

Take Advantage of Student Debt Assistance

A PASTOR'S ACTION PLAN

STEP 1

Understand Your Options

- ☐ 1. Federal student loan repayment plans and Public Service Loan Forgiveness Programs (PSLF/TEPSLF)
- ☐ 2. Employer provided Educational Assistance Program
- ☐ 3. COMPASS Initiative financial literacy training and grants

STEP 2

Enroll and Participate

- ☐ 1. Enroll in the Public Service Loan Forgiveness programs
- ☐ 2. Utilize your employer's Educational Assistance Program
- ☐ 3. Participate in a COMPASS Initiative financial literacy program

STEP 3

Follow Up with Your Servicers

- ☐ 1. Every year you must resubmit the "Public Service Loan Forgiveness (PSFL) & Temporary Expanded PSLF (TEPSLF) Certification & Application" form.
- ☐ 2. Update your personal contact information at studentaid.gov and your loan servicers when any information changes.
- ☐ 3. Apply each year for your employer's Educational Assistance Program.



Introduction

If you are one of the millions of Americans with student debt, there is help for you to pay off your loans, and there is even a way to have your federal loans forgiven. Pastors and other full-time church employees may be eligible to participate in the U.S. Department of Education's Public Service Loan Forgiveness (PSLF) program, thanks to some recent changes in PSLF policies.

Pastors and other employees may also utilize their employer's Educational Assistance Program. If your church has established a policy for this fringe benefit, you may receive up to \$5,250 each year as tax exempt income to be used for student loan payments through the end of 2025.

Pastors and full-time associate pastors may be eligible to participate in the COMPASS Initiative financial literacy training programs, and receive the associated matching grants for debt reduction or retirement savings. These programs and grants, through the COMPASS Initiative in the USA/Canada Region, are a direct response from the Church of the Nazarene to the student debt crisis among our pastors.

Understand Your Options

We want you to be aware of the various avenues that are available to assist you in addressing and possibly eliminating your student debt. You may have heard about some or all of these programs, but you may have thought, “I won’t qualify,” or “It’s just too complicated!” That is why this guide was created – to help you understand the options and navigate the processes of accessing these resources.

Federal Student Loan Assistance (IBR, ICR, PAYE, REPAYE)

The first place to start is with your federal student loans. All of your federal student loans are listed in your U.S. Department of Education account at [StudentAid.gov/login](https://studentaid.gov/login). NOTE: Your private loans are not listed here. Private loans will be addressed later. The StudentAid.gov website only deals with federal student loans.

Pastors who are struggling to pay the minimum payments on their federal student loans may want to consider selecting a different repayment plan, particularly an income-driven repayment plan.

Income-driven repayment plans include:

- **Income-Based Repayment Plan (IBR)**
- **Income-Contingent Repayment Plan (ICR)**
- **Pay As You Earn Repayment Plan (PAYE)**
- **Revised Pay As You Earn Repayment Plan (REPAYE)**

These repayment plans are only for Direct Loans (both subsidized and unsubsidized), Direct PLUS Loans made to students (not to parents), and Direct Consolidation Loans (that do not include loans made to parents). If you have a federal loan that is not a “Direct” type of loan such as a Stafford Loan or FFEL, you will need to consolidate those loans into a Direct Consolidation Loan in order to participate in the IBR, ICR, PAYE, or REPAYE repayment plans.

There are a few other repayment plans for federal student loans that do include non-Direct Loans, but those do NOT qualify for the PSLF forgiveness program. More on the PSLF in a moment. For the full list of federal student loan repayment plans and their details, see studentaid.gov/manage-loans/repayment/plans.

Usually, it is a bad idea to consolidate federal loans into a private loan, because federal student loans have many more options and flexibility when it comes to repayment and even forgiveness. Of course, there are exceptions. You will need to decide which course of action is best for your circumstances.

To select a different repayment plan for your federal student loans you will need to contact your loan servicer(s) directly. Your loan servicers are listed with your loans in your StudentAid.gov account.

It's usually a bad idea to consolidate federal loans into a private loan.

Guide for Pastors & Employees

Federal Student Loan Forgiveness (PSLF, TEPSLF)

The Public Service Loan Forgiveness program (PSLF) forgives the remaining balance on your federal Direct Loans after you have made 120 qualifying monthly payments under a qualifying repayment plan while working full-time for a qualifying employer. This is a program of the U.S. Department of Education and all of the details are available at studentaid.gov/manage-loans/forgiveness-cancellation/public-service. Be sure to read through that webpage as it contains more details than can be covered here, nevertheless, here are some highlights. To qualify for PSLF, you must:

- Be employed by a 501(c)(3) not-for-profit organization (receiving a W-2 from your church);
- Work full-time for that organization (at least 30 hours/week);
- Have Direct Loans (or consolidate other federal student loans into a Direct Loan);
- Repay your loans under a qualifying income-driven repayment plan (IBR, ICR, PAYE, or REPAYE);
- And make 120 qualifying payments (do NOT need to be consecutive).

You must submit the PSLF form each year to verify that you are working full time at the church. Your church's Employer Identification Number (EIN) must be included on the form. If you work less than 30 hours at the church but you also work part time at a different 501(c)(3) non-profit, and the combined number of hours you work per week is at least 30 hours, the combined hours will qualify you. Simply remember to submit a PSLF form for each employer with their unique EINs. A sample PSLF certification form is included in the Sample Resources section.

If you start working at a different church, you will need to submit a PSLF form for each of the churches that year.

