



How to maximize the new Michigan Student Loan Repayment Program

A Guide for District Leaders on
PSLF and Sec. 27K



Today's Panel



Kristen Ahlenius

Your Money Line
Student Loan Expert



Chadd Hodkinson

Gallagher Benefits Services
Benefits Expert



Stephen Blackburn

Your Money Line
Former K12 Educator &
Administrator

Agenda

Let's dive in

Sec. 27k

The impact on the district

Public Service Loan Forgiveness

The impact on educators

The Logistics & Comparison

How do these programs work together?

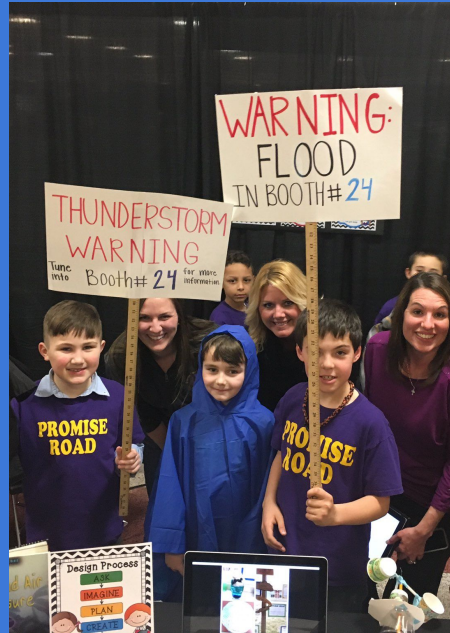
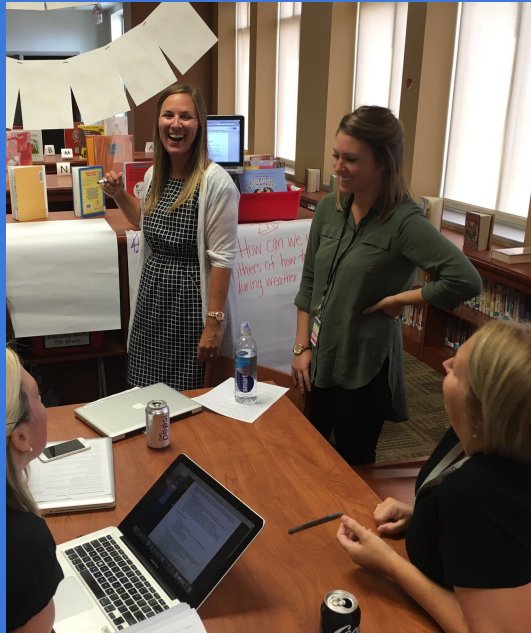
Q&A

Stephen Blackburn

8 yrs – 4th grade teacher

6 yrs – Elementary school administrator

PSLF recipient



Section 27k

"Student Loan Repayment Program"

- "The purpose of the work project is to continue support for federal student loan repayment programs as described in this section."
- \$225M allocated for 2023-2024
- Effective Oct 1, 2023
- Application opens Thursday, February 29th
- Application closes Thursday, April 11th
- The "applicant" is the district or intermediate district, not the individual teacher

Public Service Loan Forgiveness

“PSLF”

- Created by the federal government to incentivize professionals to take jobs for government and non-profit organizations
- “10 years to student loan forgiveness”
- Forgives the remaining balance on your Direct Loans after you’ve made the equivalent of 120 qualifying monthly payments while working full time for a qualifying employer
- This is separate from the Teacher Loan Forgiveness program

Who qualifies for PSLF?

The Criteria

- Work for a qualifying employer
 - **Government** – city, state, federal
 - **501(c)(3)** – Not-for-profit organizations that are tax-exempt under Section 501(c)(3)
 - **Other** – Other not-for-profit organizations that provide certain qualifying public services
- Full time employee (30+ hours per week)
- Direct loans
- Income driven repayment plan
- **120 on-time qualifying payments – this deferment period has counted towards qualifying payments!**

Section 27k Unique Requirements

Section 27k Specific Criteria

- 32 hours or more per week
- Work directly with pre-k to 12 students
 - Examples: counselor, social worker, librarian
- Monthly payments
 - Lesser of
 - \$200 **OR**
 - the borrowers monthly minimum payment
 - "Band 6"
 - "85% of pupils are economically disadvantaged"
 - Up to \$400/month
- Limited funding (specific amount of dollars allocated)

