

# **Public Service Loan Forgiveness (PSLF) Implementation Challenges**

---

**Student Financial Aid Research Network (SFARN)  
Annual Conference  
June 7, 2019**

**Will Colvin  
Assistant Director  
U.S. Government Accountability Office (GAO)**

## What is PSLF?

---

- Established in 2007 to encourage careers in public service.
- Provides forgiveness on the remaining balance of borrowers' Direct Loans if they:
  - Work full-time for a public service organization
    - Government entity (federal, state, local, or tribal)
    - 501(c)(3)
    - Another nonprofit that provides certain services
  - Repay loans through a qualifying repayment plan (e.g., IDR, standard)
  - Make 120 on-time monthly loan payments
- In September 2017, the first borrowers fulfilled their 10-years of service and started applying for loan forgiveness.



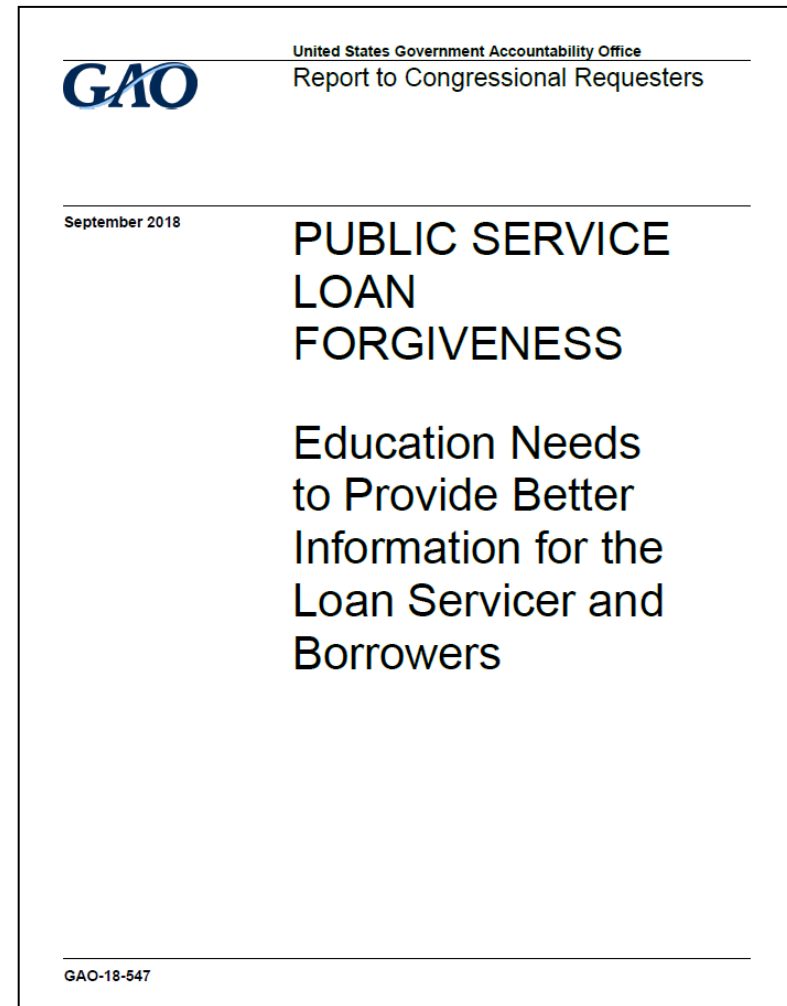
# Issued report on PSLF implementation in September 2018 (GAO-18-547)

## We examined:

- 1) Number of borrowers pursuing PSLF and Education's outreach to inform borrowers of PSLF requirements
- 2) The extent to which Education provides key information to the PSLF servicer and borrowers

## Methodology:

- Analyzed PSLF servicer data
- Reviewed PSLF processes and procedures
- Interviewed Education officials and PSLF servicer management and frontline staff
- Reviewed laws, regulations, and other guidance documents



## PSLF basics

---

- PSLF Servicer: The Pennsylvania Higher Education Assistance Agency (also referred to as FedLoan Servicing) is the exclusive loan servicer for PSLF.
- Certification Process: Borrowers can voluntarily request to have their employment and loans certified at any time to make sure they are meeting basic program requirements and are on track towards qualifying for loan forgiveness.
- Application Process: intended for borrowers that have already made 120 qualifying payments. If a borrower meets all requirements, their application is reviewed by Education before their loans are forgiven.

