

# U-M Students: Federal loan forgiveness is possible with a variety of career paths



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The U.S. Department of Education offers loan forgiveness for a variety of college graduates in good standing, with special programs for students pursuing teaching, public service or public policy careers. Students may qualify over time to have eligible federal loan balances forgiven through income-driven repayment programs and by enrolling in Public Service Loan Forgiveness or Teacher Loan Forgiveness programs. Students in teaching careers may also qualify to have federal Perkins Loans canceled.

## What are these programs?

### INCOME-DRIVEN REPAYMENT PLANS

These reduce monthly payments to make loan debt more manageable. There are several types of plans, which all consider a borrower's earnings compared with debt. Participating requires an application, which can be found online: <https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven>.

### PUBLIC SERVICE LOAN FORGIVENESS

This program encourages commitment to public service work and is available to those who borrow federal Direct Loans, make reduced monthly payments through income-driven plans and have a loan balance after making 120 on-time monthly payments while employed full-time in public service.

Information: <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service>

### TEACHER LOAN FORGIVENESS PROGRAM

Those who teach full time for five consecutive years at elementary and secondary schools or educational service agencies identified as serving low-income families, and meet other qualifications may be eligible. This program forgives up to a combined total of \$17,500 in principal and interest on federal Direct Loans (PLUS loans are not eligible). Information: <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/teacher#teacher-loan-forgiveness>

### PERKINS LOAN CANCELLATION

If you have a loan from the Federal Perkins Loan Program you might be eligible for loan cancellation for full-time teaching at a low-income school, or for teaching in certain subject areas. Information: <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/teacher#teacher-cancellation>.

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## What job types qualify?

- For **Public Service Loan Forgiveness**, employment with a federal, state or local government or a 501(c)3 nonprofit can be eligible. This can include teaching, military service, public safety, public health or emergency management, or working for public or private non-profit higher education institutions.
- For **Teacher Loan Forgiveness**, a teacher is someone providing direct classroom teaching, or similar work in a non-classroom setting. A teacher must be “highly-qualified” based upon demonstrated knowledge and skills.
- The **Perkins cancellation provision** considers full-time teaching at a low-income school or for teaching certain subject areas including science, math, foreign language or bilingual education or in a subject area with a shortage of teachers, which is determined each year.

## How loan forgiveness can work:

Following is an example of how a student entering federal loan repayment can reduce costs by enrolling in income-driven repayment plans, which are based upon earnings and what a student can afford to pay. Working in a public sector job can forgive debt even sooner.



Sam Student graduates from U-M after the Fall Term and enters repayment in the early summer (6 months following his graduation). He gets a job teaching in a K-12 school district in Michigan and wonders what the best options are for him to repay his federal loans. His starting pay in his new job is \$35,000 and he has \$40,000 in federal Direct Loans to repay.

Source of amounts below: Federal Repayment Estimator

### OPTIONS FOR SAM’S REPAYMENT AND POSSIBLE LOAN FORGIVENESS:

**Standard Plan:** This is the plan student borrowers are automatically enrolled into if they don’t select a repayment plan after graduating:

10-year loan period (120 payments) at a 5.84% interest rate

Monthly payment: \$440

Total cost of loan (including interest): \$52,809

**Loan Forgiveness after 10 years: \$0**

**Pay-As-You-Earn Plan:** This is one of several available types of income-driven payment plans. Under income-driven repayment, payments increase as your wages do:

Monthly payment: \$143 (first payment) to \$440 (final payment)

20-year loan period (240 payments) at a 5.84% interest rate

Total cost of loan (including interest): \$58,138

**Loan Forgiveness after 20 years: \$9,235**

**Public Service Loan Forgiveness:** While enrolled in income-driven repayment, a remaining Direct Loan balance may be forgiven after 10 years for students working in a public service field:

Monthly payments and cost of loan: See “Pay-As-You-Earn” above

**Loan Forgiveness after 10 years: Loan Balance including interest**

**The Federal Repayment Estimator shows how repayment plans work, including income-driven options:** Visit <https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action>

(Login with your FSA ID to automatically populate existing loans, or proceed as a guest and enter your loan amounts manually)

## Things to consider:

Educate yourself about repayment requirements and monitor your loan balance

Document your qualifying employment annually

Know your options if you leave your public service or teaching job

Borrowers must not be in default for a federal loan to qualify

Contact your federal loan servicer (<https://studentaid.ed.gov/sa/repay-loans/understand/servicers>) for more information or to apply



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