

Maryland Dept. of Health

- Maryland Loan Repayment Programs- pophealth.health.maryland.gov/Pages/State-Loan-Repayment-Program.aspx
- Maryland Dent-Care Loan Repayment Program- health.maryland.gov/phpa/oralhealth/pages/mdc-larp.aspx

Maryland Dept. of Budget and Management (DBM)

- SmartWork Initiative- dbm.maryland.gov/employees/Pages/SmartWork.aspx