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BROKEN PROMISES: EXAMINING THE FAILED IMPLEMENTATION OF THE PUBLIC SERVICE LOAN FORGIVENESS PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE INVESTMENT

OF THE

COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

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BROKEN PROMISES: EXAMINING THE FAILED IMPLEMENTATION OF THE PUBLIC SERVICE LOAN FORGIVENESS PROGRAM

Thursday, September 19, 2019
House of Representatives,
Subcommittee on Higher Education and Workforce Investment,
Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:15 a.m., in Room 2175, Rayburn House Office Building. Hon. Susan A. Davis (Chairwoman of the subcommittee) presiding.

Present: Representatives Davis, Courtney, Takano, Jayapal, Harder, Levin, Omar, Trone, Lee, Sablan, Bonamici, Adams, Norcross, Smucker, Guthrie, Grothman, Stefanik, Comer, Cline, Watkins, and Mueser.

Also Present: Representatives Scott, Shalala, Foxx, and Keller.

Staff Present: Tylease Alli, Chief Clerk; Stephanie Cellini, Higher Education Policy Fellow; Emma Eatman, Press Assistant; Christian Haines, General Counsel; Kia Hamadanchy, Oversight Counsel; Ariel Jona, Staff Assistant; Stephanie Lalle, Deputy Communications Director; Andre Lindsay, Staff Assistant; Jaria Martin, Clerk/Assistant to the Staff Director; Richard Miller, Director of Labor Policy; Max Moore, Office Aid; Veronique Pluviose, Staff Director; Benjamin Sinoff, Director of Education Oversight; Banyon Vassar, Deputy Director of Information Technology; Joshua Weisz, Communications Director; Cyrus Artz, Minority Parliamentarian; Kelsey Avino, Minority Fellow; Courtney Butcher, Minority Director of Member Services and Coalitions; Dean Johnson, Minority Staff Assistant; Amy Raaf Jones, Minority Director of Education and Human Resources Policy; Hannah Matesic, Minority Director of Operations; Audra McGeorge, Minority Communications Director; Carlton Norwood, Minority Press Secretary; Brandon Renz, Minority Staff Director; Alex Ricci, Minority Professional Staff; Chance Russell, Minority Legislative Assistant; and Mandy Schaumburg, Minority Chief Counsel and Deputy Director of Education Policy.

Chairwoman DAVIS. Good morning, everybody. Thank you all for being here. The meeting will come to order. I note that a quorum is present and I also note for the subcommittee that Ms. Shalala of Florida and Mr. Keller of Pennsylvania be permitted to participate in today's hearing with the understanding that their questions will come only after all Members of the higher education subcommittee on both sides of the aisle who are present have had an opportunity question the witnesses.

The committee is meeting today in a legislative oversight hearing to hear testimony on and I quote Broken Promises: Examining the Failed Implementation of the Public Service Loan Forgiveness Program.

Pursuant to Committee Rule 7(c) opening statements are limited to the chair and the Ranking Member and this allows us to hear from our witnesses sooner and provides all Members with adequate time to ask questions.

I recognize myself now for the purpose of an opening statement. And welcome again to all of you. We thank you for being here as well as our next panel.

This morning we are here to examine just what went wrong with a certain program. A program that many of us on this committee hoped would act as a catalyst for young people to channel their expertise towards serving our Nation.

This program's goal was to steer talent into the public sector, particularly in healthcare and education, with the reward of loan forgiveness for 10 years of their public service.

I am talking of course, about the Public Service Loan Forgiveness program that we call PSLF.

Again, I would like to thank our witnesses who made time to be here today. I must say that we are disappointed that the CEO of the Pennsylvania Higher Education Assistance Agency known as PHEAA, the sole loan service charged with implementing these programs, declined our invitation to testify.

While I understand the problem with PSLF does not lie with this entity alone, I don't underway why a taxpayer funded loan servicer would turn down a request to present their side of the story.

If PHEAA believes the problems with the PSLF resides with the Education Department, then this would have been their opportunity to state so—that clearly and publicly.

In 2007, Congress created this loan forgives program, PSLF and since its inception, we have seen an influx, tens of thousands of citizens financially able to dedicate their lives to public service. This includes our Nation's teachers, our first responders, service members, and many, many others. Healthcare professionals included. These Americans made life changing professional and financial decision made—based on the promise that we made 12 years ago.

And unfortunately, as a result of the failure to adequately implement this program, thousands of active public servants have been denied the benefits originally promised.

10 years since the passing of PSLF when the first wave of eligible student borrowers applied in 2017 only 96 of 28,000 applicants received loan forgiveness. That is a 99.6 percent denial rate. That doesn't make sense to people.

A 2018 Government Accountability Office report on this program identified a critical breakdown in communication between the Education Department, loan servicers, and student borrowers. It recommended the Department make four critical reforms to the program.

First, the Department should provide loan servicers and borrowers with comprehensive information about qualifying employers.

Second, the Department should issue a standardized manual for loan servicers.

Third, the department should standardize payment information for loan servicers.

And finally, the Department should ensure borrowers receive sufficiently detailed information to help identify potential payment counting errors.

While the Department agreed with all these recommendations, it has yet to fully implement any of them, nor have they provided a timeline for doing so.

In response to the extremely high PSLF denial rates and understandably widespread confusion among frustrated borrowers, Congress created the Temporary Expanded Public Service Loan Forgiveness Program in 2018. We appropriated $700 million to the Education Department with clear instructions to simplify and expand the program to increase rates of loan forgiveness.

Earlier this month, however the GAO released another report and this time they analyzed the expansion. The GAO found that yet again that ED was denying 99 percent of the new TEPSLF applicants. Of the 53,523 student borrowers who applied, 661 were approved.

So our goal here today is to collectively make it easier for the public servants of this country to take advantage of a promise made to them back in 2017.

And as sometime happen, of course people are going to search for blame. And in fact there are plenty of folks who actually didn't produce and do what we wanted them to do. What the American people expect of them to do.

But we want to solve this problem and that is why we are delighted that you all are here before us today, to help engage with this discussion and we would hope that everybody who is connected to his has an opportunity to listen to what you have to say as well.

The Executive Branch's implementation of this law which was supported by both Democratic and Republican administrations, have not lived up to its standard. That is why I encourage my colleagues in Congress from both sides of the aisle to come together today and offer positive solutions.

Today, while we plan to ask tough questions on precisely what went wrong, we also wish to present an opportunity for the Department of Education to initiate a publicly good faith effort to finally implement PSLF program correctly.

PSLF is a popular bipartisan program that is critical for ensuring communities everywhere in the United States have access to education, healthcare, and other fundamental services.

We know that President Trumps own Defense Department agreement with this sentiment—that the Department agrees actually with this sentiment. It was under Secretary Mattis that the Pentagon stated the Public Service Loan Forgiveness program and I am quoting here, has been an important recruitment and retention tool for the military to compete with the civilian sector predominately in specialty fields such as the Judge Advocates General Corps, for whom graduate degrees are required.

So that is why we are here today. We are here to look for answers on how we can better support the thousands of public servants who support all of us every day. We appreciate again your all being here.

I now turn to the Ranking Member for his opening statements. Mr. Smucker. I want to recognize the distinguished Ranking Member for the purpose of making an opening statement.

[The statement of Chairwoman Davis follows:]

Prepared Statement of Hon. Susan A. Davis, Chairwoman, Subcommittee on Higher Education and Workforce Investment

This morning, we are here to examine just what went wrong with a certain program.

A program many of us on this committee hoped would act as a catalyst for young people to channel their expertise toward serving our nation. This program's goal was to steer talent into the public sector—particularly in healthcare and education—with the reward of loan forgiveness for 10 years of their public service. I am talking, of course, about the Public Service Loan Forgiveness program that we call P–S-L–F.

Again, I would like to first thank all our witnesses who made time to be here today. I must say that we are disappointed that the CEO of the Pennsylvania Higher Education Assistance Agency (PHEAA)—the sole loan servicer charged with implementing these programs—declined our invitation to testify. While I understand that the problems with the P–S-L–F program do not lie with this entity alone, I don't understand why a taxpayer-funded loan servicer would turn down a request to present their side of the story. If PHEAA believes the problems with the P–S-L–F program resides with the Education Department, then this would have been their opportunity to state that clearly and publicly.

In 2007, Congress created this loan forgiveness program, the P–S-L–F. And since its inception, we have seen an influx—tens of thousands—of citizens financially able to dedicate their lives to public service. This includes our nation's teachers, first responders, service members, healthcare professionals, and many others. These Americans made life-changing professional and financial decisions based on the promise that we made 12 years ago.

Unfortunately, as a result of the failure to adequately implement this program, thousands of active public servants have been denied the benefits originally promised.

Ten years since the passing of the P–S-L–F, when the first wave of eligible student borrowers applied in 2017, only 96 of 28,000 applicants received loan forgiveness. That's a 99.6 percent denial rate. That doesn't make sense to people.

A 2018 Government Accountability Office report on this program identified a critical breakdown in communication between the Education Department, Loan Servicers, and student borrowers. It recommended the Department make four critical reforms to the program.

* First, the Department should provide loan servicers and borrowers with comprehensive information about qualifying employers;

* Second, the Department should issue a standardized manual for loan servicers;

* Third, the Department should standardize payment information for loan servicers; and,

* Finally, the Department should ensure borrowers receive sufficiently detailed information to help identify potential payment counting errors.

While the Department agreed with all of these recommendations, it has yet to fully implement any of them, nor have they provided a timeline for doing so.

In response to the extremely high P–S-L–F denial rates, and understandably widespread confusion among frustrated borrowers, Congress created the Temporary Expanded Public Service Loan Forgiveness program in 2018. We appropriated $700 million to the Education Department with clear instructions to simplify and expand the program to increase rates of loan forgiveness.

Earlier this month, however, the GAO released another report. This time, they analyzed the expansion. GAO found, yet again, that ED was denying 99 percent of the new TEPSLF applicants. Of the 53,523 student borrowers who applied, 661 were approved.

So, our goal here today is to collectively make it easier for the public servants of this country to take advantage of a promise made to them back in 2007.

And, as sometimes happens, people are going to search for blame. In fact, there are plenty of folks who actually didn't produce or do what we wanted them to do—what the American people expect them to do. But, we want to solve this problem, and that is why we are delighted you all are here before us today to help us engage in this discussion. We would hope that everyone connected to this has an opportunity to hear what you have to say as well.

The Executive Branch's implementation of this law, which was supported by both Democratic and Republican administrations, have not lived up to its standard. That is why I encourage my colleagues in Congress, from both sides of the aisle, to come together today and offer positive solutions.

Today, while we plan to ask tough question on precisely what went wrong, we also wish to present an opportunity for the Department of Education to initiate a publicly good faith effort to finally implement the P–S-L–F program correctly.

The P–S-L–F is a popular, bipartisan program that is critical for ensuring communities everywhere in the United States have access to education, health care, and other fundamental services.

We know that President Trump's own Defense Department agrees with this sentiment. It was under Secretary Mattis that the Pentagon stated: "The Public Service Loan Forgiveness program has been an important recruitment and retention tool for the military to compete with the civilian sector predominantly in specialty fields, such as the Judge Advocates General Corps, for whom graduate degrees are required."

That's why we are here today. We are here to look for answers on how we can better support the thousands of public servants who support all of us every day.

Thank you.

I now turn to the Ranking Member for his opening remarks.

Mr. SMUCKER. Thank you, Madame Chair. Thank you for yielding. Each year Americans take on more and more student debt so it's no surprise that borrowers have demanded help. College costs continue to surge, so Congress has stepped in. But too often, overreaching government intervention may not lead to positive reforms and you can just look at Public Service Loan Forgiveness program which is indeed a broken promise intended to help borrowers working in public service professions struggling with their student loan debt.

