

# Cut Student Debt by Doing Good

New laws that promise to forgive some student-loan debt may provide an incentive for more college students and recent graduates to enter public-service positions in professions including nursing, education and law.

Provisions of the College Cost Reduction and Access Act of 2007 and the latest reauthorization of the Higher Education Act, signed by President George W. Bush last month, both aim to lighten the debt load for graduates who enter into a wide range of public-service jobs.

"Loans shouldn't be an excuse not to go into public service," says Robert Shireman, executive director of the Project on Student

Debt, a consumer group based in Berkeley, Calif. The new laws are intended to tell students "you can follow your passion and your loans won't destroy you."

People who may be interested should note that there are significant differences between the two programs—as well as details and financial arrangements still to be resolved.

## Ten-Year Option

The 2007 law established a new Public Service Loan Forgiveness program. It will forgive remaining federal student-loan debt after qualifying individuals have 10 years of full-time employment in public service.

The law applies to certain Stafford loans (both subsidized and unsubsidized), Grad PLUS loans and consolidation loans. But borrowers who got U.S.-backed loans, including consolidation loans, from private lenders generally will have to switch to loans directly from the government in order to participate. (Loans held by a student's parents don't qualify.)

Another requirement: Over the period of public-service employment, borrowers must make 120 monthly payments as part of the direct lending pro-

gram (payments don't have to be consecutive). Only payments made after Oct. 1, 2007, count toward the requirement.

To find out if you qualify, visit [IBRinfo.org](http://IBRinfo.org), an informational Web site sponsored by

tial loan forgiveness for people who spend as little as three years in public service—thus encouraging people to try out jobs in the public sector.

After every year employees work in certain public-service jobs, a portion of their loans would be forgiven.

For instance, under the law, civil legal-assistance attorneys who make a three- to six-year commitment may receive up to \$6,000 a year of forgiveness for up to six years.

Prosecutors and public defenders who make a three- to six-year commitment may receive \$10,000 a year of forgiveness, up to \$60,000 in total.

## Uncertain Timing

There's a big question mark about the new program, however: While the benefits were authorized by Congress, "it remains to be seen if they are actually going to be funded as part of an appropriations bill," says Mark Kantrowitz, publisher of [FinAid.org](http://FinAid.org), a Web site that tracks financial-aid issues.

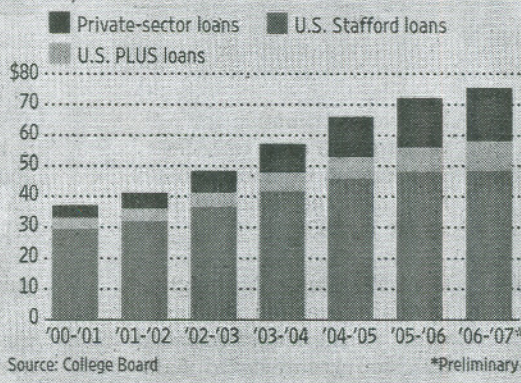
Since it could take years for Congress to flesh out where the money will come from to fund the program, current students will most likely miss out on these benefits.

In addition, the new reauthorization of the Higher Education Act forbids "double dipping," or taking advantage of both the new short-term provisions and the Public Service Loan Forgiveness program at the same time. If you start with the shorter-term program, once it is up and running, you would have to work 10 additional years to also qualify for the longer Public Service Loan Forgiveness program.

Meanwhile, people planning on claiming the 10-year option should "be certain public service is your lifelong career and you will stick with it for at least 10 years," Mr. Kantrowitz says.

## Growing Debt Burden

Three types of college loans, in constant (2006) dollars, in billions



the Project on Student Debt, among other nonprofit organizations.

(For information on direct loan consolidation, which is possible even if you have already consolidated with a bank or other private lender, go to Web site [loanconsolidation.ed.gov](http://loanconsolidation.ed.gov).)

In most cases, eligibility is based on whether you work for an eligible employer, such as certain nonprofit organizations or for the federal, state or local government, which may include the military and public schools and colleges.

The Department of Education says it may broaden the eligibility criteria when it finalizes rules for the program in the coming months.

The department is working on but has yet to finalize a streamlined process so people can know along the way whether they are making the right kind of payments and are in a qualifying job.

"People need something they can count on along the way, so they don't end up" with nothing at the end of a 10-year career in public service, Mr. Shireman says.

## Shorter Commitment

This year's law, meanwhile, holds out the potential of nar-