



Loan Forgiveness for Public School Employees including School Psychologists:

The College Cost Reduction Act of 2007

One strategy for recruiting professionals into careers and/or settings where shortages of qualified personnel currently exist is the provision of “loan forgiveness” programs. These programs typically provide relief to people who have some type of qualifying loan by “forgiving payments” on that loan after a period of time in which the person pays faithfully on the loan and works in a desired position or setting. NASP, with our allies in the Coalition for Personnel Shortages in Special Education and Related Services has advocated for many years for loan forgiveness programs as an effective method for reducing the shortages of special education and related service professionals.

On September 27, 2007 President George W. Bush signed the College Cost Reduction Act (HR 2669) making it Public Law 110-84. This law includes the first loan forgiveness program that extends to all public service employees, including any person who works in a public school setting. Qualifying public service jobs include full-time service in public health, public education, emergency management, government, military services, public safety, law enforcement, social work, public interest law services, child care, public library sciences or any other job at an organization that is described in section 501 (C) (3) of the Internal Revenue Code of 1986. This program essentially pays for itself by reducing federal subsidies paid to lenders and then reinvesting those savings into Pell grants and other student financial need programs outlined in the law. The purpose of this law is to provide significant relief to low income students and families that would otherwise struggle to afford a college and/or graduate school education. Although this law includes a variety of supports like increasing Pell Grant awards and cutting interest rates on need-based federal student loans, the most important part of this law for school employees is the creation of the Public Employee Loan Forgiveness program.

Under this program, recipients of four types of Federal Direct Loans who pay faithfully without defaulting on their loan for a period of 120 months while concurrently working in a public sector job (including public schools) would be eligible to have all remaining principal and interest on the loan forgiven. This program begins October 1, 2007 and only payments made after that date may be applied to the 120 month period. The four types of eligible federal loans include the Federal Direct Stafford Loan, Federal Direct Plus Loan, Federal Direct Unsubsidized Stafford Loan, and the Federal Direct Consolidated Loan. Generally, federal direct loan repayment plans extend from 10-25 years depending upon the type and amount of the loan, and the financial need of the individual. For school employees with 10 year loans or individuals with less than 10 years remaining on their payment schedule, this loan forgiveness program provides no tangible benefit. However, for public school employees with qualifying loans extending beyond the required 10 year period, the program could provide substantial relief permitting any remaining principal and interest to be forgiven if the person continues to pay faithfully on the loan and continues his/her work in public service settings.

As compared with other federal loan forgiveness programs, this program has both benefits and challenges. Existing loan forgiveness programs provide relief to teachers who work in designated “low income” schools after their service and faithful repayment for a period of five years. However, the amount that may be forgiven under these programs is a maximum of \$5000. In

comparison, the Public Employee Loan Forgiveness program does not cap the amount that may be forgiven and permits school employees to work in any public school—not just “low income” settings. However, it also requires a minimum of ten years of service and faithful repayment beginning after October 1, 2007 in order to be eligible. Clearly this legislation is not the panacea, but it represents the beginning of a new comprehensive federal effort to attract people into public service jobs including work in public school settings.

Summary of Key Program Components:

- Only *federal* student loan recipients who work in *public* sector jobs, such as school psychologists working in public schools, who also pay without defaulting for 120 months (while concurrently working in the public sector job) are eligible for this program.
- Only federal student loan recipients with the following types of loans are eligible for this program:
 - Federal Direct Stafford Loan,
 - Federal Direct Plus Loan,
 - Federal Direct Unsubsidized Stafford Loan
 - Federal Direct Consolidated LoanNo other types of federal loans apply to this program.
- Federal student loan recipients whose loan period is 10 years or less will not benefit from this program.
- Federal student loan recipients who do not have at least 120 remaining payments on a qualifying federal loan as of Oct. 1, 2007 will not receive any benefit from this program.
- There is no cap on the amount of money that can be forgiven for qualifying eligible participants. Any person who works in a public sector job while concurrently paying faithfully for 120 months towards an eligible federal loan will be eligible for all remaining principal and interest to be forgiven at the end of the 10 year period.
- This is the only current *federal* loan forgiveness program that applies to school psychologists. It is possible that private or state student loan forgiveness programs may extend to school psychologists. Only your loan provider can tell you if you qualify for those benefits.

For More Information:

For More Information about the College Cost Reduction and Access Act and the Public Service Employee Program, interested persons should contact the U.S. Department of Education’s call center, 1-800-433-3243. Callers to the automated system should select the option that permits them to speak directly to an operator or a call center representative.