

Issue 13
Proposed Regulatory Language
Team II: School-based Loan Issues

Origin: HEOA section 465

Issue: Addition of New Public Service
Cancellation Categories

Statutory Cite: HEA section 465(a)

Regulatory Cite: §674.56

DCL page reference: Page 136

Summary of Issue: The HEOA adds public service cancellation categories for borrowers who are:

- Full-time fire fighters with a local, State, or Federal fire department or fire district;
- Full-time faculty members at a Tribal College or University;
- Librarians with a master's degree in library science who are employed in an elementary or secondary school that qualifies for Title I funding, or in a public library that serves a geographic area that includes one or more Title I schools; or

- Full-time speech-language pathologists with a master's degree who are working exclusively with Title I eligible schools.

Current borrowers with outstanding balances on loans already in repayment and all new borrowers with eligible service performed on or after August 14, 2008, in these new cancellation categories, will qualify for cancellation, regardless of whether the cancellation category appears on the borrower's promissory note.

Regulatory language:

Sec. 674.56 Employment cancellation--Federal Perkins, NDSL and Defense loans.

(a) *Cancellation for full-time employment as a nurse or medical technician.* (1) An institution must cancel up to 100 percent of the outstanding balance on a borrower's Federal Perkins or NDSL made on or after July 23, 1992, for full-time employment as a nurse or medical technician providing healthcare services. (2) An institution must cancel up to 100 percent of the outstanding balance on a Federal Perkins, NDSL or Defense loan made prior to July 23, 1992, for full-time service as a nurse or medical technician performed on or after October 7, 1998, if the cancellation benefits provided under this section are not included in the borrower's promissory note.

(b) *Cancellation for full-time employment in a public or private nonprofit child or family service agency.* (1) An institution must cancel up to 100 percent of the

outstanding balance on a borrower's Federal Perkins loan or NDSL made on or after July 23, 1992, for service as a full-time employee in a public or private nonprofit child or family service agency who is providing services directly and exclusively to high-risk children who are from low-income communities and the families of these children, or who is supervising the provision of services to high-risk children who are from low-income communities and the families of these children. To qualify for a child or family service cancellation, a non-supervisory employee of a child or family service agency must be providing services only to high-risk children from low-income communities and the families of these children. The employee must work directly with the high-risk children from low-income communities, and the services provided to the children's families must be secondary to the services provided to the children.

(2) An institution must cancel up to 100 percent of the outstanding loan balance on a Federal Perkins, NDSL or Defense loan made prior to July 23, 1992, for employment in a child or family service agency on or after October 7, 1998, if the cancellation benefits provided under this section are not included in the terms of the borrower's promissory note.

(c) *Cancellation for service as a qualified professional provider of early intervention services.* (1) An institution must cancel up to 100 percent of the outstanding balance on a borrower's Federal Perkins or NDSL made on or after July 23, 1992, for the borrower's service as a full-time qualified professional provider of early intervention services in a public or other nonprofit

program under public supervision by the lead agency as authorized in section ~~676(b)(9)~~ 632 of the Individuals with Disabilities Education Act.

(2) An institution must cancel up to 100 percent of the outstanding loan balance on a Federal Perkins, NDSL or Defense loan made prior to July 23, 1992 for early intervention service performed on or after October 7, 1998, if the cancellation benefits provided under this section are not included in the terms of the borrower's promissory note.

(d) Cancellation for full-time employment as a firefighter to a local, State, or Federal fire department or fire district. An institution must cancel up to 100 percent of the outstanding balance of a borrower's Federal Perkins, NDSL, or Defense loan for service performed on or after August 14, 2008, as a full-time firefighter.

(e) Cancellation for full-time faculty members at a Tribal College or University. (1) An institution must cancel up to 100 percent of the outstanding balance of a borrower's Federal Perkins, NDSL, or Defense loan for services as a full-time faculty member at a Tribal College or University on or after August 14, 2008.

(f) Cancellation for full-time employment as a librarian. (1) An institution must cancel up to 100 percent of the outstanding balance of a borrower's Federal Perkins Loan, NDSL, or Defense loan for services as a full-time librarian on or after August 14, 2008, provided that the librarian

(i) Has a master's degree in library science; and -

(ii) Is employed in an elementary school or secondary school that is eligible for assistance under Part A of

title I of the Elementary and Secondary Education Act of 1965; or

(iii) Is employed by a public library that serves a geographic area that contains one or more schools eligible for assistance under Part A of title I of the Elementary and Secondary Act of 1965.

(2) For the purposes of paragraph (f) of this section, the term geographic area is defined as the school district of a local education agency.

(g) Cancellation for full-time employment as a speech pathologist. An institution must cancel up to 100 percent of the outstanding balance of a borrower's Federal Perkins Loan, NDSL, or Defense loan for full-time employment on or after August 14, 2008, as a speech pathologist with a master's degree who is working exclusively with Title I eligible schools.

(eh) Cancellation rates. (1) To qualify for cancellation under paragraphs (a), (b), ~~and (c)~~, (d), (e), (f), and (g) of this section, a borrower must work full-time for 12 consecutive months.

(2) Cancellation rates are--

(i) 15 percent of the original principal loan amount plus the interest on the unpaid balance accruing during the year of qualifying service, for each of the first and second years of full-time employment;

(ii) 20 percent of the original principal loan amount plus the interest on the unpaid balance accruing during the year of qualifying service, for each of the third and fourth years of full-time employment; and

(iii) 30 percent of the original principal loan amount plus the interest on the unpaid balance accruing during the

year of qualifying service, for the fifth year of full-time employment.