

PSLF program waiver: What physician borrowers should know

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A recent one-year waiver issued by the U.S. Department of Education could increase the number of physician borrowers who qualify for the maligned Public Service Loan Forgiveness Program (PSLF).

The program, which aims to offer debt relief for physicians and others who make 120 payments on their educational loans while working for a nonprofit or government entity has often not met its desired ending. Nearly 80% of 2020 medical school graduates planned to pursue loan forgiveness via the PSLF program, according to the Association of American Medical Colleges. Yet data from the Education Department shows that the vast majority of applications for PSLF are denied.

Here's a look at how the waiver could affect physician medical student-loan repayment.

Opening up the program

The PSLF program has created confusion since its inception. In some circumstances, physicians working in nonprofit settings made what they thought were qualifying payments toward loans, but, for a litany of reasons, those payments did not qualify. The waiver is designed to give those physicians and other borrowers a chance to get past payments counted toward the PSLF if they were working for qualifying employers and have Federal student loans.

“For some people, this might mean that they are now done paying their loans,” said Alexis Pierce, senior attorney for the AMA Division of Legislative Counsel. “It’s going to be helpful for many physicians. The best way to figure out if the waiver can apply to you is to speak with your individual loan provider for guidance.”

The waiver takes effect in January and runs through October 2022. It is advisable, Pierce said, to get your paperwork in ahead of time.

“It’s really important that people start to get their documents in order before the waiver deadline expires. I would say borrowers should be proactive and get all relevant information submitted to the Department of Education well in advance of the October deadline. You don’t want to miss a document and not qualify for the waiver.”

It’s important to note that the waiver does not affect any form of private loans and it doesn’t change qualifying employer rules. To qualify for PSLF, a physician’s employer still needs to be a governmental organization, a 501(c)(3) organization, or a nonprofit organization that provides a designated public service.

Long-term changes

The PSLF waiver may only be the first step in the process of remaking the PSLF program. In addition to the waiver, the Education Department issued a request for information on the program, often a leading indicator that regulatory changes are being considered.

The AMA submitted a letter in response to the request, highlighting several reasons the program needs to be reworked. Among them:

- The PSLF program precludes California and Texas physicians from participating in the program due to state laws that prohibit nonprofit and public hospitals from directly employing physicians.
- The program’s lack of transparency in data creates an impression that it is more effective than it actually is.
- The program’s definition of qualified organizations is too narrow and should be expanded it to a larger range of mission-driven nonprofit organizations.

At the November 2021 AMA Special Meeting, the House of Delegates amended existing policy regarding the PSLF.

Under the new policy, the AMA will:

- Monitor the denial rates for physician applicants to the PSLF.
- Undertake expanded federal advocacy—in the event denial rates for physician applicants are unexpectedly high—to encourage release of information on the basis for the high denial rates, increased transparency and streamlining of program requirements, consistent and accurate communication between loan servicers and borrowers, and clear expectations regarding oversight and accountability of the loan servicers responsible for the program.

- Work with the Education Department to ensure that applicants to the PSLF and its supplemental extensions, such as Temporary Expanded Public Service Loan Forgiveness (TEPSLF), are provided with the necessary information to successfully complete either program in a timely manner.
- Work with the Education Department to ensure that people who would otherwise qualify for PSLF and its supplemental extensions, such as TEPSLF, are not disqualified from the program.

Read about the other highlights from the November 20201 AMA Special Meeting.