Image: zimmytws | Getty

Key Loan Forgiveness Program Change May Help Church Workers with Student Debt

Education department expands eligibility after 2017 Trinity Lutheran decision—but acceptance is still no certainty.


Matthew J. Branaugh, Attorney | Editor, Content and Business Development Bio

For the first time ever, clergy and religious workers who have carried debt from federal Direct student loans for at least 10 years are now eligible to seek forgiveness through the US Department of Education's (DOE) Public Service Loan Forgiveness (PSLF) program.

The change went into effect on July 1, 2021.

The program forgives a borrower's remaining balance on subsidized and unsubsidized Direct loans after the borrower has "made 120 qualifying monthly payments under a qualifying repayment plan while working full-time for a qualifying employer," according to the PSLF website.

Since the program's 2007 founding, qualifying employers have included US-based nonprofits, but not churches and other houses of worship. On the heels of the US Supreme Court's 2017 decision in *Trinity Lutheran Church of Columbia, Inc. v. Comer*—which found churches and religious organizations could not be excluded from public benefit programs—as well as subsequent guidance issued by the US Attorney General, the DOE sought the change to PSLF.

With the revision now in effect, the PSLF site has been updated to include individuals "employed by a not-for-profit organization" and who spend their time "on religious instruction, worship services, or any form of proselytizing."

Religious liberty concerns

The change was first proposed in 2018 and went through a standard administrative rulemaking process involving public notice and invitations for public comment.

The final version of the DOE's rule change, published in the *Federal Register* in August of 2020, extensively cited *Trinity Lutheran*. It noted "(t)he Supreme Court has made it clear that a 'policy preference' of 'achieving greater separation of church and State than is already ensured under the Establishment Clause' is insufficient to justify excluding religious organizations from generally available benefits."

It continued:

> Indeed, there is substantial Supreme Court precedent supporting the proposition that the government must not discriminate against individuals or entities on the basis of their religious identity. . . . The final regulations set religious individuals and entities on equal footing with their secular counterparts by allowing such individuals and entities to qualify for the same aid already available to nonreligious individuals and entities. Therefore, such treatment is correcting an inequality, not creating one.

Some comments opposing the change suggested such an alteration “would be subsidizing inherently religious activities, such as religious education and proselytizing, in violation of the Establishment Clause.”

The DOE disagreed, though, adding the revision “would merely be providing financial aid for otherwise eligible students to attend postsecondary education regardless of their membership in a religious order and without considering that order’s primary objective.”

Welcome help—but no sure thing

According to NerdWallet.com, the DOE reported in the spring of 2021 that student loan borrowers nationwide “owe a collective $1.6 trillion in federal and private student loan debt.” A 2020 study by NerdWallet estimated the average US household owes $57,520 in student debt, and the site also notes recent US Census data shows about 43 million Americans are saddled with student loan debt—or roughly 1 in 8 Americans.

Additionally, NerdWallet estimates the average graduate school loan debt for a US household measures $71,000.

School debt has long been identified as a key stressor for clergy and religious workers, too. For instance, in a 2015 survey of 4,000 pastors conducted by the National Association of Evangelicals (NAE), 30 percent of pastors carried student loan debt averaging $36,000.

Financial stress ranked highly among the majority of pastors, the survey also found, reinforcing a nationwide, multiyear initiative by the Lilly Endowment to help churches compensate their leaders more fairly—and find other ways to creatively reduce financial stresses even when church budgets get tight. (Editor’s note: The Lilly initiative provides funding to ChurchSalary.com, a sister site of Church Law & Tax.)

While the expansion of PSLF is likely welcome news for clergy and other religious workers, the ability to gain approval from PSLF is no sure thing.

As attorney Adam Minsky, a Forbes columnist, recently pointed out, “the program continues to be mired in problems including application backlogs, low approval rates, and poor management by student loan servicers.”

Efforts to reform PSFL, Minsky added, likely remain years away.

Determining eligibility

The PSLF notes the following criteria for eligibility:

- A borrower is considered full-time if he or she meets their employer’s definition of full-time or he or she “work(s) at least 30 hours per week, whichever is greater.”

- A borrower who works more than one qualifying part-time job is considered full-time if he or she works a combined 30 hours or more each week between the employers.
- Only federal Direct Loans (also known as William D. Ford Federal Direct Loans) qualify.
- The Federal Family Education Loan Program and the Federal Perkins Loan Program are not eligible. But such loans may become eligible if consolidated into a Direct Consolidation Loan.
- Student loans from private lenders do not qualify.
- The borrower must make at least 120 qualifying monthly payments, meaning the payments came after Oct. 1, 2007, under a qualifying repayment plan, for the full amount due on each bill, no later than 15 days after each bill's due date—and while working for a qualifying employer.
- When loans are in "in-school status," a grace period, a deferment, or a forbearance, the site cautions any payments made are not considered to be qualifying ones.

Those interested to learn more about their potential eligibility are encouraged to set up an account with the PSFL Help Tool.

Matthew Branaugh is editor of content and business development for Church Law & Tax at Christianity Today. He earned his juris doctor (JD) with honors from the University of Denver Sturm College of Law.