Congress then doubled down on that same broken promise when 700 million was pumped into a new program called the Temporary Expanded Public Loan Forgiveness OR TEPSLF.

The purpose of today's hearing should be to come up with solutions to solve program confusion for borrowers because our constituents are working towards loan forgiveness—are the constituents who are working towards loan forgiveness are the ones who we should be here to serve.

But whether you support or oppose the programs is irrelevant for the purposes of today's conversation and I have sincere hopes that today's hearings will really be an attempt to resolve these issues and not be used to grandstand or to point fingers.

My colleagues, based on some of the information we have seen in advance, we will repeatedly point to one GAO statistic that 99 percent of TEPSLF application were rejected since the program began in 2018.

Well, that is certainly not the outcome that we had hoped for and certainly makes for great headline but sadly, it stretches the truth and only tells a fraction of the story. So I will highlight some of the important facts and figures that my colleagues will conveniently leave out.

71 percent of TEPSLF applicants were denied because they did not submit a PSLF application. According to the law, TEPSLF is only available to applicants who are ineligible for PSLF. Of the 29 percent of applicants who cleared the first hurdle by submitting a PSLF application, roughly only 4 percent were ultimately eligible for TEPSLF. This number illustrates just how tightly Congress defined that eligibility.

Also, the GAO report determined that the Department of Education followed the law precisely. And nowhere in the GAO report did they find the Department of Education was improperly denying borrowers forgiveness or slow walking the implementation process.

So we can't blame the Department of Education, we can't blame PHEAA for high loan forgiveness rejection rates when it was narrowly designed legislation and in fact combined then with years of the Department of Ed under the Obama Administration, years of inaction that brings us to today's problem.

So again, PHEAA, Department of Education, there is not a scapegoat that we should be working, trying to pin the issues on. The Department of Education is following what is a very complex law in fact, as written by Democrats. It is just not the law that Democrats wish they had passed in 2007.

Spinning data to drive a political agenda doesn't serve the American people. Might make for some great headlines and Twitter material but it certainly does nothing to help frustrated and struggling American borrowers. Talk is cheap but failing policies such as in a case like this are costly. Thank you. I yield back.

[The statement of Mr. Smucker follows:]

Prepared Statement of Hon. Lloyd Smucker, Ranking Member, Subcommittee on Higher Education and Workforce Investment

"Each year Americans take on more and more student debt. It's no surprise borrowers have demanded help. College costs continue to surge so Congress has stepped in. But rarely does overreaching government intervention lead to positive reforms.

Look at the Public Service Loan Forgiveness (PSLF) program – a broken promise intended to help borrowers working in public service professions struggling with their student loan debt. Congress doubled down on that same broken promise when $700 million was pumped into a new program called the Temporary Expanded Public Service Loan Forgiveness (TEPSLF).

Whether you support or oppose these programs is irrelevant for the purposes of today's conversation, and I have sincere hopes that today's hearing will not be used to grandstand or point fingers. The purpose of today's hearing should be to come up with solutions to solve program confusion for borrowers, because our constituents working towards loan forgiveness are who we are here to serve.

My colleagues will repeatedly point to one GAO statistic: 99 percent of TEPSLF applicants were rejected since the program began in 2018. Well, that makes for a great headline. Sadly, it stretches the truth and only tells a fraction of the story, so I'll highlight some of the important facts and figures my colleagues have conveniently left out.

Seventy one percent of TEPSLF applicants were denied because they didn't submit a PSLF application. According to the law, TEPSLF is only available to applicants who are ineligible for PSLF. Of the 29 percent of applicants who cleared the first hurdle by submitting a PSLF application, roughly only 4 percent were ultimately eligible for TEPSLF. This number illustrates just how tightly Congress defined TEPSLF eligibility.

Also, the GAO report determined that the Department of Education followed the law precisely. And nowhere in the GAO report did they find the Department of Education was improperly denying borrowers forgiveness or slow walking the implementation process.

There is no scapegoat to pin the issues on. We can't blame the Department of Education for high loan forgiveness rejection rates when it was narrowly-designed legislation, combined with years of Obama administration inaction, that brings us to today's problem. The Department of Education is following the complex law, as written by Democrats, it's just not the law the Democrats wish they had passed in 2007.

Spinning data to drive a political agenda doesn't serve the American people. It might make for some great headlines and Twitter material, but it certainly does nothing to help frustrated and struggling American borrowers. Talk is cheap, but failing policies are costly.

Thank you, I yield back."

Chairwoman DAVIS. Thank you, Mr. Smucker, and without objection, all other Members who wish to insert written statements into the record may do so by submitting them to the Committee Clerk electronically in Microsoft Word format by 5 p.m. on October 3.

I am now delighted to introduce our witnesses for the first panel. First is Kelly Finlaw. Ms. Finlaw started her 14th year of teaching middle school art in New York City. She teaches at the B. Ford Rogers School IS 528 which is a public middle school located in Washington Heights.

She has taught middle school in Washington Heights since she started teaching and has lived in the same neighborhood as her school for the past 11 years.

As a public school teacher in NYC, she is an active member in the United Federation of Teachers and the delegate for her schools chapter.

Next we have Yael Shavit. Yael Shavit is an assistant attorney general in the Consumer Protection Division of the Massachusetts Attorney General's office. Her work addresses a wide range of consumer protection issues with a focus on student loans and higher education matters.

Before joining the Massachusetts Attorney General's office, Yael held a Ford Foundation public interest fellowship at the National Consumer Law Center and served as a San Francisco Affirmative Litigation Project Fellow and lecturer in Yale, at Yale Law School. Lecturer in law, I am sorry, at Yale Law School.

Finally, Matthew Chingos, directors the Center on Education, Data, and Policy at the Urban Institute. He leads a team of scholars who undertake policy relevant research on issues from pre-kindergarten through post-secondary education and creates tools such as the Urbans Education Data Portal.

Chingos is coauthor of Game of Loans, the Rhetoric and Reality of Student Debt and Crossing the Finish Line. Completing college at America's public universities.

He has testified before Congress and his work has been featured in media outlets such as the New York Times, the Washington Post and NPR.

Before joining Urban, Chingos was a senior fellow at the Brookings Institution. He received a BA in government and economics and a Ph.D. in government from Harvard University. Pursuant to rule 7D, the witnesses will please stand and raise their right hands. Thank you.

[Witnesses sworn.]

Chairwoman DAVIS. Let the record show that the witnesses all answered in the affirmative.

We appreciate all of the witnesses for being here today and we look forward to your testimony. I want to remind the witnesses that we have read your written statements and they will appear in full in the hearing record.

Pursuant to Committee Rule 7(d) and committee practice, each of you is asked to limit your oral presentation to a five minute summary of your written statement.

Before you begin your testimony, you probably see the button in front of you. If you remember to press it to the microphone so it will turn on and the Members can hear you. As you being to speak, the light in front of you will turn green and after four minutes, the light, excuse me, the light will turn yellow to signal that you have one minute remaining. When the light turns red, your five minutes have expired and we ask that you please wrap up.

We will let the entire panel make their presentations before we move to Member questions. When answering a question, please remember to once again turn your microphone on.

I will first recognize then Ms. Finlaw.

TESTIMONY OF KELLY FINLAW, TEACHER, NEW YORK CITY

Ms. FINLAW. Good morning, Chairwoman Davis, and Members of the committee. My name is Kelly Finlaw. I'm a middle school art teacher at IS 528 in New York City. I am a proud member of the United Federation of Teachers and the American Federation of Teachers.

On behalf of the 1.7 million members of the AFT, I thank you for inviting me here today to share my experience with the Public Service Loan Forgiveness program.

Apart from being with my family, with people that I love, my classroom is my favorite place on earth. Being a teacher is one of the most difficult professions in the world but I clawed tooth and nail to make it and I am doing what I was meant to do.

There are moments every day that overwhelmed me, that stop me in my tracks. They are moments of gratitude that this is how I get to spend my life.

Going to college was my only option after high school. My mother made sure of that. But even though she worked several jobs to make ends meet, there wasn't anything leftover to pay for my education. So student loans kept me in my classes every semester.

I didn't go into education so that the government would pay my loans for me. The PSLF program didn't even exist when I started teaching during the 2006, 2007 school year. I took on the debt that I have because it was a means to an end. I expected to carry this debt with me for the rest of my life, a small price to pay for a life that already feels like I have won the lottery every day when I walk into my school.

In 2007, after I had already started teaching, a bipartisan law was sent into motion that it believed would alter the course of my financial future.

A promise was made to me, to my colleagues, and to all public workers that should we continue to serve our communities for at least 10 years and make 120 quality payments on our student loans, our debt would be forgiven.

Teaching isn't a career that garners much respect from anyone outside of the profession but this promise was validation that the work that we do every day is valuable. The promise that Congress made to me and to all public sector workers gave me hope for my future.

When I learned about the law, I called my loan servicer and said I'm a teacher, what do I need to do to quality for the PSLF program? I made these calls repeatedly to different loan servicers over the span of several years. The answer was always that same. Just keep making payments and after 120 you will quality.

After 10 years of making student loan payments, October 2017 was my month, my light at the end of the tunnel. I received an email from my servicer, Nelnet, letting me know that I was eligible to apply for PSLF. I filled out my paperwork immediately.

Once I applied, my account was transferred to Fed Loan, the exclusive servicer for PSLF. I received a letter from Fed Loan a few weeks later, a letter I had dreamed of for 10 years. I remember standing in my living room when the light at the end of the tunnel went dark.

The Department of Education denied my application for public service loan forgiveness. The reason which no loan servicer had ever raised was that one of the loans was not a direct loan.

I called Fed Loan immediately. I was told to reconsolidate so that all of my loans would qualify. Once I reconsolidated, I was transferred to Nelnet and I called and asked all of my loans qualify, what do I need to do now?

I was told that my qualifying payments had ben reset to zero and I would have to keep paying for 10 more years. I have now made 5 payments toward my second round of 120 payments. According to Nelnet, I am 115 payments away from forgiveness while simultaneously being 5 payments past.

I dream of owning an apartment in my neighborhood but how I can I afford a mortgage when I recently had to decrease what I contribute to my pension in order to cover my monthly bills. I do not share my story with you today to seek sympathy. I wouldn't trade my life with any other person on this planet. I share my story because there was a promise that was made to me and to millions of other public servants and that promise is being broken every day.

As of March 2019, the Education Department had forgiven the debt of 518 public servants, less than 1 percent of its applicants.

I vacillated between anger and despondence when I was denied forgiveness. I tried to find answers on my own but it wasn't until my union reached out that I felt like I had a voice again.

I never thought I would say this but I'm a plaintiff in a lawsuit against Betsy DeVos and the Department of Education. The Weingarten v. DeVos lawsuit is seeking a court order that will hold the Education Department accountable for the errors and misrepresentations of its loan servicers and allow borrowers who have been denied due process.

Congress has already made an effort to rectify the issues in this program allocating $700 million for the Temporary Education PSLF program. Yet no one proactively talked to me about applying for TEPSLF. I had to research on my own.

I do not understand why Secretary DeVos would not do everything in her power to help teachers like me who did everything right, receive the loan forgiveness we were promised. I urge her to take action which is within her authority to fix this broken system.

As I stated before, I do not come from a wealthy family. I took out students loans because it was the only way that I could earn a degree and to date, I am the only member of my family to have that honor.

If the PSLF program wasn't meant for me, a teacher who loves her job, pays her bills, and comes for a family where loans were her only option, who was it meant for?

