



Improving the Public Service Loan Forgiveness Program

A bipartisan vote of Congress created the Public Service Loan Forgiveness (PSLF) Program in 2007.¹ This program provides student loan forgiveness to borrowers engaged in qualifying public service work—such as teaching or firefighting—who make ten years of on-time payments. Borrowers first became eligible for PSLF ten years later in 2017 and the program’s flaws became self-evident almost immediately. Nearly 99 percent of applications for relief have been denied for a litany of reasons, including borrowers who have been given incorrect information by loan servicers, or who consolidated loans into ineligible repayment plans. Many borrowers spent years making payments while working in a job the Department of Education said it had determined was eligible public service employment, only to be told later that the employer did not qualify.

In response to the Program’s failures, Congress enacted one narrow fix in 2018—known as the Temporary Expanded Public Service Loan

Forgiveness (TEPSLF) Program—by appropriating \$700 million to expand PSLF eligibility to forgive borrowers’ loans who had used the wrong type of repayment plan. But that too has had little success. The Government Accountability Office reported in September 2019 that 99 percent of TEPSLF applications had also been denied. Six months later, only 1,831 of 145,758 PSLF applicants (or 1.26%) had received it. Similarly, only 1,768 borrowers requesting TEPSLF had received it.

The Department of Education has clear administrative authority to improve both PSLF and TEPSLF, without Congressional action or negotiated rulemaking. The next administration should swiftly exercise that authority and take several executive actions to provide relief to PSLF-eligible borrowers, including:

Forgiving the loans of certain categories of borrowers pursuing PSLF

The Department could exercise its powers under the HEA’s settlement and compromise authority,² to grant

Only **1.26%** of PSLF applicants have received loan forgiveness

relief to borrowers who—but for failures by the Department or other issues largely outside of their control—should have received public service loan forgiveness. The Secretary could propose extending immediate forgiveness to the following:

- ▶ Borrowers who have made 120 qualifying payments for an employer that the Department initially certified as qualifying, only to subsequently reverse its position.
- ▶ Borrowers who have made 120 payments over ten years of public service on a qualifying Direct Loan, but who used the wrong repayment plan for all or part of the 10-year period.
- ▶ Borrowers who have made 120 payments over ten years of public service, but who failed to qualify for PSLF because they have FFEL Loans or consolidated a FFEL Loan

1 See 20 U.S.C. § 1087e(m). We note that then-Senator Biden voted in support of the legislation, which was part of the College Cost Reduction and Access Act when the legislation passed in the Senate in July 2007. See Senate Roll Call Vote No. 272 (July 20, 2007).

2 HEA § 432(a)(6), 20 U.S.C. § 1082(a)(6)

into a Direct Loan during the 10-year period.³

Making administrative reforms to the PSLF application and decision-making process

To date, the program has been plagued by unnecessary administrative complexity and insufficient guidance and communication surrounding its eligibility requirements. The Secretary of Education can direct the Office of Federal Student Aid to:

- ▶ **Provide borrowers who are denied PSLF with detailed, written explanations of the reasons for their denial and specific steps to obtain approval.** Currently, the Department's denial letters contain very cursory explanations of the reasons for their denial, pointing borrowers to problems with, for example, their type of loan, repayment plan, or number of qualifying payments. More detailed explanations would enable borrowers to raise any potential errors, such as missing qualifying payments or employment periods, with the Department.
- ▶ **Provide an administrative appeals process for borrowers who are denied PSLF** they can submit additional information demonstrating their eligibility and address any errors identified in the Department's denial letter.
- ▶ **Create a public database of employers that qualify for PSLF**, which all servicers can access as they process Employment Certification

Forms. The Department should update this database regularly.

- ▶ **Establish a new office at the Department's Office of Federal Student Aid to oversee PSLF.**

This office would be responsible for reviewing questions about a borrower's eligibility once escalated by loan servicers or borrowers.

Instructing Loan Servicers to Improve Communications Issues

Loan servicing breakdowns are central to the PSLF program's failure, and the Department has the authority to direct servicers—which operate as federal contractors—to improve their operations immediately.

Improvements at FedLoan Servicing

Borrowers seeking PSLF are typically transferred to the Pennsylvania Higher Education Assistance Agency (PHEAA), which conducts its federal student loan servicing as FedLoan Servicing.

The Department should direct FedLoan to make certain changes to its processing of employment certification forms, income-driven repayment plans, and PSLF applications. For example, the Department could:

- ▶ Develop a new, detailed tracking sheet for all loan servicers to use when transmitting a borrower's payment history to FedLoan for the purpose of counting qualifying payments;
- ▶ Instruct the borrower's original loan servicer to break down that borrower's payment history by month

and by loan, showing the borrower's repayment plan, total monthly payment amount, payment due date, and how much of each monthly payment was applied to each loan. The Department should require servicers to provide this same payment history to the borrower in case there are any future disputes about qualifying payments made prior to the transfer to FedLoan;

- ▶ Establish deadlines for FedLoan to process ECFs and PSLF applications;
- ▶ Instruct FedLoan to immediately begin counting qualifying payments when it accepts a transferred loan from another servicer, rather than placing the borrower into administrative forbearance;
- ▶ Hold servicers accountable for failing to process income-driven repayment applications and annual re-certifications within a certain timeframe; and
- ▶ Require FedLoan to provide borrowers with detailed information, broken down by loan and by month, explaining how their qualifying payments have been counted.

New Student Borrower Enrollment Guidelines

The Department can instruct all Title IV student loan servicers to:

- ▶ Send borrowers annual reminders and instructions on how to submit (and re-certify) their income

3 Senators Kirsten Gillibrand and Tim Kaine introduced a similar proposal to count payments made on FFEL Loans before those loans were consolidated into Direct Loans. See Jillian Berman, "2020 Democrats want to overhaul a student-loan forgiveness program for public servants," Market Watch (Apr. 13, 2019), available at: <https://www.marketwatch.com/story/2020-democrats-want-to-overhaul-a-student-loan-forgiveness-program-for-public-servants-2019-04-11>.

and family size for income-driven repayment plans.

- ▶ Work with the IRS to determine options for an auto-enrollment process.
- ▶ Remind borrowers to complete their annual certification, and provide clear instructions to those that missed deadlines on how to

re-certify their income and family size to get back on track for PSLF.

- ▶ Clearly communicate to borrowers at least once per year how to submit an ECF to confirm the number of qualifying payments they have made during specific time periods.
- ▶ Finally, the Department should create a checklist of eligibility

requirements needed for PSLF and require all servicers to share this checklist with borrowers regularly. The goal of the checklist would be to make it easier for borrowers to determine their eligibility for PSLF before accepting job offers or enrolling in repayment plans.