

Follow-Up Q&A: Cancellation and Forgiveness

Below are general answers to questions we received during the webinar on May 7, 2026, that we were unable to address live. We will discuss consolidation and repayment in more detail at our next session in August.

WARNING: These responses are current as of **May 2026**. Due to ongoing regulatory changes, court decisions, and administrative updates affecting the federal student loan system, some information may change and could become outdated. Practitioners should verify current rules, deadlines, and eligibility requirements before advising borrowers.

For the most current guidance, please refer to:

- NCLC's Student Loan Borrower Assistance website, at studentloanborrowerassistance.org, and NCLC's student loan news blog at studentloanborrowerassistance.org/updates-news/latest-news/
- NCLC's student loan listserv. To join, visit nclc.org/listservs.
- The U.S. Department of Education Federal Student Aid website at studentaid.gov

My client can't get through to Federal Student Aid to ask questions about their student loans. What are their options for getting them answered?

Call wait times for FSA can be long. If borrowers are having trouble contacting the FSA, there are several steps they can take. First, they should try to resolve the issue directly with their servicer. The borrower may also want to file complaints with the FSA Ombudsman or state ombuds offices. Finally, reaching out to the local congressional office for help—specifically the constituent services office can sometimes be very helpful in resolving student loan issues.

What updates do you have on MOHELA and any lawsuits regarding administrative errors?

No significant update on MOHELA for now. On July 22, 2024, AFT filed a lawsuit against MOHELA regarding numerous servicing errors, including overcharging borrowers on monthly

installments, failing to process essential documentation in a timely manner, and providing misleading information regarding student loan accounts. In January, [AFT amended its complaint](#) to include new allegations of ongoing servicing errors and mismanagement of borrowers' accounts. The case is still pending in the D.C. federal court.

What employers are eligible for PSLF? Are independent contractors (1099 employees) eligible for PSLF?

Qualifying employers include governmental employers and many not-for-profit organizations. The Department of Education has a tool to check whether an employer qualifies for PSLF. Check employer eligibility here: <https://studentaid.gov/pslf/employer-search>.

Generally, independent contractors are not typically eligible for PSLF, unless the contracted employee is doing a job that, because of state law, cannot be done by a direct employee of a nonprofit organization. A common example of this comes up in states that do not allow health care organizations to hire direct employees.

You can also find more information on PSLF eligibility here:

<https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service/questions>.

My client served in the military and is now disabled. Did he still have to make the 120 payments to qualify for PSLF?

Yes, you have to meet all of the requirements, including the 120 payments, in order to qualify for PSLF. However, a borrower who is disabled may be eligible to have their loans forgiven now through the Total and Permanent Disability (TPD) program.

I have a client who has Direct loans and FFEL loans. The client is seeking some sort of forgiveness. For the FFEL loan, does my client need to consolidate into a Direct Loan and then enroll in an IDR plan?

Maybe not. FFEL loans are eligible for the IBR plan, so if the borrower is pursuing IDR cancellation, they may not need to consolidate. And consolidating would reset their IDR clock. If the client is pursuing PSLF, they need to consolidate the FFEL Loan into a Direct Consolidation

Loan and then enroll in an IDR plan in order to earn credit towards loan forgiveness for PSLF on that loan. However, consolidation is risky right now because if the consolidated loan is issued after July 1, 2026, the borrower will only be eligible for the RAP plan and the Standard plan going forward.

Bottom line: don't advise a client to consolidate right now unless you are sure that this is the only way to manage the client's debt long-term.

What happens to the general forgiveness timeline if you consolidate at this stage? Does it restart your payment clock at 0?

Potentially. For IDR cancellation, consolidating now will reset the IDR clock to 0. For PSLF, the borrower should receive a weighted average of credits on their new consolidation loan; however, we have heard reports of issues with this.

Bottom line: consolidation is really risky right now. We'll discuss this more at our next session in August.

Does Worker's Compensation impact TPD?

No. A borrower who receives Worker's Compensation is not automatically eligible for TPD, but they may still be able to qualify based on Social Security Disability or Veteran's Disability benefits status, or by getting a medical professional certification.

Do Veterans have to be certified 100% disabled to qualify for PSLF TPD, or can it be below 100%?

To qualify for TPD based on Veteran's Disability benefits status, the borrower has to have a 100% service-connected disability. But the borrower may still qualify based on their Social Security Disability benefits status, or by getting a medical professional certification.

What happens if someone loses their disability status with SSA after having loans discharged through TPD? What if they go back to work?

Student loans are not reinstated if the borrower loses their disability status or goes back to work after their loans are discharged under the TPD program.

What if the Veteran is disabled now, but they have already paid off their loan?

Unfortunately, you cannot get a retroactive TPD and refund of student loans that were already paid.

Is IDR and Graduated repayment the same thing?

No. IDR is an Income-Driven Repayment plan. The current IDR plans are SAVE, IBR, ICR, and PAYE, but these plans will be changing over the course of the next two years. Payments on an IDR plan are based on the borrower's monthly income, household size, and loan amount. IDR plans are not designed to pay the loan off. The Standard, Graduated, and Extended plans are other payment plans, where the payment amount is based on a certain time to pay off the loan.

IDR loans are not taxed at the federal level but at the state level, correct? What happens if someone has been paying on an IDR plan for years but reaches forgiveness after January 1, 2026?

This has changed recently due to the Big Bill that was signed in July 2025. Loans that earned forgiveness under the IDR program before January 1, 2026, were not taxable for federal purposes, and only some states considered the forgiven debt taxable. However, any loans that reach IDR forgiveness after January 1, 2026, will be taxable for federal purposes.

What is the guidance regarding IDR counts applying to the RAP cancellation? Will people start at 0 if they transition to RAP?

Previously earned IDR credit will count toward RAP, and borrowers can transfer those credits to the RAP plan. However, the Department of Education recently announced that borrowers who earn credits in RAP will not be able to transfer those RAP credits toward any other IDR plan if they switch out of RAP.

What is the deadline to consolidate to maintain access to the legacy payment plans? Is the deadline based on when the consolidation was sent or when it was processed? Any new loans will only be allowed to apply for the RAP plan, correct?

Any loans issued or consolidated on July 1, 2026, or later will only be eligible for the new track of payment plans—RAP and Standard. And Parent PLUS borrowers will not be eligible for RAP. The deadline is based on the date the consolidation loan is issued, not when the application was submitted.

Do borrowers with Parent Plus loans qualify for IDR cancellation if they're currently on ICR?

Yes! But they need to be careful not to take out any new loans or consolidate loans after July 1, 2026. If they do so, they will lose access to any IDR plan for the Parent PLUS loans and won't be eligible for cancellation. Read more about this here:

<https://studentloanborrowerassistance.org/parent-plus-consolidation-deadline-act-now-to-get-into-idr-plan/>.

I've had some clients who have declared bankruptcy, and their attorney has told them that student loans can't be included. Is that the decision of the attorney, or was it the type of bankruptcy they were choosing?

Historically, it has been difficult to discharge student loans in bankruptcy, but this has changed in the last few years. Borrowers who are interested in filing for bankruptcy to try to discharge their student loan debt should speak with an attorney who has experience with this. The National Association of Consumer Advocates has information on finding private consumer lawyers:

<https://www.consumeradvocates.org/findanattorney/>.