I'm extremely grateful to have this opportunity to speak before you today but the truth is I would prefer to be in my classroom right now. Today will likely by the only day I am not in my classroom for the rest of the year.

I am here today because I have no other option. No other hope for my own future. I am here today so that you can see the face of a person who has been impacted by the gross mismanagement of PSLF. Thank you for your time.

[The statement of Ms. Finlaw follows:]

Good morning Chairman Scott and members of the committee,

My name is Kelly Finlaw. I am a middle school art teacher at I.S. 528 in New York City. I am a proud member of the United Federation of Teachers and the American Federation of Teachers. On behalf of the 1.7 million members of the AFT, I thank you for inviting me here today to share my experience with the Public Service Loan Forgiveness program.

Apart from being with my family, with people that I love, my classroom is my favorite place on this earth. Being a teacher is one of the most difficult professions in the world, but I clawed, tooth and nail, to make it; and I am doing what I was meant to do. There are moments every day that overwhelm me, that stop me in my tracks. They are moments of gratitude that this is how I get to spend my life.

Going to college was my only option after high school. My mother made sure of that. But even though she worked several jobs to make ends meet, there wasn't anything left over to pay for my education. So, student loans kept me in my classes every semester.

I didn't go into education so that the government would pay my loans for me. The PSLF program didn't even exist when I started teaching during the 2006-07 school year. I took on the debt that I have because it was a means to an end. I expected to carry this debt with me for the rest of my life—a small price to pay for a life that already feels like I've won the lottery every day when I walk into my school.

In 2007, after I had already started teaching, a bipartisan law was set into motion that I believed would alter the course of my financial future. A promise was made to me, to my colleagues and to all public workers that should we continue to serve our communities for at least 10 years and make 120 qualifying payments on our student loans, our debt would be forgiven.

Teaching isn't a career that garners much respect from anyone outside the profession, but this promise was validation that the work we do every day is valuable.

The promise that Congress made to me and all public sector workers gave me hope for my future.

When I learned about the new law, I called my loan servicer and said, "I'm a teacher. What do I need to do to qualify for the PSLF program?" I made these calls repeatedly to different loan servicers over a span of several years. The answer was always the same: "Just keep making payments, and after 120, you will qualify."

After 10 years of making student loan payments, October 2017 was my month—my light at the end of the tunnel. I received an email from my servicer, Nelnet, letting me know that I was eligible to apply for PSLF. I filled out my paperwork immediately.

Once I applied, my account was transferred to FedLoan, the exclusive servicer for PSLF. I received a letter from FedLoan a few weeks later, a letter that I had dreamed of for 10 years. I remember standing in my living room when the light at the end of the tunnel went dark. The Department of Education denied my application for Public Service Loan Forgiveness. The reason, which no loan servicer had ever raised, was that one of the loans was not a direct loan.

I called FedLoan immediately. I was told to reconsolidate so that all my loans would qualify. Once I reconsolidated, I was transferred to Nelnet, and I called and asked, “All of my loans qualify. What do I need to do now?” I was told that my qualifying payments had been reset to zero and I would have to keep paying for10 years.

I have now made 5 payments toward my second round of 120 payments. According to Nelnet, I am 115 payments away from forgiveness, while simultaneously being 5 payments past.

I dream of owning an apartment in my neighborhood, but how can I afford a mortgage when I recently had to decrease what I contribute to my pension in order to cover my monthly bills?

I do not share my story with you today to seek sympathy. I wouldn’t trade my life with any other person on this planet. I share my story because there was a promise that was made to me and to millions of other public servants. That promise is being broken every day.

As of March 2019, the Education Department had forgiven the debt of 518 public servants, less than 1 percent of its applicants.

I vacillated between anger and despondence after I was denied forgiveness. I tried to find answers on my own, but it wasn’t until my union reached out that I felt like I had a voice again.

I never thought I would say this, but I am a plaintiff in a lawsuit against Betsy DeVos and the Department of Education. The *Weingarten v. DeVos* lawsuit is seeking a court order that will hold the Education Department accountable for the errors and misrepresentations of its loan servicers and allow borrowers who have been denied due process.

Congress has already made an effort to rectify the issues in this program, allocating $700 million for the Temporary Expanded PSLF program. Yet, no one proactively talked with me about applying for TEPSLF. I had to research on my own. I do not understand why Secretary DeVos would not do everything in her power to help teachers like me—who did everything right—receive the loan forgiveness we were promised. I urge her to take action, which is within her authority, to fix this broken system.

As I stated before, I do not come from a wealthy family. I took out student loans because it was the only way I could earn my degree and, to date, I am the only member of my family to have that honor. If the PSLF program wasn’t meant for me—a teacher who loves her job, pays her bills, and comes from a family where loans were her only option—who was it meant for?

I am extremely grateful for the opportunity to speak before you today, but the truth is that I would prefer to be in my classroom right now. Today will likely be the only day I am not in my classroom for the rest of the year. I am here today because I have no other option, no other hope for my own future. I am here today so that you can see the face of a person who has been impacted by the gross mismanagement of PSLF.

Thank you for your time.

Chairwoman DAVIS. Thank you, Ms. Finlaw. Ms. Shavit, please proceed.

TESTIMONY OF YAEL SHAVIT, J.D., ASSISTANT ATTORNEY GENERAL, OFFICE OF THE MASSACHUSETTS ATTORNEY GENERAL

Ms. SHAVIT. Chair Davis, Ranking Member Smucker and Members of the subcommittee, thank you for inviting me to testify today.

My name is Yael Shavit and I am an Assistant Attorney General in the Massachusetts Attorney General's Office. On behalf of Attorney General Maura Healey, I appreciate the opportunity to share our serious concerns about the implementation of the PSLF program.

Advocating on behalf of students is a central priority of our office. Our office has brought some of the first enforcement actions against student loan servicers and works directly with borrowers to help resolve issues that arise with their loans. Through this work, we regularly see firsthand both the importance of the PSLF program and the profound financial injuries suffered by public servants due to the mismanagement of the program.

As you know, Congress created the PSLF program to allow public servants to manage their student loan debt by providing them with loan forgiveness after 10 years of service. Without this program, people interested in dedicating themselves to public service careers often would be unable to do so because of the steep costs of higher education.

The PSLF program is critical not only to the borrowers who rely on it but to the broader societal interest of ensuring that skilled workers can serve in public sector jobs.

Nonetheless, we have seen time and again how diligent, hardworking public servants who had every reason to believe that they were meeting the programs requirements are being denied the benefit of PSLF after years of work.

Our offices investigations have revealed widespread mismanagement of the PSLF program by both student loan servicers and the Department of Education.

In 2017, we brought an enforcement action against PHEAA also known as Fed Loan Servicing which is the exclusive—has the exclusive contract to manage the PSLF program. Our lawsuit alleges that PHEAA, by engaging in widespread loan servicing failures has caused financial harm to thousands of Massachusetts residents seeking to rely on PSLF.

Despite being aware of these problems, the Department has failed to adequately oversee its servicers and it has failed in its own administration of PSLF.

Borrowers have been misinformed about the requirements of PSLF and have been told incorrectly that their loans or employment qualified for the program when they didn't. Borrowers have had their payments miscounted and their applications delayed. They have been excluded from qualifying repayment plans through no fault of their own.

In short, the system is deeply broken. The problems with the administration of PSLF came into sharp relief in 2017 after the first participants in the program became eligible for loan forgiveness.

Only 96 people out of over 28,000 initial applicants had their loans forgiven. This extraordinary denial rate should have served as a wakeup call to the Department that it needed to overhaul its oversight and management of PSLF. Unfortunately, the Department has failed to demonstrate a commitment to the program or to public servants.

We have seen this lack of commitment first hand. Rather than working with our office when we identified PHEAA servicing failures, the Department instead empowered PHEAA in its failed efforts to evade our enforcement authority by invoking inapplicable Federal preemption principles and privacy statutes.

It is now clear that the Department is also impeding Congress's efforts to help public servants. Despite Congress's appropriation of $700 million to temporarily extend PSLF, the Department has once again denied approximately 99 percent of applications for relief.

The Department's continued failure to administer the PSLF program appropriately is disheartening and unacceptable. We appreciate the subcommittees focus on this issue. The PSLF program is important and we believe that it is essential that the programs administration be fixed not only for those public servants who have already relied on the program, but also for future borrowers who are willing to committee themselves to the public good and the countless Americans who benefit from their service.

On behalf of the Massachusetts attorney general's office and the borrowers we represent, we urge Congress to continue to use its oversight authority and demand accountability from the Department and its servicers. Students across the country are counting on it. Thank you.

[The statement of Ms. Shavit follows:]

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Office of Massachusetts Attorney General, Maura Healey

HOUSE OF REPRESENTATIVES SUBCOMITTEE ON HIGHER EDUCATION
AND WORKFORCE INVESTMENT

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

SEPTEMBER 19, 2019

Chair Davis, Ranking Member Smucker and members of the Subcommittee, thank you for inviting me to testify today. My name is Yael Shavit. I am an Assistant Attorney General in the Consumer Protection Division of the Massachusetts Attorney General's Office. On behalf of Attorney General Maura Healey, I appreciate the opportunity to speak on this issue and share our serious concerns about the implementation of the Public Service Loan Forgiveness ("PSLF") program.

Advocating on behalf of students is a central priority of our Office. Our Office has brought some of the first enforcement actions against student loan servicers and works directly with borrowers to help resolve issues they encounter with their loans. Through this work, we regularly see firsthand both the importance of the PSLF program and the profound financial injuries suffered by public servants due to the mismanagement of this program.

Congress created the PSLF program to allow public servants—such as police officers, military personnel, teachers, nurses, and social workers—to both engage in public service and manage their student loan debt, by providing them with loan forgiveness after 10 years. Without this program, people interested in dedicating themselves to public service careers often would be unable to do so because of the steep costs of higher education. The PSLF program is critical, not only to the borrowers who rely on it, but to the broader societal interest of ensuring that skilled workers can serve in public sector jobs.

Nonetheless, we have seen time and again how diligent, hardworking public servants—who had every reason to believe they were meeting the program's requirements, and who changed the course of their lives to pursue careers in the public interest—are being denied the benefits of PSLF after years of dedicated work.

Our Office's investigations have revealed widespread mismanagement of the PSLF program by both student loan servicers and the U.S. Department of Education ("Department"). In 2017, we brought an enforcement action against the Pennsylvania Higher Education Assistance Agency ("PHEAA")[1], also known as FedLoan Servicing, the servicer to whom the Department awarded an exclusive contract to manage PSLF. Our lawsuit alleges that PHEAA caused financial harm to thousands of Massachusetts residents seeking to rely on the PSLF program by engaging in widespread loan servicing failures.

Despite being aware of these problems, the Department has failed to adequately oversee its servicers and failed in its own administration of PSLF. Borrowers have been misinformed about the requirements of PSLF, and have been told, incorrectly, that their loans or employment qualified for the program. Borrowers have had their payments miscounted and their applications delayed; they have been excluded from qualifying repayment plans through no fault of their own. In short, the system is deeply broken.

The problems with the administration of PSLF came into sharp relief in 2017 after the first participants in the program became eligible for loan forgiveness. Only 96 people out of over 28,000 applicants had their loans forgiven.[2] This extraordinary denial rate should have served as a wakeup call to the Department that it needed to overhaul its oversight and management of PSLF. Unfortunately, the Department has failed to demonstrate a commitment to this program and to the public servants whom Congress has tasked the Department with assisting. We have seen this lack of commitment firsthand. Rather than working with our Office when we identified PHEAA's serious servicing failures, the Department empowered PHEAA in its failed efforts to evade our enforcement authority by invoking inapplicable federal preemption principles and privacy statutes. It is now clear that the Department is also attempting to impede Congress's efforts to help public servants. Despite Congress's appropriation of $700 million dollars to temporarily extend PSLF to certain borrowers who did not previously qualify, the Department has once again denied approximately 99% of applications for relief.[3] The Department's continued failure to administer the PSLF program appropriately is disheartening and unacceptable.

