

Written Testimony
Jeff Appel
Federal Student Aid
U.S. Department of Education

Broken Promises: Examining the Failed Implementation of the Public Service Loan Forgiveness Program

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Thank you, Chairwoman Davis, Ranking Member Smucker, and Members of the Committee, for the opportunity to join you today. I look forward to discussing the Public Service Loan Forgiveness (PSLF) and the Temporary Expanded Public Service Loan Forgiveness (TEPSLF) programs with you. In my testimony, I will describe the U.S. Department of Education's (Department) continuing efforts to help borrowers understand the complexities of these programs, as they were designed by Congress.

Background about PSLF and TEPSLF

In 2007, Congress created the PSLF Program through the *College Cost Reduction and Access Act* (CCRAA). The PSLF Program proposes to forgive any remaining balance on loans made under the William D. Ford Federal Direct Loan (Direct Loan) Program for borrowers who make 120 qualifying monthly payments on the loans. The Department issued regulations governing the program in 2008.

Under the law and regulations, a qualifying monthly payment for PSLF is a payment that the borrower makes

- after Oct. 1, 2007;
- under a qualifying repayment plan;
- for the full amount due;
- no later than 15 days after their due date; and
- while they are employed full-time by a qualifying employer.

While these appear simple on their face, the law and regulations surrounding the PSLF pose numerous obstacles to borrowers. The following list identifies many of the significant complexities facing borrowers:

- Borrowers can make qualifying monthly payments for PSLF only during periods when they are required to make a payment. Therefore, advanced payments made by a borrower or payments made while loans are in an in-school status, grace period, deferment, or forbearance do not qualify. Determining the exact dates over a ten-year period during which a borrower was in a non-qualifying status can be an arduous task for both the borrower and the Department.
- Not all employers are “qualifying employers.” Qualifying employers generally include government organizations at any level and not-for-profit organizations that are tax-

exempt under Section 501(c)(3) of the Internal Revenue Code, and private non-profit organizations that provide certain types of qualifying public services.

- Not all loans are eligible for loan forgiveness. The program, as established by law in 2007, is available only to borrowers with Direct Loans, not to borrowers with loans through the Federal Family Education Loan (FFEL) Program. Yet, in 2007, approximately 75 percent of borrowers participated in the FFEL Program. Borrowers did not have individualized choice over whether they would take loans under the non-qualifying FFEL Program or the qualifying Direct Loan Program since that choice was left to the borrower's school. Therefore, in order to qualify for PSLF, a borrower with one or more FFEL loans would have had to consolidate their loans into a Direct Loan (accepting the associated cost of consolidation) in order to potentially qualify for PSLF. In such an instance, only payments made on the consolidation loan, but not the underlying FFEL loans, are counted toward the repayment requirement. As a result, the primary determinant of whether many borrowers would receive loan forgiveness in the past two years was their action 10 years ago to consolidate into the Direct Loan program ten or more years ago.
- There are several repayment options, but not every plan qualifies a borrower for PSLF relief. For example,
 - Qualifying repayment plans for PSLF generally include the income-driven repayment (IDR) plans, which base a borrower's monthly payment on his or her income, and the 10-year Standard Repayment Plan.
 - Graduated and extended repayment plans are not qualifying repayment plans under PSLF even though these plans were more widely used prior to the creation of the Pay as You Earn (PAYE) and Revised Pay as You Earn (REPAYE) IDR plans in 2012 and 2015.

Because PSLF requires borrowers to have been in repayment for 10 years prior to qualifying for loan forgiveness, the first year in which any borrower could have qualified for loan forgiveness was 2017. Given the complexity of the program and the fact that it is limited to the minority of borrowers who were in the Direct Loan program in 2007, it is not surprising that relatively few borrowers received loan forgiveness in the first year.

