

An Updated Nonprofit Perspective on Student Loan Relief

Nov. 9, 2022

On Oct. 31, 2022, the U.S. Department of Education [announced Final Regulations](#) regarding loan forgiveness and student debt, including permanent changes to the Public Service Loan Forgiveness (PSLF) program. No major changes were made from the [Proposed Rulemaking](#) announced in August 2022. Six days earlier, the Department of Education announced [Permanent Improvements to the Public Service Loan Forgiveness Program](#) and a one-time count adjustment for Borrowers.

Public Service Loan Forgiveness (PSLF)

Under the Final Regulations, Borrowers have more flexibility and ability to count payments towards forgiveness going forward.

Eligible Borrowers: Nonprofit workers employed at a 501(c)(3) charitable nonprofit may earn forgiveness of outstanding federal loans under PSLF after making 120 qualifying payments. Workers must be employed “full-time,” defined as 30 hours per week under the Final Regulations.

Qualifying Employers: All 501(c)(3) charitable nonprofit employers continue to be “qualifying employers” under the PSLF. Some ancillary organizations or partners as well as a narrow division of contractors working for nonprofits may also qualify.

Qualifying Payments: Additional payments are permitted to count towards forgiveness, including lump sum payments, advance payments, certain loan consolidations, and certain periods of deferment and forbearance. Loan consolidations will count towards payments based on a weighted average.

Default: Borrowers may be provided a pathway out of default and the ability to regain eligibility for PSLF under the [Fresh Start Initiative](#).

Reconsideration: Borrowers denied forgiveness between Oct. 1, 2017 and the effective date of July 1, 2023 may apply for reconsideration within 180 days from the effective date.

Interest Capitalization: No interest capitalization will occur unless required by statute. Interest capitalization occurs when “accrued, unpaid interest is added to the principal loan amount of a Federal student loan [I]nterest is then charged on the higher principal balance.”

Automation: The Department will automatically count certain payments and provide forgiveness without an application when sufficient information is provided.

Certain Issues Not Addressed: The statute does not authorize the Secretary to change the interest rate or decrease the number of payments, as recommended by some public comments.

One-Time Count Adjustment

On Oct. 25, 2022, the U.S. Department of Education announced one-time improvements to PSLF to count for Borrowers in Income-Driven Repayment (IDR) plans including any repayment status, partial or late payments, any loan type, any repayment plan, periods prior to consolidation, forbearance periods of at least 12 consecutive months, forbearance periods of 36 cumulative months, and any period of deferment prior to 2013.

Debt Cancellation

On Aug. 24, 2022, the U.S. Department of Education announced student debt cancellation of up to \$10,000 student loan debt for individuals with incomes of less than \$125,000 and \$250,000 for married couples. The debt relief will not be treated as taxable income for federal income tax purposes. Borrowers may apply at <https://studentaid.gov/debt-relief/application>.

Pell Grant Recipients: Individuals who received a Pell Grant may receive up to \$20,000 in debt cancellation.

No Effect on PSLF: Borrowers are encouraged to apply for both Public Service Loan Forgiveness and Debt Cancellation.

Payment Pause Ends Dec. 31, 2022

The payment pause that began in 2020 will end on Dec. 31, 2022. The pause placed Borrowers in automatic forbearance with 0% interest rates. This period counted as payments towards the minimum requirements for PSLF so long as the borrower continues to be employed full time at a qualifying employer, including at 501(c)(3) charitable nonprofits.