The New York Times

# How to Apply for the Public Service Loan Forgiveness Fix-It Fund

By Ron Lieber

May 23, 2018

Are you eligible for the federal public service loan forgiveness program? Worried that you may have ended up in a disqualifying loan repayment plan? The rules for a new fix-it fund are now clear, but you may have to wait awhile to find out if there will be any money left for you.

Two months ago, Congress set aside $350 million to help public servants who had spent years making student loan payments only to find that they were not correctly repaying their loans. The bill gave the federal Department of Education 60 days to come up with a plan for distributing the money.

On Wednesday, the department added a page to its website explaining how the fix-it fund, which it refers to as the "temporarily expanded" public service loan forgiveness program, will work. One crucial point: You can't even apply for the money until you've completed 120 monthly payments and then been rejected for forgiveness by the department's loan servicer because you repaid your loans in an incorrect fashion.

Confused yet? So is nearly everyone who has ever enrolled in the public service loan forgiveness program. So let's back up a bit.

The public service loan forgiveness program dismisses any remaining balance (free of income taxes on the forgiven debt) for any decade-long public servant (all government and most nonprofit employees) who meets three additional criteria. First, those 120 payments have to be on time and in the exact amount due. Second, you need to have the right kind of loan: Only federal direct loans qualify, not Perkins loans or the old Federal Family Education Loans (or FFELs, as they are known in education circles). Nothing about the fix-it fund changes any of this.

The third criterion is where there is now some wiggle room. You're also supposed to be in the right kind of repayment plan during those 120 months, namely one in which your payment depends on your income and thus fluctuates each year depending on what you can afford to pay. Many borrowers got bad advice from loan servicers about enrolling in repayment plans and ended up in graduated or extended repayment plans that were supposed to be ineligible.



So now comes the fix-it fund. It could allow some of the people who were in a list of formerly ineligible repayment plans into the loan forgiveness program if they apply for the exception before the $350 million runs out (or after Congress allocates more money, if that ever happens). Only people who paid more than they would have under an income-driven repayment plan on their most recent monthly loan payment and the one 12 months ago (and thus were consistently overpaying, in effect) will be eligible.

If this sounds like it applies to you, you need to do the following things in the following order. First, you need to make 120 on-time payments in the right job, with the right loan; you can't go looking for relief yet if you've made only 90 payments, even if you already know that 30 of them, five or more years ago, were in the wrong repayment plan. Then, you need to ask FedLoan, your servicer, to begin formal forgiveness proceedings. It will then reject you for being in the wrong repayment plan for part or all of that 120-month period.

Only once that happens can you apply for the money, by sending an email to FedLoan. (The address is on the Department of Education's website.) The department has a template there that you can follow.

The big unknown here is how long the money will last. "It does create a bit of an odd situation for borrowers where they are competing for a limited pot of funds but the finish line is years out and they have no idea who else is going for it," said Ben Miller, a former Education Department senior policy adviser who is now senior director for postsecondary education at the Center for American Progress.

I asked Education Department spokesmen if it might create a countdown clock or scoreboard to track the number but did not receive a reply.

The drawdown rate may also turn on an accounting question, according to Betsy Mayotte, founder of the Institute of Student Loan Advisors. Consider someone who was in the wrong repayment plan for three of the last 10 years and has a $20,000 balance.

Will the department use the fix-it fund money to pay for all of that $20,000 — and every dollar of every forgiven balance from everyone who taps into it? Or will it use the fund to pay only the incremental cost of granting borrowers relief under this particular exception? For instance, that borrower with the $20,000 balance might have had a lower balance three years later, and if the fix-it fund pays just the difference between the two balances, it's a lot less than paying all of the $20,000. If the fund pays only that difference, the fund will last longer.

That's a lot of ifs, maybes and calculations, something that few people in any corner wish to have more of in a program that is already confounding. But for borrowers who would have paid tens of thousands more through no fault of their own without the fix, the added complexity is a whole lot better than the status quo.