To realize any benefit from PSLF, borrowers need to qualify for a reduced monthly payment under an IDR plan. Payments made under the 10-year Standard Repayment Plan are designed to repay the loan within 10 years. As such, the Standard Repayment Plan should leave the borrower with no balance left to be forgiven through PSLF after making 120 qualifying payments. Furthermore, when PSLF was established in 2007, only one IDR plan was available to Direct Loan borrowers; the second IDR plan, created by the CCRAA, was not implemented until 2009; and there were limits on which borrowers could participate. As a result, IDR plans were used by only a small percentage of Direct Loan borrowers. There are currently four available IDR plans that qualify. Even though IDR plans are now available to all borrowers, they are a viable option only for the limited subset of Direct Loan borrowers who have large enough debt relative to their income to qualify them for a reduced monthly payment amount,

relative to the 10-year standard repayment plan. Many borrowers who work in qualifying employment simply do not owe enough to qualify for a reduced monthly payment under an IDR plan. Without qualifying for a reduced payment under an IDR plan, there will be little or no loan balance to forgive after 120 payments have been made. In other words, many borrowers who may be interested in PSLF didn't borrow enough or earn too much to qualify for a reduced payment, thus there is nothing to forgive at the end of the required 120-month repayment period.

Although we do have some data on borrowers interested in PSLF, these data are limited to those who have submitted a voluntary Employment Certification Form (ECF). We encourage borrowers interested in PSLF to submit an ECF annually to receive feedback on the eligibility of their employment and payments on an ongoing basis. Doing so reduces the amount of time and effort required of a borrower once he or she has made the required 120 payments. This is important because the law requires not only that the borrower be in qualifying employment while making the required 120 payments and at the time the loan is forgiven, but that they provide documentation to support their eligibility. The voluntary ECF helps inform a borrower of whether his or her employer qualifies them for PSLF or not. Unfortunately, many borrowers wait until they are closer to the end of making the 120 payments to begin documenting qualifying employment. It may be very difficult for a borrower to provide documentation of qualifying employment from 8 to 10 years prior if he or she waits until the end of the 120-payment period to do so.

The regrettable, but unsurprising, result of all of the problems identified above, is that the number of borrowers who have successfully met all program requirements and received PSLF relief to date, in the initial years of eligibility, is low. As of June 30, 2019, 90,962 borrowers have submitted a total of 110,729 applications for PSLF and 845 borrowers have had their loans discharged for a total of \$52 million. The Department's data indicate that the most common reasons PSLF applications are denied include not having made 120 qualifying payments (55 percent), missing information on the application (24 percent), and not having eligible loans (15 percent). Overall, among applicants with outstanding eligible loans, 80 percent had not even been in repayment status long enough – 10 years – to have qualified.

In order to increase the number of borrowers who could receive loan forgiveness, in 2018, Congress created TEPSLF under the Consolidated Appropriations Act of 2018 (P.L. 115-141). TEPSLF forgives the remaining balance on Direct Loans for borrowers who would qualify for PSLF but for the fact that some or all of their payments were made under the graduated or extended repayment plans. However, under the law, those borrowers must demonstrate that the amount they paid under these plans 12 months prior to applying for TEPSLF and in the last payment they made before applying for TEPSLF was at least as much as they would have paid under an IDR plan. Since payments are calculated differently under IDR, extended repayment, or graduated repayment plans, a borrower who is current in their payments under their graduated or extended repayment plan may still fail to qualify under TEPSLF. TEPSLF fails to provide relief to a borrower who has been making payments on a FFEL loan. Congress required the Department to implement an application process for TEPSLF within 60 days of enactment and directed the Department to make forgiveness for TEPSLF available on a first come, first served basis as there is a finite appropriation for the program.

To date, Congress has provided \$700 million for the TEPSLF opportunity. As of June 30, 2019, the Department has received 17,466 requests for TEPSLF. Of those requests, 681 borrowers have had their loans discharged for a total of \$28.2 million. The Department's data indicate that the most common reasons TEPSLF requests are denied include: the borrower has not been in repayment for the required 120 months (35 percent), the borrower does not meet the TEPSLF requirement for payment amounts during the last 12 months (20 percent), and the borrower did not have loans that were eligible to receive TEPSLF (15 percent). The Department stands ready now, as it has in the past, to provide technical assistance to Congress on any legislative improvements to the PSLF and TEPSLF programs that Congress would like to propose to address any of the current restrictive eligibility requirements in order to help borrowers that have been faithfully working in public service obtain loan forgiveness.

