



The Daily Dish

# And the Hits Just Keep on Coming

DOUGLAS HOLTZ-EAKIN | OCTOBER 7, 2021

## Eakinomics:

Yesterday the Department of Education [announced](#) “Transformational Changes to the Public Service Loan Forgiveness Program.” I don’t know about “transformational.” After all, there was already a Public Service Loan Forgiveness (PSLF) program. Under it, to be eligible for forgiveness one must:

1. Work for a non-profit or government (an enraged aside, AAF is a non-profit so working here is “public service”),
2. Work full time for one of the above,
3. Have direct loans (recall that as part of the passage of Obamacare all federal loans became direct loans),
4. Repay under an Income-Based Repayment program (IBR) (a direct loan with a standard repayment plan is not eligible), and
5. You must have made 120 months (10 years) of qualifying payments.

I have never been able to understand why this is considered acceptable policy. It creates moral hazard; future borrowers have no reason to expect to fully repay and will not pay as a result. Income-based repayment is just a tax on getting a raise; usually that is not something one thinks of as a “reward.” And why is a non-profit somehow virtuous and for-profit not?

Yesterday’s changes simply tweak #3, #4, and #5. This “waiver” will relax #3 so that the Federal Family Education Loan (FFEL) Program or Perkins Loan Program are now eligible for PSLF. (These are the loan programs shut down in the Obamacare legislation.) Basically if you made x months payments towards your FFEL or Perkins loan, those x months now count towards the 120 months. But to get this, you must first consolidate your non-direct loans into a direct loan no later than October 31, 2022.

This waiver will also relax #4. Let’s say you worked for the federal government full time, have direct loans, and have made x months of payments through a standard repayment plan. You are not eligible for PSLF because you are not paying through an IBR. But now, your x months of payments count toward the 120 months, and since you don’t need to have an IBR anymore, any repayment plan works.