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## Student Loan Forgiveness Program for Public Service Workers Gets Overhaul.

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The sweeping changes will help more than a half-million public service workers who had thought they were paying down their debt for years.

The Biden administration is overhauling a student loan forgiveness program for public service employees that had become a notorious quagmire, introducing a sweeping set of fixes on Wednesday that Education Department officials said would help more than half a million people get closer to the relief they had been denied for years.

Previous patchwork efforts to mend the program have largely failed, brought down by the same complexity that crippled the original initiative. But this time, the agency is taking a chain saw to the program's rules to temporarily clear the way for many people who were previously rebuffed. Borrowers were cautiously optimistic.

"I'm hopeful," said Jen Gubitz, a rabbi in Boston who has worked in qualifying nonprofit jobs for nearly a decade but ran into hurdles trying to get her loans erased. "I'm relieved not just personally, but for society. Student loan debt is such an issue for so many people."

The beneficiaries will include "teachers, nurses, service members and millions of workers serving on the front lines of the pandemic," said Seth Frotman, a former student loan ombudsman for the Consumer Financial Protection Bureau who now runs the nonprofit Student Borrower Protection Center.

"For too long, those who give the most to our communities and our country have been given the runaround and forced to shoulder debts that should have been canceled," he added.

Created by Congress in 2007 to attract people to vital but often low-paying government and nonprofit jobs, the program offered employees a generous incentive: After 10 years of work, those who had made their federal student loan payments on time would have their remaining debt wiped away. But to many, that promise proved to be a mirage. More than 98 percent of those who applied were rejected, because of convoluted rules and sloppy administration.

"Borrowers who devote a decade of their lives to public service should be able to rely on the promise of public service loan forgiveness," said Miguel A. Cardona, the secretary of education. "The system has not delivered on that promise to date, but that is about to change for many borrowers who have served their communities and their country."

The most consequential shift takes aim at a rule that snared an overwhelming number of applicants: the so-called wrong loan problem. When Congress enacted the forgiveness program, it limited eligibility to those with student loans made directly by the government. Since 2010, all federal student loans have been made and owned directly by the Education Department.

But before 2010, most borrowers had government-backed bank loans known as Federal Family Education Loans. Hundreds of thousands of borrowers in public service jobs made payments on those loans for years without realizing -- because loan servicers often failed to tell them -- that those payments would not count toward the 120 monthly payments they needed to rack up to have their loan forgiven.

The Education Department had long resisted giving borrowers credit for those payments, insisting it lacked the authority to do so. But

now, it is offering a limited waiver that will retroactively count those payments, which will benefit around 550,000 borrowers, the department said. It said that the coronavirus pandemic gave it the authority -- under a 2003 law known as the Heroes Act -- to bend the usual student loan rules in times of national emergency.

Some 22,000 borrowers will automatically have debts totaling \$1.7 billion wiped out because of the program changes, the agency said. That exceeds the 16,000 borrowers who have managed to get their debts forgiven through the program to date.

The "wrong loan" problem is what tripped up Rabbi Gubitz. After a decade of steady payments, she still had \$112,000 left on the loans she had taken out to complete her master's degree at Hebrew Union College-Jewish Institute of Religion. She recently discovered that \$35,000 of those loans were through the Federal Family Education Loan program and would not qualify for elimination.

The new fix is likely to wipe out some or all of that debt. Rabbi Gubitz, who is 39 and got married last summer, hopes to redirect the \$600 a month that she now spends on loan payments into charitable donations, retirement planning and saving money to start a family.

The Education Department will also offer a temporary waiver to count payments made on ineligible payment plans, another hurdle that has tripped up many applicants. The department also intends to automate eligibility for federal employees and military service members, review all previously denied applications to find and correct errors, and offer an appeal process for those who believe they were harmed by processing mistakes.

And those on active military duty who put their loans on hold while they were deployed -- a perk they are legally entitled to -- will have those months counted toward their required 120 payments.

The fixes are the latest effort by the Biden administration to chip away at the extensive problems plaguing the federal student loan system, which controls \$1.6 trillion in debt owed by 43 million borrowers. Progressive lawmakers have called for President Biden to cancel \$10,000 or more per borrower through executive action -- a move Mr. Biden has resisted.

Instead, his administration has doled out \$10 billion in loan forgiveness through piecemeal actions targeting some of the most troubled relief programs, including efforts to aid permanently disabled people, those who were defrauded by failed for-profit schools and soldiers deployed to war zones.

Borrowers' advocates were optimistic about the public service program changes.

Randi Weingarten, the president of the American Federation of Teachers, which sued the Trump administration over its management of the program, said the measures would bring "urgently needed relief" and "overdue changes" that would help at least 200,000 of the union's members.

Ms. Weingarten said former Education Secretary Betsy DeVos had failed to fix parts of the program that had resulted in applications being denied or disqualified for reasons as minor as an applicant entering a wrong number on the form, or for issues beyond borrowers' control, like a servicer counting payments incorrectly.

"It was almost as if the system was set up not to fulfill the promise of public service loan forgiveness, and what Dr. Cardona and the Education Department have done is unwound the administrative obstacles and hurdles," Ms. Weingarten said.

But some obstacles still loom for public servants seeking help. The first is that most borrowers will need to submit a public service loan forgiveness application form before Oct. 31, 2022, to have their previously ineligible payments counted. And those who still have Federal Family Education Loans or loans through other federal programs, like Perkins loans, will need to apply by that date for consolidation into a new, direct loan to qualify for relief through the waiver.

An even bigger challenge is that the primary loan servicer for the forgiveness program -- the Pennsylvania Higher Education Assistance Agency, which does business as FedLoan -- is in the process of quitting.

The Education Department outsources the work of billing borrowers and guiding them through the repayment process to hired vendors. FedLoan, which holds a contract to manage the accounts of borrowers pursuing public service loan forgiveness, told the agency this summer that it would not renew its contract when it lapses at the end of the year. It said that the "increasingly complex and challenging" work of servicing federal loans had become too costly.

Another major servicer, Navient, said last month that it, too, is resigning to focus on its other lines of business. Those defections and those of several smaller servicers mean that the Education Department will need to move at least 16 million accounts to new servicers in the coming months -- a process that has in the past been filled with confusion and mistakes. Agency officials said they did not yet have a successor to FedLoan lined up.

Kristi Jacobson, a second-grade teacher at George R. Moscone Elementary School, in San Francisco, was cautiously optimistic about the prospects of relief.

Ms. Jacobson learned in June that none of the payments she had been making on her loans since 2005 qualified for forgiveness. She had also been submitting the annual paperwork for the program since 2014. She found out when she filled out a form on the Education Department's website that advised her to consolidate her loans into one that qualified for public service loan forgiveness.

The news stunned her.

"I got goose bumps," she said. "I read it over and over."

The 54-year-old had been looking forward to retiring in nine years. Instead, she would be restarting the clock on 10 more years of payments on her \$86,000 loan, at \$550 per month, after she consolidated her Federal Family Education Loans into a qualifying loan this summer.

"I don't think I should get a free ride," Ms. Jacobson said. "I borrowed this money for my education, and I should pay it back. But to be 54, and to think: Oh, I'll never buy a house. It's like being in a Kafkaesque tunnel."

"I've been told that good things are on the way," she added, "but I can't believe it until it happens."

CAPTION(S):

PHOTO: For college students who go on to public service careers, the federal promise of loan forgiveness has often become a mirage. (PHOTOGRAPH BY MICAH GREEN FOR THE NEW YORK TIMES)

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