# Many borrowers are pursuing PSLF

## PSLF Certification Requests (as of April 2018)



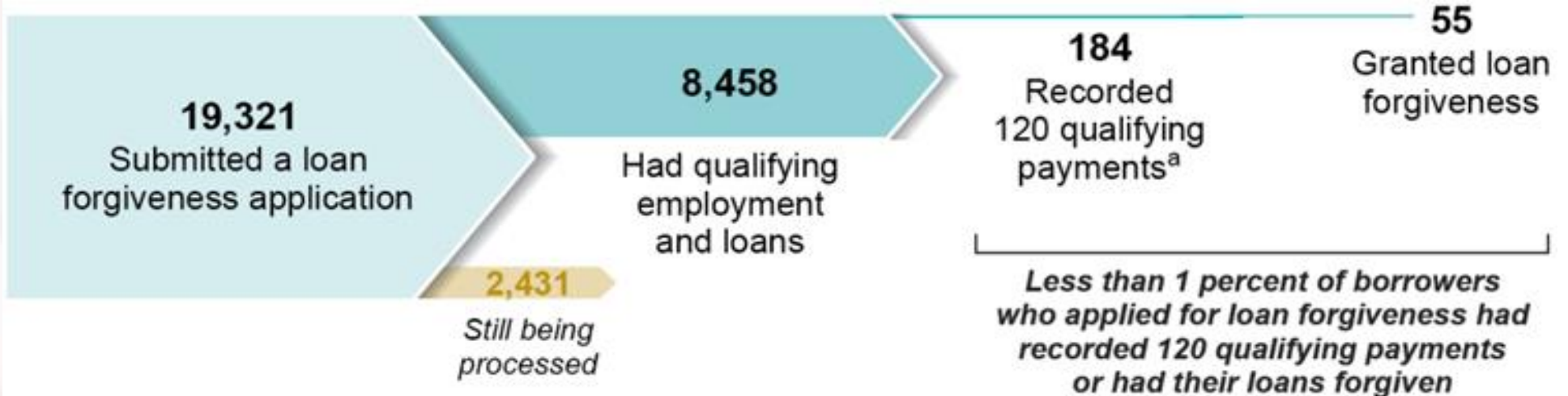
Source: GAO analysis of data from the Public Service Loan Forgiveness (PSLF) servicer. | GAO-18-547

Over 280,000 borrowers were denied, primarily due to:

- missing information on the form
- did not have qualifying federal loans
- did not work for a qualifying employer

# 55 borrowers received loan forgiveness during the first 8 months they were able to apply

## Loan Forgiveness Applications (Sept 2017 - April 2018)



Source: GAO analysis of data from the Public Service Loan Forgiveness (PSLF) servicer. | GAO-18-547

<sup>a</sup>One hundred twenty-nine of these borrowers were still awaiting final approval from Education as of April 30, 2018. Education had not denied any of the applications recommended for approval by the PSLF servicer, according to PSLF servicer officials.

### Top denial reasons:

- Fewer than 120 qualifying payments
- Missing information on the application
- No qualifying federal loans

### Loan forgiveness details:

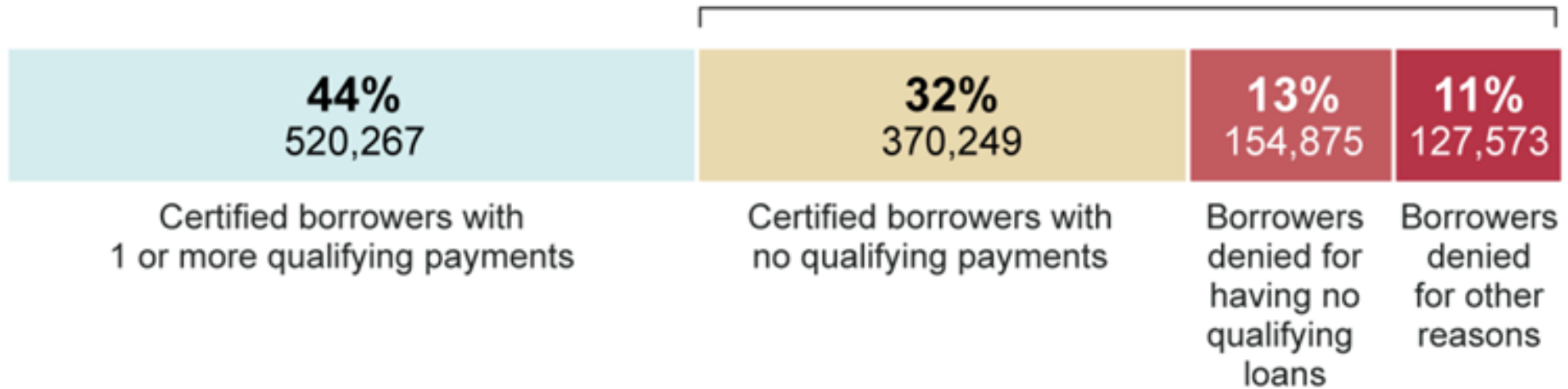
- Amount forgiven: almost \$3.2 million
- Average: almost \$58,000
- Range: almost \$800 to \$290,000

# Large number of denials suggests that many borrowers are confused by program requirements

## Certification and Denial Outcomes (Sept 2017 - April 2018)

Of the 1,173,420 borrowers...