More Good News:

On October 6, 2021, the U.S. Department of Education announced a change to the PSLF program. Now, for a limited period of time, you may receive credit toward the 120 required payments for past payments made on loans that would not usually qualify for PSLF, as long as

- you were working full-time for a qualifying employer when the payments were made; and
- you consolidate non-Direct Loans into the Direct Loan program before October 31, 2022.

This Temporary Expanded PSLF (TEPSLF) program uses the same PSLF form.

The retroactive qualification of payments made on non-Direct Loans applies to anyone who has already consolidated loans into a Direct Loan and anyone who consolidates into the Direct Loan program before October 31, 2022. Borrowers who are already in the PSLF program may also receive credit for some prior payments they made before consolidating.

Consolidate your federal loans and submit PSLF/TEPSLF forms before October 1, 2022

The key to benefiting from this temporary waiver of PSLF rules is to consolidate non-Direct Loans into the Direct Loan program. Be sure to select a qualifying repayment plan. Then submit a PSLF form for each qualifying employer for whom you have worked at least 30 hours per week while making student loan payments on the non-Direct Loans. Keep in mind that you can receive credit only for payments made after October 1, 2007.

Guide for Pastors & Employees

The online [PSLF Help Tool](#) is available to help you fill out the form, however, you will need to print the form after it is complete in order to sign it. Electronic signatures are not accepted. After you and your employer have signed the PSLF/TEPSLF form, you will need to upload it or mail it according to the directions on the form.

Even More Good News

- According to the IRS, student loan amounts forgiven under the PSLF or TEPSLF are NOT considered income for tax purposes. For more information, check with the IRS or a tax advisor.
- If the inclusion of previous loan payments gives you more than 120 qualifying payments, you may receive a refund for the qualifying payments you made in excess of 120, provided that you have certified your employment for that time frame.

If you have private loans, there are consolidation companies that may be able to give you better interest rates and more manageable monthly payments. BE CAREFUL! Not all companies have your best interest in mind, so be very diligent in researching the companies and read all of the fine print. **You should never have to pay someone else to refinance your private student loans.**

Employer Educational Assistance Program

Another option for reducing your student loan debt that you should be aware of is the Educational Assistance Plan (EAP). This is a fringe benefit provided by an employer to its employees, where the employer provides financial assistance to the employee for the employee's educational expenses. If your church has established a written EAP, you may receive up to \$5,250 of this assistance each year as tax-exempt income.

Educational expenses that an IRS-qualified EAP usually covers are the cost of books, equipment, fees, supplies, and tuition. Expenses that are NOT covered include the cost of tools, supplies (other than textbooks) that the employee is allowed to keep at the end of the course, the cost of lodging, meals, or transportation. Also, you must be able to provide proof that the educational assistance provided was used for qualifying education expenses.

The EAP benefit is usually for the employee's current educational expenses, **however**, section 2206 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), **temporarily expanded the definition of educational assistance to include the payment of student loans**. This change applies to student loan payments paid after March 27, 2020 and before January 1, 2026. The loan payments must be on the pastor's/employee's loans for their own education (not spouse's or children's loans). See the IRS Publication 15-B and chapter 11 of Publication 970 for additional details.

IRS allows use of EAP funds to pay student loan debt, March 27, 2020–January 1, 2026.



For pastors with student loans, this would allow a pastor to receive up to \$5,250 as tax free income to spend on their student loan payments. This benefit is especially helpful for pastors who do not qualify for PSLF, because this benefit may be used for all federal and private student loans.

Keep in mind that you will need to request funds from the EAP each year using your church's approved request form.

COMPASS Initiative Financial Literacy Program

One more avenue for reducing your student loan debt, or any other personal debt, is to participate in one of the COMPASS Initiative financial literacy programs. Pastors and full-time associate pastors may be eligible to participate in these programs and receive the associated matching grants for debt reduction or retirement savings.

The COMPASS Journey has certain financial qualifications for participation but the COMPASS Quest programs is available to any pastor or full-time associate pastor. These are free financial literacy programs designed specifically for pastors.

After completing the free COMPASS Journey or COMPASS Quest programs you will be eligible to receive a matching grant of up to \$5,000 or up to \$1,000 respectively. For more information or to apply for one of the programs, go to COMPASSinitiative.org.



Your Next Steps

Now that you are aware of some of the options available to you for reducing, and even eliminating, your student debt, the next step for you to take is to enroll and participate.

If you have federal student loans, explore the information about repayment plans and the PSLF/ TEPSLF forgiveness programs on StudentAid.gov. Act quickly because the temporary waiver that allows previous loan payments to count toward loan forgiveness is only valid through October 31, 2022.



Guide for Pastors & Employees



Ask your church board secretary or church treasurer about the church’s employer Educational Assistance Plan. If your church doesn’t have one yet, share the Guide for Church Leaders section of this document with them. Then utilize the tax benefits of the EAP and continue to reduce your student debt.

If you are eligible, apply for the COMPASS Journey and/or the COMPASS Quest financial literacy programs that are offered through the Church of the Nazarene’s USA/Canada regional office. These are great tools for improving your own understanding and management of personal finances. They also provide tools and inspiration for improving the financial stewardship of your church.

As you take advantage of each opportunity, be sure to keep everyone up to date on your personal contact information. If anything changes, you will need to update your profile at StudentAid.gov, each of your loan servicers, and the COMPASS Initiative.

Every year you will need to 1. submit a PSLF/TEPSLF form, 2. request funds from your church’s EAP, and 3. submit quarterly reports and final grant requests to the COMPASS Initiative during your COMPASS Journey. Each program provides unique benefits to you, and if you utilize them all, you will experience improved financial well-being as you reduce your debts and gain financial skills that will carry you into a better future.

