

IMPORTANT Federal Loan Updates for Clergy

If you are currently holding any federal or public (versus private) loans for educational debt, the following information is urgent and important.

1. **Effective July 1, 2021, clergy are now eligible to apply for the Public Service Loan Forgiveness Program.** This program is designed to forgive loans after 120 qualifying payments. The new language on the website reads:

If you are employed by a not-for-profit organization, time spent on religious instruction, worship services, or any form of proselytizing as a part of your job responsibilities may be counted toward meeting the full-time employment requirement.

[Read the announcement](#) from a reliable organization, ECFA (Evangelical Council for Financial Accountability). Wespath has also alerted key stakeholders to share this information with clergy.

The major requirements include 120 qualifying payments in an income-driven repayment plan or standard repayment in the Direct Loan program while working full-time (30 hours or more) for an eligible employer. Keep in mind previous employment may count towards participation in this program. Working for more than one employer to obtain the full-time status is acceptable if the employers meet the “public service” definition. (All local churches part of the Dakotas and Minnesota Annual Conferences are part of the denomination’s “Group Ruling” which qualifies the church as a 501(3)(c).) Your employers will need to certify you worked for them.

If you are currently participating in the income-driven repayment program, complete the Public Service Loan Forgiveness program application. Even if you are *not* currently participating in the income-driven repayment program, complete the Public Service Loan Forgiveness program application. Your application will include participation in the income-driven repayment program.

Deferments and forbearances do not count toward loan forgiveness—apart from the payment pause and interest waiver during the pandemic, which does count. (Note: If you were participating in extended repayment or graduated repayment programs, the payments during the last 12 months must have been at least as much as they would have been in an income-driven repayment plan to qualify for loan forgiveness.)

Loan consolidation resets the payment count. If you have not consolidated your public or federal loans, know that doing so creates a “new” loan and begins the 120-payment eligibility period for the Public Service Loan Forgiveness program. If your loans are numerous and new, this may be the right step forward. It is important to research the benefits carefully before consolidating. One large loan may qualify for the PSLF program. Refer to the PSLF Help Tool list in Definitions and Resources.

The application process may take 6–12 months. Apply regardless of your tenure.

Other important information you need to know!

2. The forbearance period for public loans has been extended from September 30, 2021 to January 31, 2022. Your first payment is not required until February 2022.
3. The 23 months of forbearance does not lengthen your loan repayment period. In other words, the 23-month period when payments were not required count toward the loan forgiveness as if you actually made payments during the 23 months.
4. If you are currently participating in the income-driven repayment program, the re-certification for a new payment amount will not occur until June 2022. This means your payments will be what they were before the forbearance period until June 2022. However, if your income was reduced during the forbearance period, you can request an earlier re-certification and potentially obtain a lower monthly payment.

Important Definitions and Resources

Income-driven Repayment Programs: Income-driven repayment plans are designed to make your student loan debt more manageable by reducing your monthly payment amount. The four income-driven repayment plans are income-contingent repayment (ICR), income-based repayment (IBR), pay-as-you-earn repayment (PAYE) and revised pay-as-you-earn repayment (REPAYE). Learn more at <https://studentaid.gov/app/ibrInstructions.action>.

NOTE: If you need to make lower monthly payments or if your outstanding federal student loan debt represents a significant portion of your annual income, the income-driven repayment programs provide an excellent solution to improve your overall cash flow. Because you may be eligible for the Public Service Loan Forgiveness Program, the need to more aggressively pay down your loan in order to start paying the principal over the interest becomes less urgent.

Loan Consolidation: If you have multiple student loans you may be able to combine them into one loan with a fixed interest rate based on the weighted average of the interest rates on the loans being consolidated. However, this resets the clock for the Public Service Loan Forgiveness program. Learn more at <https://studentaid.gov/app/launchConsolidation.action>.

Public Service Loan Forgiveness Program: The PSLF Program forgives the remaining balance on your Direct Loans after you have made 120 qualifying monthly payments under a qualifying repayment plan while working full-time for a qualifying employer. Learn more at <https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service>.

Public Service Loan Forgiveness Program Help Tool and Application: This tool and the application is available at <https://studentaid.gov/pslf/>.

Recertification Process: To re-certify for your existing income-driven repayment plan you must provide updated information about your income and family size annually. Information can be found at <https://studentaid.gov/app/ibrInstructions.action>.

Need Help?!

Diane Owen can help. Diane is the program director for the Area's Lilly Grant initiative addressing the "Economic Challenges Facing Pastoral Leaders." Contact Diane at 507-244-0311 or email her at diane.owen@dkmnareaumc.org. Diane can also put you in touch with individuals who have deeper knowledge of these processes.

The information above should not be considered legal, financial, or tax advice. Individuals and local churches should consult with their own counsel and other advisers.