

Student Loan Debt Basics: Loan Forgiveness and Cancellation



COMMUNITY
DEVELOPMENT
PROJECT

Public Service Loan Forgiveness Program (PSLF)

After ten years of payments, any remaining balance will be forgiven.

To qualify you must:

- Not be in default
- Make 120 payments while employed full time in a public service job
- Make all payments after October 1, 2007

Eligible Public Service Jobs:

- Government agencies
 - Includes public schools, colleges and universities
- Public, child, family service organizations
- Non-profit organizations
- Not for profit private organizations that provide one of the following:
 - Emergency management
 - Military service
 - Law enforcement
 - Public interest law services
 - Early childhood education
 - Public services for the elderly or disabled
 - Public health
 - Public education
 - Library services

Types of Eligible Loans:

- Direct Stafford Loans
- Direct PLUS Loans
- Direct Consolidation Loans (See "Managing Your Loans After Default" for more information about consolidating different types of loans into one.)

PSLF Payments must be made under the following:

- Standard Repayment
- Income Based Repayment
- Income Contingent Repayment

(See "Loan Management" fact sheet for a description of the repayment plans listed above.)

For more information about PSLF
go to: www.dl.ed.gov

Stafford Loan Forgiveness Program for Teachers

Requirements:

- Full time teacher in a low income school (schools must be deemed eligible for at least first year of teaching)
- At least five consecutive, complete years of teaching
- Loans cannot be in default

For \$5,000 forgiveness:

- Must be "highly qualified"
 - have State Certification and a license to teach

For \$17,500 forgiveness:

- Meets all the General Requirements, requirements for \$5000 forgiveness, AND
- Is a math or sciences teacher in a secondary school OR
- Is a Special Education teacher
 - Primary responsibility is working with children with disabilities
 - Has training specific to the disability of the students

For detailed requirements, application forms, and instructions, go to studentaid.ed.gov/tc. Click on "Stafford Loan Forgiveness for Teachers"

Urban Justice Center
123 William St. 16th floor
New York, NY 10038
Tel: 646-602-5200
Fax: 212-533-4598

Cancellation of Direct Federal Loans

All or part of your loan may be cancelled in the following *limited* situations:

Disability

Total and Permanent Disability Discharge

The requirements for disability discharge are VERY strict. Receiving disability benefits is NOT enough to qualify you for this discharge.

Requirements:

- Total and permanent disability
 - Must not be able to earn *any* money in *any* field
 - Condition must have lasted or be expected to last for at least 60 months; or be expected to result in death.
 - Doctor must sign the application.
- Three year conditional period
 - Limits on how much you can earn and still qualify
 - Loan discharged at end of three years

Requirements for veterans:

- Determined by the VA to be unemployable
 - Disability due to a service-related condition
 - Does not require doctor approval
- No conditional period before discharge

Bankruptcy

IMPORTANT: A discharge of student loans is NOT automatic if you file for bankruptcy.

Requirements:

- You have filed for bankruptcy AND
- Paying the student loan would cause "undue hardship."
 - Judge must order loan discharged.

School Related Cancellations

Closed School Discharge

- School closed before you completed your program.
- You were enrolled at the time of closure, on approved leave, OR you withdrew less than 90 days before closure.
- No credits were transferred to another school.

Unauthorized Signature/Unauthorized Payment Discharge

- Your school forged your signature on your promissory note.
- Must provide signature samples

False Certification of Ability to Benefit Discharge

- You did not have a HS diploma *or* a GED.
- You did not take an Ability-to-Benefit test.

False Certification Disqualifying Status Discharge

- At the time you received the loan, you were not legally eligible to work in the occupation for which the program was intended.

Unpaid Refund Discharge

- You withdrew from your school under proper procedures.
- You were not issued the proper refund.
- Enrolled less than 60% of the loan period
- Can discharge only refund amount

False Certification Identify Theft

- You were a victim of identity theft.
- Identity theft was related to your student loans.
- Must have a court judgment in your favor that identifies the individual(s) who committed the crime

Death

- If the student dies, a family member can submit a copy of the death certificate to the loan provider.

Information and requirements are at www.dl.ed.gov .
Click on "Forms" in the top navigation bar.
The forms are listed according to the bold, italicized titles above.

Submit discharge requests to your loan provider.

Not Eligible for Cancellation

- The following are NOT reasons to cancel your student loans.
In the following situations, you are *still liable for your student loan debt*:
- You did not graduate.
 - You could not find work in your field.
 - You were dissatisfied with the education you received.

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