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Public Service Loan Forgiveness: What Every Dental and Dental Hygiene Student, Resident and Fellow Should Know

Quick Facts About Public Service Loan Forgiveness (PSLF)

- Passed into law in 2007 to encourage borrowers to enter and remain in the public sector for at least 10 years by promising to forgive their remaining federal debt at that time.
- Forgiveness amount under PSLF is not subject to tax under current tax law.
- Not degree specific; any borrower meeting the eligibility requirements can qualify for PSLF, including dental school and dental hygiene graduates.
- While there have been proposals to eliminate PSLF, none have become law and these proposals have grandfathered in current direct loan borrowers. Therefore, we anticipate current direct loan borrowers would not be adversely impacted were there to be any changes to the program, as long as they meet the eligibility requirements referenced below. The current Administration is supportive of PSLF.
- While there have been relatively few borrowers to qualify for PSLF to date, we anticipate that number increasing over the next few years due, in part, to more borrowers being better informed about the program and how to qualify and more borrowers enrolling in the program and tracking their payments toward eligibility each year. The majority of borrowers denied PSLF thus far were using the wrong repayment plans (they were not using income-driven plans).

How Borrowers Qualify

- Borrowers must do three things at the same time to qualify for PSLF:
  1. Make 120 timely qualifying payments with an eligible repayment plan (for example, Income-Based Repayment [IBR], Pay As You Earn [PAYE) or Revised Pay As You Earn [REPAYE]),
  2. On direct loans (e.g., direct unsubsidized, direct PLUS or direct consolidation) and
  3. Work full time for an eligible public service employer (such as a nonprofit, including academic dental institutions).
- Payments do not have to be consecutive nor do they have to be from the same eligible repayment plan.
- Borrowers do not apply for PSLF until they have made all required payments.
- Borrowers may confirm that their employer is an eligible PSLF employer and get help tracking eligible PSLF payments by submitting the PSLF Form, available at StudentAid.gov/publicservice. While not required, it is highly recommended borrowers interested in PSLF submit the ECF each year and when they change employers. This greatly increases the chance they will be approved when they apply, as they will already know they have met the requirements.
- Borrowers with non-direct federal loans can consolidate them into the federal direct consolidation loan program to maximize their potential forgiveness amount.
- Many teaching hospitals for advanced dental education qualify as eligible PSLF employers, hence payments tied to income made on direct loans during hospital-based residency may count as eligible payments toward PSLF, if the hospital qualifies.

Resources

- Association of American Medical Colleges/ADEA Dental Loan Organizer and Calculator (AAMC/ADEA DLOC) at adea.org/DLOC
  - See DLOC tutorial and fact sheet at adea.org/DLOC
- StudentAid.gov/publicservice
- www.MyFedloan.org
  - Fedloan Servicing is currently the designated loan servicer for borrowers interested in PSLF.

Potential Forgiveness Amounts*

Please note the following assumptions used in the repayment estimate tables below:

- $304,824 educational debt (average debt, indebted borrowers, Class of 2020).
  - $162,000 direct unsubsidized; remainder direct PLUS (Grad PLUS).
  - Appropriate interest rates used based on year borrowed for Class of 2020.
- $56,112 stipend as first-year resident (GPR); $180,000 starting salary.
- No aggressive payments (no payments over required minimum).
- Single/family size of one for income-driven repayment plan calculations.
- PSLF estimates assume the graduate works continuously in nonprofit sector.

Scenario 1: No residency, immediately into nonprofit employment

Repayment plan	Years	Monthly payment	Total repayment	PSLF paid **PSLF forgiven**	Term forgiveness
Standard	10	$3,899	$467,844	NA	NA
Extended	25	$2,315	$694,448	NA	NA
REPAYE	25	$1,341 to $2,902*	$599,337	$186,321 **$361,106**	$260,258 taxable

Scenario 2: One-year general practice residency (GPR), then nonprofit employment

Repayment plan	Years	Monthly payment	Total repayment	PSLF paid **PSLF forgiven**	Term forgiveness
Standard	10	$3,899	$467,844	NA	NA
Extended	25	$2,315	$694,448	NA	NA
REPAYE	25	$308 to $2,810	$569,297	$169,329 **$369,885**	$289,739 taxable

*AAMC/ADEA DLOC used for all repayment and forgiveness estimates, available at adea.org/DLOC.

Note that monthly payments under both standard 10-year and extended 25-year plans are not dependent on income and family size. Borrowers may start in these plans and apply for an income-driven repayment plan later if needed.

Income Based Repayment (IBR) and Pay As You Earn (PAYE) are not displayed here, as the intention of the document is to simply show an example of how the income plans work, thus we are using the most recent income-driven repayment plan REPAYE as an example. The AAMC/ADEA DLOC runs repayment and forgiveness estimates under all income-driven plans so borrowers can compare these income plans.

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