



USA Funds®

Loan Forgiveness

Exceptions to the
loan repayment rule





Most borrowers of federal education loans must repay the full amount that they borrowed plus interest. But borrowers in certain occupations may qualify for loan forgiveness. And under certain exceptional circumstances, borrowers may qualify to have all or a portion of their loan obligation discharged.

Teacher loan forgiveness

Eligibility requirements for teacher loan forgiveness differ depending on when a borrower began qualified teaching service, and the maximum loan forgiveness amount varies according to the subject matter the borrower is employed to teach.

Who is eligible?

- ♦ You must have been a new borrower as of Oct. 1, 1998. A new borrower is one who had no outstanding loan balance on a Federal Family Education Loan Program or Federal Direct Loan Program loan as of that date or the date you obtained a loan after Oct. 1, 1998.
- ♦ You must have been employed as a full-time teacher for five consecutive, complete academic years in a qualified elementary or secondary school serving a low-income community or for an educational service agency.
- ♦ The loan for which forgiveness is sought must have been made before the end of your fifth academic year of qualified teaching employment.
- ♦ You may not seek loan forgiveness based on teaching service for which you already have received a benefit through the AmeriCorps program.
- ♦ If you are in default on the loans for which you seek loan forgiveness, you must have made satisfactory repayment arrangements with your loan holder.
- ♦ Up to \$5,000 of the outstanding balance of a qualified Stafford loan, or the outstanding portion of a consolidation loan used to repay qualified Stafford loans, may be forgiven.

Additional eligibility requirements for teachers who began teaching service that qualifies for loan forgiveness prior to Oct. 30, 2004.

- ♦ If you are employed as an elementary school teacher, you must have demonstrated knowledge and teaching skills in reading, writing, mathematics and other areas of the school's curriculum.
- ♦ If you are employed as a secondary school teacher, you must be teaching a subject relevant to your academic major.

Additional eligibility requirements for teachers who began teaching service on or after Oct. 30, 2004.

- ♦ You must be a “highly qualified” teacher in elementary or secondary school as defined in the Elementary and Secondary Act of 1965.

Additional eligibility requirements to qualify for a maximum \$17,500 in loan forgiveness.

- ♦ You must be a “highly qualified” teacher as defined in the Elementary and Secondary Act of 1965 and employed for the required period as a full-time secondary school teacher of mathematics or science, or as an elementary or secondary school special education teacher.
- ♦ Note that if you already have received \$5,000 in teacher loan forgiveness and meet the criteria above to qualify for the maximum \$17,500 in loan forgiveness, you may apply for the additional benefit (\$17,500 minus what you already have received in loan forgiveness) by submitting a new Teacher Loan Forgiveness Application.

Additional information.

- ♦ The program forgives only the eligible outstanding principal and interest of qualified federal education loans. Amounts previously paid will not be refunded.
- ♦ If you are engaged in qualified teaching service, you may apply to your loan holder for forbearance to suspend payments on qualified loans for up to one year at a time.
- ♦ Teachers who are employed in private, nonprofit schools and who are exempt from state certification requirements may qualify for loan forgiveness by taking competency tests in the applicable grade levels and subject areas.

How does a teacher apply for loan forgiveness?

- ♦ You must complete a Teacher Loan Forgiveness Application and submit the application to your lenders. The application is available from the Borrowers section of the USA Funds® website, www.usafunds.org.



Other loan forgiveness opportunities

Direct Loan borrowers working in specified public service occupations may qualify for forgiveness of outstanding loan balances after making 120 monthly loan payments. To qualify, payments must have been made after Oct. 1, 2007, which means actual loan forgiveness under this program won't begin until October 2017. And most federal student loans are fully repaid within 120 monthly payments. As a result, only borrowers who repay under certain flexible repayment options likely will qualify for public service loan forgiveness. In addition, subject to annual congressional appropriations, certain legal services attorneys who assist low-income clients with civil matters may qualify for assistance with their federal student loan payments. For information about both programs, visit www.studentaid.ed.gov.

Some state governments also sponsor student loan forgiveness programs for certain occupations or classes of borrowers. Contact your state department of education or higher education agency. In addition, some employers offer loan payment benefits to their employees. Check with your employer's benefits department for more information.

Loan discharge options

In rare cases, all or a portion of a Stafford loan, PLUS loan or consolidation loan may be discharged, relieving you of any further obligation to pay that portion of the remaining balance. For example, your obligation to repay your loans may be discharged if you meet one of the following conditions:

- ◆ You die, or the dependent student for whom you obtained a PLUS loan dies.
- ◆ You meet the criteria for total and permanent disability, or you are a veteran and meet certain U.S. Department of Veterans Affairs disability criteria.
- ◆ You prove undue hardship before a bankruptcy court.

- ◆ You are unable to complete your studies because your school closes.
- ◆ Your school falsely certified your eligibility for a loan due to identity theft or certain other reasons, or failed to make a refund owed to your lender.

If you believe that you qualify for one of these options, contact your lender for more information.

Perkins loan cancellation and discharge

If you have Federal Perkins loans — federal student loans that are administered by your school — your loans may be discharged if you meet one of the following conditions:

- ◆ You die.
- ◆ You meet the criteria for total and permanent disability, or you are a veteran and meet certain VA disability criteria.
- ◆ You prove undue hardship before a bankruptcy court.
- ◆ You are unable to complete your studies because your school closed.

In addition, all or a portion of your Perkins loan may be canceled if you meet one of the following conditions:

- ◆ You're a full-time teacher in an elementary or secondary school or educational service agency that serves a high concentration of low-income students.
- ◆ You're a full-time special education teacher in an elementary or secondary school.
- ◆ You're a full-time elementary or secondary teacher of mathematics, science, foreign languages, bilingual education or other field designated by your state as a teacher shortage area.
- ◆ You're a full-time provider of early intervention services to disabled children.
- ◆ You're a full-time law enforcement, corrections officer, public defender attorney or firefighter.
- ◆ You're a full-time nurse or medical technician.
- ◆ You're a full-time employee of a public or private, nonprofit child or family service agency providing services to high-risk children and their families from low-income communities.

- ◆ You're a full-time staff member in the educational component of a Head Start program.
- ◆ You've served in the U.S. Armed Forces in an area of hostilities.
- ◆ You've served as a VISTA or Peace Corps volunteer.
- ◆ You're a full-time faculty member at a tribal college and university.
- ◆ You're a full-time librarian for a school or public library that serves a low-income community.
- ◆ You're a speech-language pathologist serving a school in a low-income community.

If you believe you meet one of these criteria, contact the school that you attended when you received your Perkins loans.

Important note: If you don't qualify for any of the options listed in this brochure, you must repay your loans, even if:

- ◆ You don't complete your studies.
- ◆ You failed to complete your studies in the regular period expected for program completion.
- ◆ You are dissatisfied with the quality of your education.
- ◆ You're unable to find employment after you graduate.

www.usafunds.org

A nonprofit corporation, USA Funds® works to enhance postsecondary education preparedness, access and success by providing and supporting financial and other valued services. USA Funds is a guarantor of loans in the Federal Family Education Loan Program.