We appreciate this Subcommittee's focus on this issue. The PSLF program is important, and we believe it is essential that the program's administration be fixed, not only for those public servants who have already relied on it, but also for future public servants willing to commit themselves to the public good and the countless Americans who benefit from such service. On

[1] Complaint, *Commonwealth v. Pennsylvania Higher Education Assistance Agency*, Mass. Super., No. 17-02682-BLS2 (Mass. Super. Aug. 23, 2017).

[2] Department of Education Public Service Loan Forgiveness Data August 2017 report, https://studentaid.ed.gov/sa/about/data-center/student/loan-forgiveness/pslf-data. *See also* Public Service Loan Forgiveness: Education Needs to Provide Better Information for the Loan Servicer and Borrowers, United States Government Accountability Office, pg. 11, September 2018, https://www.gao.gov/assets/700/694304.pdf.

[3] Public Service Loan Forgiveness: Improving the Temporary Expanded Process Could Help Reduce Borrower Confusion, United States Government Accountability Office, pg. 12, September 2019, https://www.gao.gov/assets/710/701157.pdf.

behalf of the Massachusetts Attorney General's Office and the borrowers we represent, we urge Congress to continue to use its oversight authority and demand accountability from the Department and its servicers. Students across the country are counting on it. Thank you.

Chairwoman DAVIS. Thank you, Ms. Shavit. Dr. Chingos.

TESTIMONY OF MATTHEW M. CHINGOS, PH.D., VICE PRESIDENT FOR EDUCATION DATA AND POLICY URBAN INSTITUTE

Mr. CHINGOS. Chair Davis, Ranking Member Smucker and Members of the committee, thank you for the opportunity to testify today about the Public Service Loan Forgiveness program.

I direct the Center on Education, Data and Policy at the Urban Institute here in Washington, D.C. I'm proud of the work we do at Urban but I should emphasize that the views expressed in this testimony are my own and should not be attributed to any organization with which I am affiliated, its trustees or its funders.

My testimony will provide an overview of PSLF and the Temporary Expanded PSLF program with a focus on program design, tradeoffs and options for reform.

I am not an expert on student loan servicing but I believe that the complex design of loan forgiveness programs place an important role in the challenges faced both by borrowers trying to navigate these programs and by the Federal Government administering them.

PSLF sounds like a simple program. Work in public service for 10 years and have your loans forgiven. But the program is complicated and has only become more complex over time. First, Congress limited the program to borrowers who took out loans under the direct loan program and it may not be obvious to borrowers which kind of loan they have.

Second, borrowers need to prove they worked in public service which the Federal Government defines based on the legal status of the employer, not the job being done.

For example, nurses at nonprofit hospitals are eligible but nurses doing the exact same work at for profit hospitals are not eligible.

Third, borrowers need to spend at least some time in an income driven repayment plan. Payments made under the wrong plans do not count towards PSLF.

Such a complex program has led to borrower confusion. A 2018 GAO report on PSLF found that of the borrowers who applied for forgiveness, only half had any qualifying employment in loans and less than one percent had made 120 qualifying payments. Congress attempted to address borrower concerns about PSLF by creating TEPSLF, a first come, first serve pot of money for borrowers who met all of the requirements of PSLF except they were in the wrong repayment plans.

As with PSLF, few TEPSLF applicants have been approved for forgiveness. But the denial rates alone don't tell us whether these programs have reached their intended beneficiaries. To judge success, we need to know how many borrowers are actually eligible under the terms of the programs, how many are applying and how many are being approved.

It is impossible to precisely estimate how many borrowers are eligible for these programs because the Federal Government does not collect comprehensive data on borrowers sector of employment.

This has left the press and Congress to focus on the fact that 99 percent of applications were rejected and not on why they were rejected.

The recent GAO report does not tell us much about the share of eligible borrowers who were able to access the program but provides insight into why so many borrowers were rejected.

71 percent of TEPSLF applications were denied because the borrower had not yet submitted an application for PSLF. Of the applications that did meet the requirements the first applying for PSLF, 96 percent did not meet the other eligibility requirements including making 10 years of qualifying payments on eligible loans and meeting payment size criteria set by Congress.

The hard truth is that a program as complex as TEPSLF is likely to continue to be confusing as evidence by borrower confusion about the PSLF program which has been in place for much longer.

In addition to creating confusion, PSLF distributes the largest benefits not to the neediest borrowers or those who contribute most to the public good but to borrowers with the largest debts who know how to navigate the system by obtaining the right kind of loan, picking the right repayment plan, working for the right employer and even filing their taxes the right way.

Programs like PSLF could be more effectively administered if the onus was on the government rather than borrowers to measure eligibility.

For example, Congress could consider modifying the program to simplify eligibility rules and provide forgiveness using administrative data such as from the IRS rather than using a cumbersome application process.

A more ambitious option is to shift the resources currently dedicated to PSLF to alternative policies aimed at the same goal. Research shows that targeted scholarship programs are more effective than loan forgiveness.

In my view, efforts to reward socially valuable employment such as social work and teaching will be better accomplished through grants or through carefully tailored wage subsidies. In conclusion, many of the challenges of implementing PSLF and TEPSLF stem from the complex design of these programs. Discussions about how to improve the administration of loan forgiveness programs should be accompanied by careful consideration of how these programs might be reformed to reduce confusion and make them work better for both borrowers and tax payers.

Thank you for the opportunity to testify today. I look forward to answering any questions.

[The statement of Mr. Chingos follows:]

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COMPLEX BY DESIGN: REFORMING PUBLIC SERVICE LOAN FORGIVENESS

Statement of
Matthew M. Chingos*
Vice President for Education Data and Policy, Urban Institute

before the
Education and Labor Committee, Subcommittee on Higher Education and Workforce Investment
United States House of Representatives

BROKEN PROMISES: EXAMINING THE FAILED IMPLEMENTATION OF THE PUBLIC SERVICE LOAN FORGIVENESS PROGRAM

Thursday, September 19, 2019

* The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders. I thank Sandy Baum, Fiona Blackshaw, Kristin Blagg, Colleen Campbell, Jason Delisle, and Alex Tilsley for helpful comments.

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Chair Davis, Ranking Member Smucker, and members of the committee, thank you for the opportunity to testify today about the Public Service Loan Forgiveness (PSLF) program.

I direct the Center on Education Data and Policy at the Urban Institute here in Washington, DC. My colleagues and I work to support evidence-based education policymaking by conducting original research, creating policy analysis tools, and democratizing data. Over the past two years, we have developed resources aimed at helping Congress elucidate the trade-offs involved in proposals to reauthorize the Higher Education Act.

I am proud of the work we do at the Urban Institute, but I should emphasize that the views expressed in this testimony are my own and should not be attributed to any organization with which I am affiliated, its trustees, or its funders.

My testimony will provide an overview of PSLF and the Temporary Expanded Public Service Loan Forgiveness (TEPSLF) program, with a focus on how the complex design of these well-intended programs has led to confusion among borrowers, how we can evaluate the success of programs like TEPSLF, and how these programs might be reformed to better accomplish their goals.

I am not an expert on student loan servicing, but I believe that the design of PSLF and TEPSLF plays an important role in the challenges faced both by borrowers in navigating the programs and by the federal government in administering them. A research lens can help elucidate the trade-offs policymakers face as they seek to improve both the design and implementation of loan forgiveness programs.

My testimony today is rooted in three principles:

> First, federal grant and loan programs are critical for promoting college access and completion, especially for students from disadvantaged backgrounds. There is ample evidence that subsidizing college costs leads to increases in college enrollment and persistence, especially among low-income students.[1]
>
> Second, student aid and loan repayment programs should be straightforward, so that all students who are eligible can access funds to go to college and navigate flexible repayment options that protect them from having to make unaffordable payments afterward.
>
> Finally, federal student aid programs should be designed to accomplish well-defined goals—whether increasing access to college or encouraging students to enter public service—as efficiently as possible, so taxpayer dollars are used to maximum effect.

Public Service Loan Forgiveness

PSLF sounds like a simple program: it promises loan forgiveness to borrowers who work in public service for at least 10 years. But the program Congress designed is complicated, and subsequent changes made by both the Obama administration and Congress have made it even more complex.

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[1] David Deming and Susan Dynarski, "Into College, Out of Poverty? Policies to Increase the Postsecondary Attainment of the Poor," Working Paper 15387 (Cambridge, MA: National Bureau of Economic Research, 2009).

First, to reduce the cost of PSLF, Congress limited the program to borrowers who took out loans under the Direct Loan program, which was relatively small in 2007 (approximately 20 percent of new loan volume) but became the primary source of new federal student loans beginning in 2010.[2] Borrowers with older loans can consolidate their loans into the Direct Loan program, but only payments made after consolidation qualify for PSLF. Thus, borrowers who make payments but then consolidate their debt can lose progress toward PSLF, as consolidation resets the payment count. Currently, 13 million borrowers have loans from the previous program, compared with 35 million who have Direct Loans.[3]

Second, borrowers need to correspond with previous employers, who need to complete paperwork to prove the borrower worked full time in public service, which the federal government defines based on the legal status of the employer, not the job being done. Nurses at nonprofit hospitals are eligible, but nurses doing the same work at for-profit hospitals are not (a fact that may not be obvious to employees). PSLF defines public service to include jobs for any government or 501(c)(3) organization, which encompass about 25 percent of the workforce.[4]

Third, borrowers need to be in certain loan repayment plans to be eligible for forgiveness. By default, borrowers are placed into the standard (10-year) plan upon entering repayment. Payments made under the 10-year plan are eligible for PSLF, but they would not leave any balance to forgive after 10 years unless the borrower later switches to an income-driven plan. All the income-driven plans are eligible for PSLF, and once borrowers make 120 on-time payments under any combination of income-driven plans and the standard plan, they can apply for forgiveness. Any payments made under other plans, such as graduated or extended repayment plans, are ineligible for PSLF. Periods spent in deferment and forbearance also do not count.

Currently, across all Direct Loan borrowers, 45 percent are on income-driven plans, 30 percent are on the standard plan, and 21 percent are on ineligible plans.[5] Borrowers can switch to any plan for which they are eligible, and the income-driven plans require annual recertification. The income-driven plans are an important safety net for borrowers but are confusing to navigate and have failed to stop millions of defaults.[6]

When PSLF was created in 2007, the most generous income-driven repayment plan available was income-based repayment, which generally allows borrowers to pay 15 percent of their discretionary income toward their loans. But later legislation and executive action created more generous income-driven repayment plans that allow borrowers to pay 10 percent of their discretionary income. Reducing monthly payments by one-third increased the amount of potential forgiveness for borrowers (and the cost of the program to taxpayers); it also increased the stakes for borrowers to pick the plan that maximizes the size of

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[2] Jason Delisle, *Private in Name Only: Lessons from the Defunct Guaranteed Student Loan Program* (Washington, DC: American Enterprise Institute, 2017).

[3] Portfolio summary is at https://studentaid.ed.gov/sa/about/data-center/student/portfolio.

