National Council of Nonprofits

Public Service Loan Forgiveness

Comparison of Key Provisions in

Proposed Rule: Student Assistance General Provisions, Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program

ED-2021-OPE-0077-1350

Publication Date: July 13, 2022
Comment Due Date: August 12, 2022
Submit Comments via www.regulations.gov
UPDATED July 25, 2022

ISSUE	CURRENT LAW	PROPOSED REGULATION	IMPACT ON CHARITABLE NONPROFITS AND EMPLOYEES	OTHER
Qualifying Employer *Updated*	A Borrower must be employed in a "public service organization": • Federal, State, local, and Tribal Government Agencies • 501(c)(3) Charitable Nonprofits • Other organizations that are not for-profit businesses, labor unions, or partisan political organizations	Would include additional categories for other organizations that provide public services*: • Civilian Service to the Military • Early Childhood Education • Non-Tenure Track Employment • Public Health • Non-Governmental Public Service • Public Service for Individuals with Disabilities • Public Service for the Elderly • Public Education Service • Public Library Services • School Library Services	None 501(c)(3) Charitable Nonprofits will continue to be considered eligible qualifying employers.	Some ancillary organizations that partner with nonprofits may become eligible employers.

Full-Time	"Full-Time" is defined as the employer's definition of full-time or at least 30 hours per week, whichever is greater.	Would expand definition of "full-time" to allow for working: • At least 30 hours per week on average at one or more qualified employers OR • At least 30 hours per week throughout a contractual or employment period of at least 8 months in a 12-month period OR • The equivalent of 30 hours per week determined by a formula for non-tenure track employment at an institution of higher education	Borrowers who work at least 30 hours per week at a charitable nonprofit, even if that nonprofit defines full-time as 40 hours per week, may now be eligible for loan forgiveness.	
Contractors *New*	Certain borrowers who work with qualifying employers either directly through a contract or indirectly as an employee of an organization contracting with the qualifying employer are not eligible for PSLF.	Would permit some contractors working with qualifying employers, including 501(c)(3) charitable nonprofits, to be eligible for forgiveness under PSLF.	Nonprofits contracting with other partners or who hire contract workers to perform some services for their missions may be permitted to certify those contract workers as eligible under PSLF.	The National Council of Nonprofits supports this change. NCN advocates for clear, simple reporting requirements similar to the current certification requirements for employees. Certification requirements could include reporting number of hours worked and that the services performed by the contractor helps advance the organization's mission.
Payments	• A Borrower must make 120 monthly payments within 15 days of the scheduled due date • The payments do not need to be consecutive	Would allow for payments to be made outside the 15 days period so long as the loan is not in default.	Nonprofit workers may be able to count additional previous payments towards forgiveness. Workers may make a lump sum payment	Borrowers should use the [PSLF Help Tool] and recertify previous payments and

		Would allow for lump sum payments equal to or greater than the full scheduled amount, up to the total amount for the period of months prior to the next recertification date. Would allow for advance monthly payments equal to or greater than the full scheduled amount. Certain loan consolidations may count towards PSLF.	and/or advance payments to earn forgiveness earlier than expected. Borrowers could "pay back" monthly payments via a lump sum for prior periods during deferment or forbearance.	employment before Oct. 31, 2022.
Deferment and Forbearance	Periods of deferment or forbearance do not count towards PSLF.	Certain periods of deferment or forbearance may count towards PSLF if the Borrower meets other eligibility requirements. Additional deferment and forbearance periods include: • Cancer Treatment • Economic Hardship • Military Service • Post-Active-Duty Student • AmeriCorps • National Guard Duty • US Dept. of Defense Loan Repayment Program • Administrative Forbearance and Mandatory Forbearance Would allow for a hold harmless period for Borrowers who were working for a qualifying employer during periods of deferment or forbearance.	Nonprofit workers may be able to count towards forgiveness additional previous non-payments during deferment or forbearance. Some Borrowers were automatically put into deferment or forbearance due to their circumstances despite not choosing to do so. Nonprofit workers may have qualified for payments as low as $0 per month but were instead put into deferment or forbearance by their own choice or automatically by the administrators. This period may be eligible to be counted towards forgiveness.	Borrowers should use the PSLF Help Tool and recertify previous payments and employment before Oct. 31, 2022.

			Borrowers could "pay back" monthly payments via a lump sum for prior periods during deferment or forbearance.	
Reconsideration *Updated*	No provision in current law.	Applications denied before the effective date of the final regulations would have 180 days from the effective date to request reconsideration. After the effective date, Borrowers would have 90 days from an application being denied to request reconsideration. Would create process for reconsideration by:* • Streamlining multiple regulatory requirements • Establishing a new Federal standard for initial adjudication • Clarifying defense claims for borrowers • Clarifying conduct that could result in approval of defense claims Would clarify how discharge amounts will be determined by:* • Establishing a rebuttable presumption of full discharge • Designing a structured process for reconsideration • Eliminating limitation periods for borrowers • Adopting a revised limitations period for institutional recoupment	Nonprofit workers may request reconsideration for denied applications or previous payments that were not counted towards forgiveness and thus may earn forgiveness earlier than expected.	Borrowers should use the PSLF Help Tool and recertify previous payments and employment before Oct. 31, 2022.

Automation	No provision in current law.	Would authorize forgiveness on eligible loans without an application when sufficient information is provided to determine eligibility. If eligible, the Department would notify the Borrower.	Automation would greatly reduce the burden and paperwork requirements on Borrowers.	The Department currently manually reviews applications. Automation would alleviate government burden and streamline forgiveness for Borrowers.
Interest Capitalization *Updated*	The Department explains: "Interest capitalization occurs when any accrued, unpaid interest is added to the principal loan amount of a Federal student loan, further increasing the outstanding principal balance. Interest is then charged on the higher principal balance, and the overall cost of repaying the loan increases."* Interest capitalization is triggered by certain events determined by the Department.	Would eliminate interest capitalization where it is not required by statute. No interest capitalization would occur when: • Borrower enters repayment • Forbearance period expires • Periods of negative amortization under certain repayment plans • Default • Borrower fails to recertify income under certain repayment plans	Elimination of interest capitalization would decrease the amount owed by a Borrower and in some cases lower monthly payment amounts.	