Qualifying Loans and Repayment Plans

The hardest hurdles to clear

- Direct Loans
 - A more common problem in education
 - Generally, federal loans newer than 2008
- Repayment plan options
 - Income Driven Repayment
 - Income Contingent Repayment (ICR)
 - Income Based Repayment (IBR)
 - Saving on a Valuable Education (SAVE)
 - Pay As You Earn (PAYE)

The SAVE Plan

Replaced the REPAYE IDR Plan

- Adjusts income-driven payment amounts by adjusting the calculation of **discretionary income** (increase to 225% of federal poverty limit)
- Cap repayment at **5%** of a borrower's discretionary income for undergrad loans and **10%** of discretionary income for grad loans
- Allow borrowers with **less than \$12k** in debt to see forgiveness in **10 years**
- Curtail unpaid interest that speeds the growth of loan balances – if a borrower's **monthly payment doesn't cover the interest charges, additional interest will not be added** to their principal balance
- Allows couples using **Married Filing Separately** standard to exclude their spouses' income

The impact of the “right” repayment plan

	Income Based Repayment	SAVE (Graduate)	SAVE (Undergraduate)
Teacher 1 - \$45,000	\$186.75	\$92.63	\$46.31
Teacher 2 - \$60,000	\$311.75	\$217.63	\$108.81
Teacher 3 - \$75,000	\$436.75	\$342.63	\$171.31

Teacher Loan Forgiveness

Public Service Loan Forgiveness (PSLF)

Section 27k

Bottom Line

This program is **best for qualifying teachers who don't have a large amount of debt**, as TLF offers less forgiveness but offers it quicker.

This program is **best for borrowers who have a lot of debt**, as PSLF offers more forgiveness but requires 120 qualifying payments.

This program is a state specific opportunity to receive dollars monthly to help cover **federal** student loan payments.

Who Qualifies?

Teachers who have taught **full time for five consecutive years at a qualifying low-income elementary or secondary school** qualify.

Anyone who works in **qualifying public service for at least 10 years**. Qualifying public service includes working for a government employer (public school); working for an organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (nonprofit school); or serving as a full-time AmeriCorps or Peace Corps volunteer.

Federal student loan holders working toward Public Service Loan Forgiveness (PSLF) that work directly with pre-k to K-12 students.

How Much of My Loans Are Forgiven?

Secondary math, science, and special education teachers can get **up to \$17,500 forgiven**; elementary school teachers and secondary school teachers who teach other subjects can get **up to \$5,000 forgiven**.

The remaining balance on your Direct Loans is forgiven. There is **no limit** on the total amount that can be forgiven. Other types of federal student loans may become eligible if you consolidate them into a Direct Consolidation Loan.

While this program doesn't aim to forgive federal student loans, it helps relieve the burden of student loan payments. Borrowers can receive as much as \$200/month to help cover their monthly payment.

When Can I Receive Forgiveness?

You'll receive forgiveness once you've made your **five complete and consecutive years of teaching**.

You'll receive forgiveness once you have made **120 qualifying student loan payments while working full time for a qualifying employer** (roughly ten years). Note: These 120 qualifying payments do not have to be consecutive.

Participation in Section 27k does not impact borrowers ability to qualify for longer term forgiveness programs.

What we don't know yet

Outstanding Questions	Who is authorized to provide clarity?
Are the payments to the teachers taxable?	A CPA needs to provide guidance at the individual or district level. The state will not be providing additional clarity here.
Will there be opportunities to include additional teachers after the April 11th window closes?	The Michigan Department of Education will determine whether to open additional application windows.
How long could these funds be available?	The Michigan Department of Education will combine unused/excess dollars and make future determination of whether to continue funding. Should the applications exceed the dollars available, the funds will be prorated.

The Support Your Staff Needs Now

How can we increase our chance at success?

- Encourage exploration of income-driven repayment plans
 - Advantageous for all federal loan holders to explore
- Educate all employees on the need to complete the Employment Certification Form
 - PSLF exclusive form
- Prepare PSLF/Section 27k hopefuls for potential loan servicer changes
- A plan to document compliance with 27k at the district level
 - How will your district decide to maintain record keeping and ensure compliance?

Thank you.

Any questions we can answer? Don't hesitate to reach out—we're happy to help.

Want help?

27k@yourmoneyline.com