[4] Erica Blom, "Who Does the Public Service Loan Forgiveness Program Really Benefit?" *Urban Wire* (blog), Urban Institute, October 27, 2017, https://www.urban.org/urban-wire/who-does-public-service-loan-forgiveness-program-really-benefit

[5] Portfolio by repayment plan is at https://studentaid.ed.gov/sa/about/data-center/student/portfolio.

[6] Susan Dynarski and Daniel Kreisman, *Loans for Educational Opportunity: Making Borrowing Work for Today's Students* (Washington, DC: Brookings Institution, 2013).

their benefit.[7] Payment reduction also made PSLF available to higher-income borrowers, who are more likely to have a balance remaining to be forgiven if they pay 10 percent of their income rather than 15 percent.

To summarize, to receive PSLF, borrowers must have the right kind of student loan, make 120 on-time payments in an eligible repayment plan, and work at least 35 hours a week for the right type of employer.[8] Given the complexity of the program, it is not surprising that many borrowers are confused about whether they are eligible. For example, a 2018 GAO report found that more than 150,000 borrowers who did not have eligible loans attempted to have them certified for PSLF. The same report found that, of the borrowers who applied for forgiveness, only half had any qualifying employment and loans, and less than 1 percent had made 120 qualifying payments.[9]

Confusion about student loans is not limited to PSLF. A 2014 study I coauthored found that 28 percent of federal loan borrowers in their first year of college did not know they had a federal loan, and 14 percent did not know they had any kind of student loan. More generally, less than one-third of students could provide a reasonably accurate estimate of how much they had borrowed.[10]

In 2018, Congress attempted to address borrower concerns about access to PSLF by creating the Temporary Expanded PSLF program, a first-come, first-served pot of money ($700 million) for borrowers who met all the requirements for PSLF except they were in the wrong repayment plans. To restrict eligibility to borrowers who would have been eligible had they been in the right plan, Congress required that borrowers either have been in an income-driven repayment plan for the past year or document that they made payments at least as large as they would have made under such a plan. Without this requirement, more high-income borrowers would be eligible for TEPSLF if they were in a graduated or extended plan with a term greater than 10 years. This is likely Congress's attempt to insert a means-testing element into TEPSLF to ensure that the funds go to the neediest borrowers.

Measuring the Success of TE/PSLF

The high denial rates of both TEPSLF and PSLF have generated headlines, but the denial rates alone don't tell us whether these programs have reached the borrowers they were intended to reach. To judge success, we need to know how many borrowers who are actually eligible under the terms of the programs are applying, and how many are being approved.

It is impossible to precisely estimate how many borrowers are eligible for TEPSLF or PSLF because they only become known once they identify themselves to their servicers by taking steps to certify their

[7] Jason Delisle, *The Coming Public Service Loan Forgiveness Bonanza* (Washington, DC: Brookings Institution, 2016).

[8] A payment can also be disqualified if it was used toward another loan forgiveness program, such as the Teacher Loan Forgiveness Program (https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/teacher#both-tlf-pslf).

[9] *Public Service Loan Forgiveness: Education Needs to Provide Better Information for the Loan Servicer and Borrowers,* GAO-18-547 (Washington, DC: GAO, 2018), https://www.gao.gov/assets/700/694304.pdf.

[10] Elizabeth J. Akers and Matthew M. Chingos, *Are College Students Borrowing Blindly?* (Washington, DC: Brookings Institution, 2014).

employment and loans. The lack of any reasonable estimation method has left the press and Congress to focus on the fact that 99 percent of applications were rejected, and not on why they were rejected.

A review of the program's requirements suggests that the number of borrowers who are currently eligible for forgiveness may be small. To be eligible, borrowers would have had to be in repayment by 2009 (and have either only borrowed Direct Loans or consolidated them into one), work more or less continuously in the public sector for 10 years, maintain enrollment in an income-driven or standard plan for this period (or a different plan and meet TEPSLF's payment requirements), and make consistent on-time payments. All of this is determined retroactively, potentially sowing confusion among borrowers who can spend years thinking they are eligible before learning they are not.

The available data suggest relatively few borrowers would meet this requirement. Data that are regularly published by the Department of Education indicate that just over 600,000 borrowers have made qualifying payments under PSLF, and two-thirds of those have 24 or fewer months of qualifying payments.[11] As time passes, more borrowers will surely meet the 120 qualifying payment requirement and become eligible for PSLF or TEPSLF.

A 2019 GAO report accessed useful servicer data on TEPSLF applications but focused on the share of applications approved (1 percent) rather than attempting to estimate the share of eligible borrowers who were able to access the program.[12]

Seventy-one percent of TEPSLF applications were denied because the borrower had not yet submitted an application for PSLF (although, with an average of TEPSLF 1.35 applications per borrower in the GAO data, it is likely that some applicants tried again after being denied for PSLF). No additional information is made available on these applicants, although the servicer data may contain information that would be useful to measure the success of the program, such as whether applicants have been in repayment for 10 years and whether they made at least 120 on-time payments.[13]

The GAO report provides useful data on why most TEPSLF applications were denied. Of the 16,116 TEPSLF applications that did meet the requirement of first applying for PSLF, 35 percent had not been in repayment for 10 years, 19 percent failed to meet the payment size criteria set by Congress, 13 percent made less than 120 qualifying payments, 11 percent did not have eligible federal loans, 8 percent did not provide requested income information, 8 percent had less than 120 months of qualifying employment, and 2 percent were rejected for other reasons. Only 4 percent of these applicants were approved for TEPSLF.

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[11] "Public Service Loan Forgiveness (PSLF) and Temporary Expanded PSLF (TEPSLF)," Deck 22 from the 2018 FSA Training Conference for Financial Aid Professionals, Atlanta, November 26–30, available at https://fsaconferences.ed.gov/2018sessionlist.html.

[12] *Public Service Loan Forgiveness: Improving the Temporary Expanded Process Could Help Reduce Borrower Confusion*, GAO-19-595 (Washington, DC: GAO, 2019), https://www.gao.gov/assets/710/701157.pdf.

[13] It would also be useful to know, of the applicants initially deemed potentially eligible for TEPSLF, how many were already in IDR (for the last 12 months) versus how many needed to submit income information to assess their eligibility. One might expect that borrowers would be more likely to be eligible if they were currently in IDR but had made some payments under a noneligible plan in the past. But a bounding exercise based on the data in the GAO report suggests that no more than 13 percent of applicants who met the initial set of requirements (being denied for PSLF) were in IDR for at least the past 12 months.

Servicing errors may mean that some number of these applicants are in fact eligible, but the bottom line is that, based on the findings in the GAO report, most borrowers who are applying for TEPSLF are most likely ineligible. The data analyzed by GAO show rampant confusion among borrowers about their eligibility for TEPSLF, consistent with the 2018 GAO report on PSLF. Some TEPSLF applicants who did not first apply for PSLF are likely eligible. But even if the eligibility rate for this group is twice that of the group of borrowers who followed the requirement of first applying for PSLF (8 percent versus 4 percent), the overall eligibility rate would only rise to 7 percent.[14]

Reforming PSLF for Future Borrowers

The GAO report on TEPSLF makes some recommendations for how to better communicate about the program to borrowers. But the hard truth is that a program as complex as TEPSLF is likely to continue to be confusing, as evidenced by borrower confusion about the PSLF program, which has been in place for much longer.

In addition to creating confusion, PSLF is likely to distribute large sums of money—an average of $59,000 forgiven per borrower—in a poorly targeted manner.[15] The largest benefits do not necessarily go to the neediest borrowers or those who contribute most to the public good, but to borrowers with the largest debts (typically from graduate school)[16] who know how to navigate the system by obtaining the right kind of loan (consolidating at the right time), picking the right repayment plan, working for the right employer, and even filing their taxes the right way.[17] What's more, borrowers expecting to go into public service face strong incentives to take on significant amounts of debt, even if they do not need to.[18]

A program like PSLF/TEPSLF could be more effectively administered if the onus was on the government rather than borrowers to measure eligibility. For example, Congress could consider modifying the program to simplify eligibility rules and provide forgiveness using administrative data rather than a cumbersome application process that is expensive to administer and only rewards borrowers who can navigate it (and provides additional benefits to those who misrepresent their income or family size).[19]

IRS data could be used to forgive a set percentage or amount of debt (e.g., 10 percent or $5,000) each year a borrower has W-2 wage income with an eligible employer and total income under a chosen threshold.

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[14] Over time, the approval rate may increase as borrowers learn about program requirements and more pass the threshold of 120 qualifying payments and months of employment.

[15] Taken from the March 2019 PSLF report, available at "Public Service Loan Forgiveness Data," US Department of Education, Office of Federal Student Aid, accessed September 17, 2019, https://studentaid.ed.gov/sa/about/data-center/student/loan-forgiveness/pslf-data. The average balance forgiven per borrower in TEPSLF is about $41,000. See Government Accountability Office, *Improving the Temporary Expanded Process Could Help Reduce Borrower Confusion* (Washington, DC: Government Accountability Office, 2019), https://www.gao.gov/assets/710/701157.pdf.

[16] *Higher Education: Characteristics of Graduate PLUS Borrowers*, GAO-18-392R (Washington, DC: GAO, 2018), https://www.gao.gov/assets/700/691308.pdf.

[17] Under some income-driven plans, married borrowers make different payments depending on whether they file jointly or separately.

[18] Jason Delisle and Alexander Holt, *Zero Marginal Cost: Measuring Subsidies for Graduate Education in the Public Service Loan Forgiveness Program* (Washington, DC: New America, 2014), https://na-production.s3.amazonaws.com/documents/zero-marginal-cost.pdf.

[19] *Federal Student Loans: Education Needs to Verify Borrowers' Information for Income-Driven Repayment Plans*, GAO-19-347 (Washington, DC: GAO, 2019), https://www.gao.gov/assets/700/699968.pdf.

All borrowers would be eligible, regardless of loan type or repayment plan (the income data on tax returns would be used for targeting in place of the complicated loan repayment system), and the program would help borrowers reduce their balance each year they are in public service.[20] Congress could keep the current expansive definition of public service or more narrowly target the program, as in existing programs for public-interest lawyers and nurses in high-need areas.[21]

There would be significant start-up costs to put such a program in place, but it could treat similarly situated borrowers equally and might cost less to administer over time. Rather than borrowers submitting paperwork to their servicer over a decade and having payments manually counted, the benefit would be provided automatically to all eligible borrowers—including those who cannot figure out how to navigate the current system.

An alternative that preserves the current structure of the program is to further expand eligibility for the program to additional loan types and repayment plans. But this would be unlikely to make the program easier to navigate for most borrowers (as the TEPSLF experience shows), and would likely make it much more expensive and tilted toward higher-income borrowers (e.g., if borrowers were not required to have made payments at least as great as they would have made in an income-driven plan).

A third option is to shift the resources currently dedicated to PSLF—as much as $5 billion per year—to alternative policies aimed at the same goal. [22] In my view, a student loan forgiveness program is a poor vehicle for incentivizing public service. Efforts to reward socially valuable employment such as social work or teaching would likely be better accomplished through carefully tailored wage subsidies, or through targeted scholarship programs that reduce students' need to borrow in the first place.

A targeted grant program can have a larger effect on whether students go into public service than a loan forgiveness program. A 2009 study found that law students who received a scholarship in exchange for agreeing to go into public service were 36–45 percent more likely to take a public-interest job than students who received a financially equivalent offer of loan forgiveness (instead of tuition assistance).[23] Such a program could also be targeted to students from disadvantaged backgrounds, but prior experience with the

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[20] Forgiving some debt each year would be less targeted than forgiving more debt after 10 years of public service to the extent that some borrowers would qualify in earlier years before going on to make high incomes in later years (e.g., doctors who obtain loan forgiveness while they are in residency). An alternative approach would be for servicers to gather borrowers' income and employment data from the IRS and then provide forgiveness after multiple years of working in public service at low or modest income.