Recent GAO Reports Regarding PSLF and TEPSLF

Last year, the Government Accountability Office (GAO) issued a report regarding PSLF. The GAO made four recommendations focused on improved communications and outreach, as well as streamlining processes:

- (1) FSA should develop a timeline for issuing a comprehensive guidance and instructions document for PSLF servicing;
- (2) FSA should enhance borrowers' ability to determine which employers qualify for PSLF;
- (3) FSA should standardize the information the PSLF servicer receives from other loan servicers; and
- (4) FSA should ensure that borrowers receive sufficiently detailed information from the PSLF servicer to be able to identify any errors in the servicer's counts of qualifying payments.

The Department concurred with GAO's recommendations and has completed or is in the process of completing all of the recommended actions, as described below.

Improved Communications and Outreach

The Department has conducted a variety of outreach activities to date to raise general awareness about PSLF and TEPSLF and help borrowers understand the programs' benefits, eligibility requirements, and application procedures.

First, all borrowers with Direct Loans are sent information about PSLF benefits and eligibility when they enter repayment. In addition, the Department has produced a number of online resources about both PSLF and TEPSLF, which are available to students on Studentaid.gov.

The Department has also engaged in other activities to amplify information about PSLF and TEPSLF, including a press release and Electronic Announcement about the availability of TEPSLF, social media posts, and blog posts. The Department has also conducted a webinar and various training sessions about both programs for financial aid administrators.

In May 2018, we conducted a targeted e-mail campaign to nearly 2,000 borrowers who had at least one Direct Loan, had previously been denied PSLF for not having made 120 qualifying payments, and had been in repayment for at least 10 years. These borrowers were provided specific information about TEPSLF eligibility and the application process. The Department continues to send these e-mails on a weekly basis to any PSLF applicants denied that week. To date, the Department has sent over 24,000 of these e-mails. Throughout Summer 2019, the Department also sent direct e-mail communications to segments of borrowers to inform them of repayment options and the availability of the PSLF Program.

In December 2018, with funds appropriated by Congress, the Department launched a PSLF Help Tool, discussed in more detail below. The tool assists borrowers in understanding the eligibility requirements for PSLF, including determining whether their employer qualifies.

The Department has also obligated funds appropriated by Congress for additional outreach efforts for the coming months to further improve borrowers' understanding of PSLF and TEPSLF. These planned activities include additional blog posts, webinars, and other outreach events. The Department also plans to conduct both organic and paid social media outreach about both programs.

Streamlined Processes

The Department has also streamlined various processes in response to the GAO report. For example, in response to the GAO's third recommendation, the Department has worked with all of its Federal loan servicers to ensure standard reporting across all. These updates have been completed by every servicer and will be fully implemented by Spring 2020.

Additionally, in response to GAO's first recommendation, the Department is developing a comprehensive servicer manual for the PSLF Program to streamline and improve overall servicing of the program. The manual is also expected to be completed by Spring 2020.

The GAO released the results of a new report on September 5, 2019 regarding TEPSLF. GAO's report recommended that the Department: (1) integrate the TEPSLF request into the PSLF application, for example, by including a checkbox on the PSLF application to provide borrowers a more seamless way to request TEPSLF consideration; (2) provide certain borrowers, for example, those who are denied TEPLSF for not having 120 qualifying payments, with more information about options available to contest TEPSLF decisions on the TEPSLF website and in the denial letters; (3) require all loan servicers to provide TEPSLF information on their websites; and (4) include TEPSLF information in its PSLF Online Help tool.

The Department concurred with each recommendation and is in the process of improving its TEPSLF communications and outreach activities, as well as streamlining its processes and

procedures, as recommended by the GAO. These improvements and their schedule will be further clarified in a forthcoming Corrective Action Plan.

We thank the GAO for their thoughtful report and recommendations. However, we must reiterate that if a borrower has been making payments on FFEL (as opposed to Direct) loans, the law states that nothing can render them eligible for relief, including under TEPSLF. Additionally, the GAO-recommended process changes will not help borrowers who did not consolidate their FFEL loans into the Direct Loan program in 2008 or later, and therefore did not make 120 qualifying payments under a qualifying loan program. Again, the Department stands ready now, as it has in the past, to provide technical assistance to Congress on any legislative improvements to the PSLF and TEPSLF programs that Congress would like to propose to address any of the current restrictive eligibility requirements in order to help borrowers that have been faithfully working in public service obtain loan forgiveness.