*56% of borrowers who requested to have their employment and loans certified were denied or had yet to record a qualifying payment*



Source: GAO analysis of data from the Public Service Loan Forgiveness (PSLF) servicer. | GAO-18-547

Note: Other reasons for denial include borrowers who submitted incomplete information on the form or did not have qualifying employment, according to PSLF servicer officials.



## Sources of borrower confusion and legislative efforts to increase outreach

---

- According to loan servicer officials:
  - Borrowers were frequently confused by program requirements related to qualifying loans, employment, repayment plans, and payments.
- Consumer Financial Protection Bureau reported receiving complaints from borrowers that made payments for years believing they were making progress towards PSLF only to learn they were ineligible.
- Consolidated Appropriations Act (March 2018) directed \$2.3 million of Education's appropriation be used for outreach to borrowers about PSLF to help ensure borrowers are meeting program requirements.



## Education provides piecemeal guidance and instructions to the PSLF servicer

---

- Education's guidance and instructions to the PSLF servicer is dispersed across its original contract with the servicer, updates to the contract, and hundreds of emails.
  - Important information is not disseminated to relevant individuals
  - Gaps in Education's guidance create uncertainty
  - Risk of differing interpretations and inconsistent implementation
- The current lack of a definitive and comprehensive source of guidance and instructions creates the risk that borrowers may be improperly denied loan forgiveness.
- **Recommendation**: Education should develop a timeline for issuing comprehensive PSLF guidance and instructions for the loan servicer.

## Education provides limited information about qualifying employers

---

- Education has not provided the PSLF servicer with definitive information for determining which employers qualify
    - Education recommends several sources; some have not been assessed for accuracy.
    - Creates risk of improper denials.
  - Borrowers can not always ascertain whether specific employers qualify prior to submitting employment certification forms.
    - Creates uncertainty for borrowers.
  - **Recommendation**: Education should provide additional information to the PSLF servicer and borrowers to help them determine which employers qualify for PSLF, such as by creating an authoritative list of qualifying employers or improving the PSLF servicer's internal database and making this information available to borrowers.
-

## PSLF servicer does not receive consistent information on prior loan payments

---

- Education does not ensure the PSLF servicer receives consistent information on borrowers' prior loan payments from the eight other federal loan servicers, which could increase the risk of miscounting qualifying payments
- PSLF servicer officials said the lack of standard definitions and terminology among loan servicers leads servicers to interpret some data fields differently, resulting in inconsistencies in the data other loan servicers report to the PSLF servicer.
- **Recommendation:** Education should standardize the information the PSLF servicer receives from other loan servicers to ensure the PSLF servicer obtains more consistent and accurate payment information.

## Borrowers do not receive sufficient information on qualifying payments to easily catch errors

---

- Education and PSLF servicer officials acknowledge the risk of miscounting payments due to inconsistencies in the information obtained from other loan servicers.
  - Consumer Financial Protection Bureau has received complaints from borrowers about miscounted qualifying payments.
- PSLF servicer officials said they rely on borrowers to catch any payment counting errors resulting from issues with information provided by other loan servicers.
- Borrowers receive aggregate totals of qualifying payments, but not enough details to identify payments the servicer may have missed.
- **Recommendation:** Education should ensure borrowers receive sufficiently detailed information from the PSLF servicer to be able to identify any errors in qualifying payments counts, including information on whether or not each payment qualified toward forgiveness.

## Updates and Questions

---

- Department of Education's response to our recommendations
- Data updates
- Temporary Expanded Public Service Loan Forgiveness (TEPSLF)

QUESTIONS?



---

**This presentation is based on GAO-18-547,  
*Public Service Loan Forgiveness: Education Needs to Provide Better  
Information for the Loan Servicer and Borrowers, Sept 5, 2018.***

---

### **GAO on the Web**

Connect with GAO on [LinkedIn](#), [Facebook](#), [Flickr](#), [Twitter](#), [YouTube](#) and our Web site: <https://www.gao.gov/>  
Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#) and read [The Watchblog](#)

### **Congressional Relations**

Orice Williams Brown, Managing Director, [WilliamsO@gao.gov](mailto:WilliamsO@gao.gov)  
(202) 512-4400, U.S. Government Accountability Office  
441 G Street, NW, Room 7125, Washington, DC 20548

### **Public Affairs**

Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov)  
(202) 512-4800, U.S. Government Accountability Office  
441 G Street, NW, Room 7149, Washington, DC 20548

### **Strategic Planning and External Liaison**

James-Christian Blockwood, Managing Director, [spel@gao.gov](mailto:spel@gao.gov)  
(202) 512-4707, U.S. Government Accountability Office,  
441 G Street NW, Room 7814, Washington, DC 20548

### **Copyright**

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.