[21] These are the John R. Justice Program (https://www.bja.gov/ProgramDetails.aspx?Program_ID=65#horizontalTab2) and the Nurse Corps Loan Repayment Program (https://bhw.hrsa.gov/loans-scholarships/nurse-corps/loan-repayment-program/determine-eligibility-and-apply).

[22] The president's 2020 budget estimates savings of $53 billion over 10 years from eliminating PSLF. See Executive Office of the President, *A Budget for a Better America* (Washington, DC: Government Printing Office, 2019), https://www.whitehouse.gov/wp-content/uploads/2019/03/msar-fy2020.pdf. The Congressional Budget Office estimates total savings of $23 billion. See Congressional Budget Office, "Federal Education Program—CBO's Estimate of the President's Fiscal Year 2020 Budget" (Washington, DC, Congressional Budget Office, 2019), https://www.cbo.gov/system/files/2019-05/55207-education.pdf.

[23] Erica Field, "Educational Debt Burden and Career Choice: Evidence from a Financial Aid Experiment at NYU Law School," *AEJ: Applied Economics* 1, no. 1 (2009): 1–21, https://www.doi.org/10.1257/app.1.1.1.

TEACH grant program suggests it may be best to trust that recipients will go into public service rather than convert their grant into a loan if they do not.[24]

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In conclusion, many of the challenges of implementing PSLF and TEPSLF stem from the complex design of these programs. Discussions of how to improve the administration of PSLF/TEPSLF should be accompanied by careful consideration of how the underlying programs might be reformed to reduce confusion and make them work better for both borrowers and taxpayers.

The Department of Education should continue to work with servicers to improve the implementation of these programs and better communicate information to borrowers. But it is important to acknowledge the real constraints imposed by the program's design and take steps to address them for future borrowers.

Thank you for the opportunity to testify today. I look forward to answering any questions.

[24] Jason Delisle and Alexander Holt, "The Tangled World of Teacher Debt," *EducationNext* 17, no. 4 (2017): 42–48.

Chairwoman DAVIS. Thank you very much. Thank you to all of you staying within time limits and we look forward to the questioning.

Under Committee Rule 8(a), we will now question witnesses under the five minute rule. As chair I have decided to go at the end so I will yield to the next senior Member on the Majority side and then we will shift over to the Ranking Member and go back and forth.

Again, I want to now yield to Mr. Courtney of Connecticut for the first questions.

Mr. COURTNEY. Thank you, Madame Chairwoman, and to Mr. Smucker for holding this hearing today, to all the witnesses particularly, Ms. Finlaw, for really telling the human side of this.

Again, I think most Members I would assume, certainly my office has gotten these calls and, I mean, the crushing disappointment that people experience when they built their whole life plan and professional career for 10 years, you know, to get that rug pulled out from under them is just devastating.

Before I begin my questioning, I want to join the chair to express my frustration with the CEO of PHEAA, known to consumers as Fed Loan Servicing for refusing to testify today. Fed Loan is the loan, sole loan servicer implementing PSLF. If a borrower hopes to obtain PSLF they have to speak to Fed Loan.

So I think as Ms. Finlaw maybe knows from some of her colleagues, there are other loan servicers that deal with Title IV loans, Stafford loans, Perkins loans, all of them, but if you want to apply for discharge under PSLF, the loan has to be given to this one sole gatekeeper, Fed Loans.

And, you know, that is why their refusal today to be accountable on a public forum when the program they administer fails more than 99 percent of the borrowers that again, have to go through that bottleneck is really outrageous.

According to USA Spending, Fed Loan has collected over $1.3 billion in tax payer dollars because of the servicing contracts that they have with the Department of Education and yet they refused to appear today to publicly discuss how they actually spent the tax payers money.

Fed Loan is currently competing today also for the Department's next gen loan servicing platform. This is a multi-billion dollar contact that the Department claims will address many of the problems leading to PSLF's failure and yet Fed Loans chief executive officer refuses to engage with Congress about the problems implementing the last billion dollar contract that it received.

And I want to just note for the record, again the refusal to testify here today occurred on September 13 and that was before the witness list was released and I just again want to leave that on the record.

So today, since they're not here, Ms. Shavit, who is suing Fed Loan servicing in the state of Massachusetts, and since they are unwilling to share their side of the story, I would be interested in hearing what you have to say about their practices.

Can you explain how Fed Loans practices have prevented borrowers from qualifying for PSLF and are there other ways that Fed Loan practices costs borrowers money?

Ms. SHAVIT. Sorry, certainly. Fed Loan servicing failures affect a number of facets of PSLF. So as we allege in our complaint, Fed Loan failed to timely process borrowers' applications to participate in qualifying repayment plans. As a result of the backlogs and the delays that this caused, PHEAA decided to place some borrowers in forbearance status which is itself not a qualifying repayment status.

The effect of these servicing failures was to deprive borrowers of the opportunity to make payments that would qualify for PSLF. In effect, what this does is prolong a borrower's repayment obligations inappropriately and increase the likelihood that they will never qualify for PSLF. Additionally, PHEAA failed to correctly count and track borrowers qualifying payments causing borrowers to be credited with fewer qualifying payments than they actually made. Again, this throws borrowers off track.

I think it is also important to note that the problems that effect PSLF borrowers aren't just servicing failures that are specific to PHEAAS's management of PSLF. Servicing failures across PHEAA's platform, across their work, have ripple effects at throw PSLF borrowers off track.

So additional servicing failures that have been recorded including the misapplication of payments can also have the same effect of throwing borrowers off track.

Additionally, we are aware of borrowers as Ms. Finlaw has described who have been misinformed by PHEAA about the qualification of their employment or their loans for PSLF and relying on this information borrowers have spent years, sometimes up to a decade thinking that they were on track to get PSLF forgiveness only to discover the error when so much time had passed that they were unable to make the critical changes in their lives to actually become eligible for PSLF.

I would also like to note a different failure which I think is important to recognize and that the failure that happens when PHEAA recognized its servicing errors and didn't immediately take measures to both identify the entire population harmed by its servicing errors and to then make sure that those borrowers were made whole.

It should be PHEAA's priority to make sure that those borrowers are made whole and frankly, it should be the Department's priority to make sure that PHEAA does so.

Mr. COURTNEY. Thank you. I again just also want to add quickly for the record, the Administration has submitted two budgets since taking office in 2017 for fiscal year '19 and '20 and both at times that have zeroed out the PSLF program which again I think kind of screams out about what their, you know, support and priority for this program is and I yield back the balance of my time.

Chairwoman DAVIS. Thank you. I will now, I would now turn to the Ranking Member, but he has decided to go further down the line and I now call on Ms. Stefanik of New York.

Ms. STEFANIK. Thank you, Chairwoman Davis and Ranking Member Smucker. I believe that all of my colleagues understand the frustration and confusion this program has caused for borrowers.

And while Congress created the Public Service Loan Forgiveness Act in 2007 with a noble intent, I believe that we must fundamentally reform and improve this program so that we are understanding its shortcomings and it actually reaches what the intent is that is easier of the student and incentivizes public service.

So, my first theme I wanted to cover today is what qualifies as public service and what should? Dr. Chingos, you talked in your testimony about how the government defines public service based on the legal status of the employer, not the actual job being done. Can you elaboration this and explain how it may cause confusion for employees?

Mr. CHINGOS. That's exactly right. It's about the legal status of the employer so if your employer is a government employer, or a 501C3 and there's another category we don't have to talk about, you're eligible. And if you're not—so for some borrowers that's pretty obvious. Right. If you're a teacher, you're going to probably be a teacher for the government or for a private school which is probably going to be a nonprofit private school. You're clearly eligible at least on that component.

But if you're a nurse, some nurses are at for profit hospitals, some are at nonprofit hospitals. So there is a number of kinds of occupations that's very much the same kind of work.

So if you're a journalist at NPR, you're eligible. If you're an investigative journalist doing the great work that the Washington Post does, you're not eligible. So that is maybe sometimes could be lost on borrowers and could lead to some of the confusion we have seen.

Ms. STEFANIK. So, you know, GAO has noted that about 25 percent of the work force in this country is encompassed in this broad definition of public service. It seems that defining public service more precisely would be necessary to focus the programs intent and eliminate confusion for borrowers.

What are some of the factors that we should consider when trying to address this nebulous definition that exists today?

Mr. CHINGOS. I think it is really about tradeoffs. So as you mentioned, a quarter of the economy currently falls into the current definition so that is going to be a pretty wide net you're casting.

So, if Congress wanted to be more targeted, you could think about trying to encourage, you know, certain kinds of more targeted public service.

So, let's say we decide there is a shortage of nurses and doctors in rural areas. We could create a program for that population.

And indeed, there is a, several examples of programs like this. So, there is a, you know, a program for nurses in high need areas. There is a teacher program that's just for teachers that's separate from the PSLF program.

And actually, if you sign up for that you can lose your payments towards PSLF. That's a whole other tangled web of competing, conflicting programs confusing borrowers.

But the point is we have examples of more targeted programs and there's just a real tradeoff between trying to capture as many people as possible and trying to do this in a way that's more targeted to clear goals.

Ms. STEFANIK. I think creating more flexibility in what the needs of the particular communities are, so I represent a very rural district. We need healthcare experts. We need healthcare provides. We need nurses. We need farmers in our district. Those needs are very different than other parts, perhaps more urban regions accords the country.

The second theme I wanted to focus on today are specific ideas about how we can reform the program. You know, one of my concerns is that the lump sum payment of forgiveness on any unpaid debt if we shifted that to more of an annual payment towards a borrowers balance, are we then able to reduce the incentive to over borrow and provide a more even distribution to the benefits of the program

Mr. CHINGOS. I think there would be some advantages of moving to, you know, more staged forgiveness. It would simplify things certainly so that it's not you wait 10 years and then found out that you either were confused or you had gotten bad information so it could be helpful in that way.

It would, there is certainly a tradeoff there in that it would alter the distribution so it wouldn't just be for people who made reasonably low incomes over a longer period of time, you know, a doctor who was in residency for four years could get it even though they're making a lot of money later. So there's a tradeoff there but it could certainly be part of an effort to simply the program.

Ms. STEFANIK. What do you think about the proposal to cap the amount any one borrower may receive?

Mr. CHINGOS. I mean, that could help focus the benefits on a sort of broader set of people and really on people who borrowed for college. The way that you get the most benefits now is by borrowing a lot of money.

So, if you come out with a typical debt of $30,000 and start with a salary of say $45,000, you're not going to get any loan forgiveness.

So really in order to be eligible for say the six figure amounts of forgiveness or just the average PSLF forgiveness we have already seen of about $59,000, you have to borrow for graduate school.

So, the current program is very tilted towards people with lots of debt, people with graduate degrees and in some cases, people who have made, you know, not very high incomes, but reasonably high incomes. So putting a cap on it would focus it more on folks who just borrow it for undergrad.

Ms. STEFANIK. Thank you very much and I yield back the seven seconds.

Chairwoman DAVIS. Thank you. I now turn to Mr. Takano of California.

Mr. TAKANO. Thank you, Chairwoman Davis, for this very important hearing on the Department of Education's mismanagement of the public service loan forgiveness program. This program was created as a way for Congress to say thank you to the many dedicated public servants in this country that sacrificed high paying jobs and who instead work in their communities.

Unfortunately, Congressional Republicans and the Administration do not like this program. It is evident from every attempt that the President has made to eliminate the program in every budget he has put forth since being in office. As well as the Ranking Members proposal to eliminate the program in the PROSPER Act.