Improvements to PSLF and TEPSLF Processes through Next Gen FSA

Although the Department does not have the authority to change the congressionally-mandated eligibility requirements for PSLF and TEPSLF, we are committed to doing a better job of explaining those complicated requirements to borrowers in entrance counseling and early in repayment to improve the likelihood that borrowers interested in PSLF meet all of the requirements. Since all borrowers now borrow under the Direct Loan program, the confusion about payments made to FFEL loans will not serve as a challenge to newer borrowers. To that end, with funding appropriated by Congress, we developed a PSLF Help Tool to help borrowers understand the eligibility requirements for PSLF. The tool also allows borrowers to generate employment verification forms to make it easier to provide annual certification, and provides information about other actions a borrower should or must take if he or she wishes to receive forgiveness of their loans under that program. From December 2018 through June 2019, the PSLF Help Tool was used by borrowers more than 216,000 times to generate over 82,000 forms.

The PSLF Help Tool was a first step towards the full suite of functionality that we believe borrowers deserve. To that end, we anticipate the development of additional tools for all borrowers as part of our Next Gen FSA (Next Gen) initiative.

The enterprise-wide initiative known as Next Gen is transforming the delivery of federal student aid by modernizing the way the Department connects with our customers and streamlining our systems and processes. The central focus of Next Gen is to improve the customer experience throughout every stage of the student aid lifecycle – from application through repayment. Next Gen also is completely modernizing the systems and infrastructure through which the Department processes applications, disburses aid, manages and collects loans, and maintains data on borrowers and programs.

The Department achieved a significant milestone with respect to the Next Gen initiative with the recent award of the Digital and Customer Care (DCC) services contract. The DCC platform will allow the Department to standardize and streamline the information we provide about all of our programs, including PSLF and TEPSLF, by consolidating customer-facing websites, phone numbers, and other multi-branded touchpoints to create a consistent single brand. The DCC will

also centralize customer service capabilities and expand our use of mobile, chat, and other self-service functionalities, making it simpler for borrowers to get answers about PSLF and TEPSLF.

The Department will begin integrating the PSLF Help Tool into the DCC platform later this fall. This will allow the Department to eventually add functionality to the tool as part of Phase Two in 2020, such as a database of qualifying PSLF employers. Phase Two of the tool is also expected to include a functionality that will permit borrowers to complete PSLF-related actions electronically on a centralized website, including electronically signing and submitting Employment Certification Forms and PSLF applications. The PSLF Help Tool will also be available on mobile devices, which will provide borrowers with real-time, self-service access to information about their eligibility for PSLF and progress towards completion.

Conclusion

We recognize that the many restrictive eligibility requirements of PSLF and TEPSLF make the program difficult for borrowers to understand and navigate. We are absolutely committed to helping borrowers navigate this complexity. By congressional design, these programs limit eligibility to borrowers who were in the loan program used by only a small proportion of borrowers prior to 2010, and to borrowers who have large loan balances relative to their earnings. If it is the intent of Congress to expand the number of qualifying borrowers, statutory changes would be required to remove some of the more idiosyncratic requirements of the program. For example, to increase the number of borrowers who qualify for PSLF or TEPSLF now and into the near future, the Department would need to be authorized to include payments made in the FFEL program as qualifying payments. In addition, the Department would need to be able to count as qualifying payments those made under graduated or extended repayment in the amount required by those programs, as opposed to the amount required by a different program.

In the meantime, we will continue our expanded efforts to help borrowers understand the many requirements of the PSLF and TEPSLF programs, and to help borrowers understand if and when they will qualify for loan relief. The GAO's recommendations were helpful to us, and we will continue to meet them moving forward.

I appreciate the opportunity to provide the Committee with an overview of PSLF and TEPSLF, including the many complexities that make it difficult for borrowers to qualify for loan relief. I also appreciate the opportunity to describe the administrative changes we have made and will continue to make to better inform borrowers and help them evaluate their eligibility for loan relief. I welcome any questions you may have today.