Unfortunately, it is this Administration that is tasked with implementing this program. Any from where I sit, it is evident that they are purposely sabotaging this program. It is shameful.

Ms. Shavit, my first question is for you. It appears that PHEAA has engaged in deceptive practices. What type of oversight do you believe the Department of Education should have over PHEAA and other loan servicers?

Ms. SHAVIT. I believe it's critical that the Department of Education play a rigorous oversight role. It's important to remember the Department of Education selected these servicers to manage these student loans on its behalf. And in the context of PSLF, the Department has entrusted the entire PSLF program to one servicer.

So, the Department needs to play an active oversight role and part of that active oversight role in the context of the failures of PSLF, should have involved the Department stepping in when it saw that PHEAA was mismanaging the program.

And the Department should have required the follow things from PHEAA. It should have required PHEAA to get at the root causes of the servicing failures that were harming borrowers. It should have required PHEAA to identify the entire universe of borrowers who had been harmed and then it should have required PHEAA to take steps both to make those borrowers whole and to make sure that the problems were fixed so they wouldn't affect future generations of borrowers.

Mr. TAKANO. Wow, it is an inconceivable it's just one contractor, one company that is the loan servicer for these loans. And what recourse does the Department of Education, what should it do if loan servicers are just not compliant with the terms of their contract?

Ms. SHAVIT. The Department has significant powers to create consequences for the mismanagement. Actually, earlier this year, the Department's own Office of Inspector General came out with a report that included the conclusion that the Department was failing to create incentives for servicers to comply with servicing requirements by failing to create consequences and accountability when servicers weren't compliant.

We see this playing out in the context of PSLF. There should be consequences to PHEAA for its continued failure to manage this program correctly.

The Department is authorized and to the best of my knowledge has not undertaken to exercise its authority to penalize PHEAA both financially and quite frankly the Department should consider in the context of future bids of these contracts whether PHEAA is up for the task of continuing to manage this program.

Mr. TAKANO. Thank you very much for your testimony. I want to move on to Ms. Finlaw.

Ms. Finlaw, the Department of Education has a responsibility to people like you to ensure that we keep our initial promise and provide loan forgiveness, the loan forgiveness that Congress intended.

So, Ms. Finlaw, as you have noted, you have had several loan servicers over your 10 year period of your loan. Did any of those loan servicers ever send you information about PSLF?

Ms. FINLAW. I was notified in the fall of 2017 that I was eligible to apply for this program.

Mr. TAKANO. And can you give us a sense of was that, how long had you had the loans taken out at that point?

Ms. FINLAW. I started taking loans out in 2001.

Mr. TAKANO. 2001.

Ms. FINLAW. But I started teaching in the 2006, 2007 school year so I was eligible at the 10 year mark because it went into law in 2007. So, at the 2017 at that year, I was sent an email.

Was I notified throughout those 10 years? No. I had to fill out an application every year to be on an income-based repayment plan which meant that I had to submit my taxes and proof of employment every year and those conversations centered around this makes me eligible for PSLF. I'm on track and the answer was always yes.

Mr. TAKANO. Okay. So, this is a question you may not know the answer to but you had different loan servicers. Did you ever encounter these other loan servicers that were unaware of the loan forgiveness program?

Ms. FINLAW. No one ever said that they were not aware, it was always a conversation.

Mr. TAKANO. Okay. Did they ever proactively reach out to you to let you know that what your status was?

Ms. FINLAW. No.

Mr. TAKANO. No. Or did you have a call to inquire—did you have to call to inquire that you were still on track?

Ms. FINLAW. I called every year when I had submitted my tax forms and my employment because it's, you have to be on an income-based repayment plan so those conversations happened yearly with a variety of different loan servicers depending on where my loan was at that time.

Mr. TAKANO. And you were never informed about your eligibility.

Ms. FINLAW. No.

Mr. TAKANO. Okay, thank you.

Chairwoman DAVIS. Thank you. Mr. Grothman.

Mr. GROTHMAN. Before I start, I would like to briefly yield to Congressman Smucker.

Mr. SMUCKER. Thank you. I just wanted to take the opportunity just share a little bit about PHEAA which is a Pennsylvania state agency, the state that I come from who has as its core a public service mission to create affordable access to higher education.

PHEAA's responsible to a bipartisan board of directors and responsible to the Commonwealth of Pennsylvania. In fact, as chair of the Education Committee in the state Senate, I served on PHEAA's board, saw firsthand the work that they did in promoting access to higher education.

Just one statistic. Since the financial crisis PHEAA has used $1 billion of its resources in benefitting students to supplement need based programs which provide direct cash assistance to students.

Really there is very few if any organizations in the student loan servicing space that have really, that have given so much benefit to so many.

I know personally that PHEAA would like to be a constructive partner in helping to improve this system and helping to improve the law but as a servicer of the Department of Education, they must follow the rules and requirements of what is a Congressional program. Rules put in place by Congress and administered by the ED Department.

In addition, with PHEAA as you all are aware by now is engaged in active litigation with one of the witnesses who is here today, and the Majority Staff was aware of that fact when they chose to invite the panel of witnesses that they selected. Yet, and I think shamefully, decided to make a spectacle as opposed to conducting good oversight. With that I yield back.

Mr. GROTHMAN. Thank you. I was not in Congress at the time this program was originally instituted. I apparently and I will take the Chairman at her say so, I think apparently the design of the program was to discourage people from going into the private sector.

As someone who represents a lot of manufacturers strong in the agriculture community, I hope when we get done introducing legislation, the committee and I suppose the goal is to introduce legislation, we should not treat people who go into the very difficult sectors like manufacturing and agriculture as second-class citizens.

I think a lot of times it is very difficult to go into those fields as the economy goes up and down, frequently people in manufacturing lose their job. Rarely do people in public sector lose their job. And I hope when we reintroduce legislation here, we do not continue down the path of discouraging people to going into the jobs that are so vital to keep our economy moving.

Whenever I tour my factories or agriculture facilities, I feel so grateful to the people who go into those areas and I hope the new bill we introduce doesn't treat them like second class citizens. Okay.

Now, Dr. Chingos, to your knowledge, how much action do the Department of Education take regarding PSLF in the first few years of the amended—of the Obama Administration?

Mr. CHINGOS. So, the exact implementation of this law is a little bit outside of my area of expertise, but my understanding is that it was a few years from when it was passed in 2007 until I think it was 2012 is my understanding when action was first taken.

Mr. GROTHMAN. Okay. So, for several years and I don't mean to pick on them, it's very difficult to run this Federal Government. It is far too big. But for many years after the law was passed, the Obama Administration really didn't get up and running and kind of left a little bit of a mess for Secretary DeVos to deal with it. Do you think that is accurate?

Mr. CHINGOS. Once again, I'm not a scholar of the kind of history of this program but obviously it's been in place for a long time and the data we have from, you know, a GAO report back in 2015, the current GAO report indicate that some of the, you know, questions, challenges, are certainly not something new.

Mr. GROTHMAN. Sure. One more time lesson. If you want something done, don't ask the Federal Government to do it but okay.

Now we are hearing that 99 percent of the borrowers have been denied. Do you feel denied is the right word for these borrowers or were they just not eligible?

Mr. CHINGOS. So, the data we have from GAO indicate that at least the 71 percent who first—hadn't first applied for PSLF's. We don't know whether they would have been eligible. They would have had to apply again and some of them indeed may have.

But for the other 29 percent who met that first requirement, the data we have indicate that 96 percent of them were not eligible.

Mr. GROTHMAN. Were not eligible. So, it was a poorly designed program by Congress. We shouldn't put the blame on the Department of Education today because Congress did a bad job or overpromised in 2007 when the law was passed. Do you think that is accurate?

Mr. CHINGOS. I think it's pretty clear from the design of the law that a lot of the challenges, maybe not all the challenges, but certainly a lot of the challenges come from the complex design of the program.

Mr. GROTHMAN. Okay. Thank you.

Chairwoman DAVIS. Thank you. Thank you, Mr. Grothman, your time is up. Ms. Jayapal.

Ms. JAYAPAL. Thank you, Madame Chair, and I would like to yield—

Chairwoman DAVIS. From Washington state.

Ms. JAYAPAL. Thank you. I would like to yield to you briefly for your comments.

Chairwoman DAVIS. Thank you, Ms. Jayapal. I just wanted to clarify because it is my understanding and I believe that the staff is well aware that as Mr. Smucker stated, we actually had quite a number of signals that PHEAA had chosen not to show up today and that was well before Ms. Shavit was invited to be here so had no relationship to that.

I think as we can tell from the testimony it would be very helpful to have them there and I think that, you know, they were in error to not be here because it again they are the sole company that is engaged in this effort and it is important to hear from them. They may have that, have suggestions that would be very helpful to us to here.

Ms. JAYAPAL. Thank you, Madame Chair.

Chairwoman DAVIS. Ms. Jayapal.

Ms. JAYAPAL. Thank you and thank you all very much for being here. And I wanted to just start out by laying out the situation as I see it.

12 year ago, years ago Congress passed a law that would encourage people to take relatively lesser paying jobs in public service. That is not diminishing any other profession, it is saying that public service is an important public good and we want to encourage people to go into public service, but there was a contract in exchange for that, full forgiveness of their student loans after 10 years of repayment.

Thousands of Americans then enrolled in this program. And they worked full time for 10 years in public service, they dutifully made their payments on their student loans only to find out at the end of the 10 years that they had a 1 percent chance of achieving the promise of freedom from student debt. And I think, Ms. Finlaw, your story perfectly demonstrates the problem with this.

It was a promise, it was a contract, people followed the rules and then at the end of the game, they were told that they didn't qualify.

I want to thank you for taking time away from your students to be with us today, Ms. Finlaw. I know how much you love that job and you said that in your testimony.

Ms. Shavit, you are an Assistant Attorney General in the Consumer Protection Division of the Massachusetts Attorney General's Office which brought some of the first enforcement actions against student loan servicers. And your office also works directly with borrowers to help resolve issues that they encounter with their loans.

You have heard about the timeline of the invitation to PHEAA's CEO and I just would like to get your opinion about why that their CEO has rejected Congress's invitation to testify today. Were you surprised by that and if so why?

Ms. SHAVIT. I wish I could say that I was surprised by that but frankly its consistent with the approach that I believe PHEAA took during our investigation. While I might not be surprised, I am disappointed. I think it's critical that we get to the bottom of what has gone wrong with the implementation of PSLF.

I think that PHEAA has unique insights into this and I would have hoped that they would prioritize the interests of borrowers and the interests of this program to come and share those insights today and it's discouraging that they chose not to.

Ms. JAYAPAL. It sounds like you are saying that perhaps they are scared and rightfully so of being exposed for wrongdoing.

You are sitting next to one of the many individuals rejected for the PSLF after making on time payments for 10 years. I wanted to lift up the story of one of my constituents who earned a master's in education to teach at a local community college.

She told me he was instructed by her servicer to consolidate her loans into direct loans and she would be all set. Several years later she received a letter telling her that none of her payments counted because she was in the wrong repayment plan. And after calling her servicer again and again she was told that they didn't know who she talked to before, but she must have been given the wrong information.

This is a very common story. Can you tell me specifically what are, you know, the top one or two practices by Fed Loan that are hurting borrowers, Ms. Shavit?

Ms. SHAVIT. I think it's hard to rank them because quite frankly there are so many servicing failures that are compounding to make really, really serious problems and obstacles for borrowers to be able to avail themselves of this program.

Certainly, the misinformation that you've identified just now is a crucial mistake. It's a very big problem for borrowers and it stops them from ever getting the benefit of the program.

But in addition to that, a series of other more general servicing failures including the failure to process peoples' applications timely compound to create a scenario where borrowers lose multiple opportunities to make qualifying payments, dragging out their repayment obligations and decreasing the likelihood that they'll ever be able to benefit from the program.

And of course, PHEAA's failure to accurately count borrowers qualifying payments, makes people, deprives people of actual credit that they should be entitled to.

Ms. JAYAPAL. Thank you, Ms. Shavit. What is clear to me is that Fed Loan has raked in $1.3 billion over the past 10 years and has little to show for it. Overcharging borrowers, failing to process repayment applications, unacceptably long wait times. These findings point to an overburdened company that can't meet the terms of the contract to serve the American people and our public servants are suffering as a rest. Thank you, Madame Chair.

Chairwoman DAVIS. Thank you. Thank you very much. Mr. Meuser of Philadelphia, Pennsylvania.

Mr. MEUSER Thank you, Madame Chairman. Thank you all. I am trying to get a better understanding of how this all originated, how it happened. How did borrowers become—Dr. Chingos, let me ask you this please. How would borrowers originally become aware of this program?

Mr. CHINGOS. So, they could become aware and from reading about it and I think in some cases, they could learn about it for their servicer but as I said, the servicing piece of this is, my expertise is more on the program design than on the servicing.

Mr. MEUSER Let me ask you this then. How would a nurse in the private sector believe that they were eligible versus a nurse in the, in working for a nonprofit? Why would they think that they were falsely eligible?

Mr. CHINGOS. Well, they might think they were eligible if they feel nursing is serving the public good which I think it's reasonable. A lot of folks probably think that, I certainly do.

And perhaps they have some friends at another hospital who found out that they're eligible for this program.

Mr. MEUSER Would any of them, did any of them receive a letter stating congratulations you are eligible for this program? Any of those who were considered non eligible receive documentation that they were actually eligible? Was that mistake ever made?

Mr. CHINGOS. So, the Federal Government doesn't collect data on sector of employment so to sort of prove your eligibility for this program it's the borrower that has to go to the Federal Government.

So, you in theory could get a letter from the government or from your servicer saying hey, you should know about this program and look into whether you're eligible but the government would have no way in a comprehensive way of going to their borrowers and saying hey, you might be eligible.

Mr. MEUSER Right. So, there is no one claiming eligibility of all these thousands, perhaps a million that actually received the documents stating that they were eligible as far as you know?

Mr. CHINGOS. Well, borrowers can certify their employment and their loans with their servicer before the 10 years have passed. So rather, I mean, so one of the problems with this complex program is it's a retroactive program so if you wait till the end of 10 years to do all the paperwork, you're probably going to, you know, potentially have some issues.

You go to some employer from eight years ago and get them to fill out a form. So, their now is system in place where you can certify your employment and loans each year and have the government tell you yes, you're on track.

Mr. MEUSER Are you reviewing eligibility—is—to the best of your knowledge is PHEAA reviewing eligibility requirements now of those who are requesting the reimbursement?

Mr. CHINGOS. My understanding is that's a process that's ongoing now but once again, not an expert on the details of it.

Mr. MEUSER Okay. Madame, chair, I yield the remainder of my time to Dr. Foxx.

Mrs. FOXX. Thank you, Mr. Meuser. There are several things that I would like to put in the record right now about what is happening in this hearing.

Number one, and we are going to say this over and over. The Secretary must follow the letter to the law. That is her constitutional duty. Accusations that she can do anything else are false.

I want to enter into the record, Madame Chairman, a chart that has been prepared by the staff which outlines the Education Department's implementation of PSLF. And it shows from its beginning in 2007 when PSLF was established and then it shows—and it shows that under the Bush Administration a couple of rules were issued.

The first one was defining public service organizations and full time.

From January 2009 to January 2012, not one word out of the Obama Education Department on PSLF. No guidance whatsoever to anyone.

Then in 2012, an employment certification form. Then 2013—nothing in 2014 whatsoever. 2015. Then 2016, an email campaign targeting 3.3 million borrowers.

So, it is I think mismanagement in the Department of Education long before this Administration came along than has created this problem.

I would also like to enter into the record something from the Department of Education's website which I have read, and it is seven steps for PSLF success.

I believe that anybody with a college degree should be able to read this and understand it and follow it. It is about as clear as it can be as to what the requirements of the law are. And then I would also like to submit for the record the statutory language for PSLF so that all of our colleagues can read it. It is pretty clear, complicated but clear.

I would like to enter into the record Public Service Loan Forgiveness program statute 685.219 and the TEPSLF statutory language. It is really important that we understand the basis of these programs.

Thank you, Madame Chairman, I yield back

Chairwoman DAVIS. Thank you. Let us see. We are now turning—oh, without objection, we will certainly take those for the record. Sorry. If we turn back to Mr. Levin.

Mr. LEVIN. Thank you, Madame Chairwoman, and thanks for holding this hearing.

Ms. Finlaw, thank you so much for coming. I appreciate the—you really, you being here, you taking the time off. I saw your national president of the AFT here was, I really appreciate the support of the organization to help us figure this out.

Let us just talk about this on a human level. So, when did you go to school? When did you, what is your education about teaching?

Ms. FINLAW. I entered into a degree for art education in the fall of 2001. It's a 5 year program. I graduated in the spring of 2006. I started teaching that school year.

Mr. LEVIN. And so, you have student loans from those years.

Ms. FINLAW. I paid for 100 percent of my own education.

Mr. LEVIN. Awesome.

Ms. FINLAW. With loans.

Mr. LEVIN. And so, when did you become aware of this public service loan forgiveness program?

Ms. FINLAW. In the 2007 school year. It was a pretty common conversation amongst teachers. This is happening, this is happening, this could affect us, we stay in education. Some people don't go into education for the long haul. I knew right away that I would.

Mr. LEVIN. So how long have you been working on trying to make sure you were eligible and stayed eligible?

Ms. FINLAW. Since I started paying back my loans which is when I got my job teaching in New York City.

Mr. LEVIN. Like 12 years ago.

Ms. FINLAW. 14 school years ago.

Mr. LEVIN. 14. Wow. Okay. And so, can you explain to me now why you are not eligible?

Ms. FINLAW. I'm not eligible because one of my loans is not a direct loan. And like 100 percent of the people that applied for this loan, we all have college degrees and know how to read.

However, when Nelnet tells you that you're on track and that's who is your servicer, and they tell you have nothing else to do but to fill out a form every year, and that in 5 years, in four years, in three years, your loans will be forgiven, then you believe them.

Mr. LEVIN. May I ask you how much outstanding loan debt you still have?

Ms. FINLAW. I started with $120,000. I now have almost 90 and a 7 percent interest rate. If I pay this off myself, I will still pay $130,000 more.

Mr. LEVIN. Let me just express on behalf of the people of the 9th District of Michigan at least and hopefully most of your fellow Americans how sorry I am that we have had this program and that year in and year out you have done your best, thought, and been told by the loan servicer that you were on track and had done everything you were supposed to do and we completely failed you. I am really sorry.

Ms. FINLAW. Thank you.

Mr. LEVIN. I am really sorry. How—based on your best understanding, what do you have to do now to be eligible? Are your, do you think your payments now are eligible?

Ms. FINLAW. Well, I have been told that I was accepted by Fed Loan as an applicant. They took my loans from Nelnet and then they told me that you're, that you've been denied and to reconsolidate and then Nelnet was my new servicers once again.

And I called and said okay, so now I'm on the right payment plan and the one loan that did not qualify is now a qualifying loan, what do I do? And they said well, you just pay for 10 more years.

And it's income based so we are going to quote you at $600 a month that you have to pay every month on these loans for the next 10 years and if you get a raise, you are going to pay more. So that's what I'm in right now. That's currently what I'm in.

Do I believe that—I have to resign myself that I'm going to die with this debt. I have to just accept that I had to do this to get to where I am. I had no other option and that's my reality. So that's what I accept.

However, if a program was meant to protect me, I had to protect myself from this program and I was unaware that was going to be one of the qualifications of making it—

Mr. LEVIN. So, they say that you are now on the 10 years track again?

Ms. FINLAW. Right.

Mr. LEVIN. They claim that?

Ms. FINLAW. Yes.

Mr. LEVIN. And you would have how long to go still out of this year years? Nine and a half or what, where are you at now?

Ms. FINLAW. After I was denied I went into forbearance to figure things out because I believed I qualified, and I wanted to make sure like I wanted to not waste payments.

Mr. LEVIN. Right.

Ms. FINLAW. So, after a year I resigned myself that I have to, that I am going to have to go back into this and I am 5 payments in so I have 115 more payments.

Mr. LEVIN. Which is 115 months.

Ms. FINLAW. Yes, yes.

Mr. LEVIN. Yeah. All right.

Ms. FINLAW. You can't pay two payments in one month, you're not allowed.

Mr. LEVIN. Let me just commit to you that we are going to do our best to get to the bottom of this and honor our commitment to you.

Ms. FINLAW. Thank you.

Mr. LEVIN. Our kids need you and we need you to keep teaching. Thank you. And I yield back, Madame Chairwoman.

Chairwoman DAVIS. Thank you. Thank you. I now turn to the Ranking Member, Mr. Smucker.

Mr. SMUCKER. Thank you. Two points I would like to make before I get to questions in regards to some of the comments made about PHEAA.

The billion dollar figure has been raised several times, collars coming to PHEAA. Just like to remind Members here that those dollars were grants for students. Those dollars were expanded to ensure that students have access, have the ability to pay for their higher education.

And secondly, I want to just point out that it is unusual, it is outside of common practice for this committee to call as witnesses the parties in an ongoing lawsuit.

In fact, we don't know of any time in recent history, certainly in no time since have been here, has that occurred so just wanted to put that in the record as well.

There is a lot to unpack here from accusations that have been leveled in the media to the very real and very personal experiences of borrowers like yourself, Ms. Finley, and I appreciate you—Finlaw—and appreciate you being here today. There is a very personal experience of trying to earn that loan forgiveness that loan discharge.

I was, I did notice that it has been voiced here several times the commonly held perception that the PSLF program was a promise to all public sector works as if working in public service was the only requirement.

And of course, we know that despite false advertising form wishful thinkers over the last decade, that is just simply not the case.

For example, in—when the law was passed in 2007 and Democrats at that time made a legislative decision to tailor the program to direct loan borrowers only, but that is really only the tip of the iceberg when it comes to all of the eligibility requirements that have been placed on the program.

Mr. Chingos, you seem to have a good understanding of those requirements, of the requirements hat borrowers must meet to be eligible for both PSLF or the TEPSLF loan forgiveness. Would you talked a little bit about the root cause of those issues?

Mr. CHINGOS. Right. So, the first requirements having the right kind of loan. So back in 2007, only about 1 in 5 borrowers were getting a direct loan. And their college, not they decided. So, the terms were the same, they wouldn't know the difference.

Two, you have to be in public service for 10 years as defined by the Federal Government and be able to document that full time for those 120 months.

And three, you have to be in the right kind of plan. And the plans themselves have become more complicated over time.

So, I have talked a lot about the complexity of PSLF, but it really rests on a very complex, messy base of our Federal student loan program which is a really important program.

It opens the gates to college to millions of students every year, but it can be really challenging to navigate because we now, I have lost track, whether we have 5, 6, 7 income driven repayment plans each with different requirements that work slightly differently. And ultimately affect how you—

Mr. SMUCKER. So, would you agree that the root cause, the reason for some of these issues is that it is imbedded in the requirements of the program that was passed by Congress?

Mr. CHINGOS. I think the complex design of the program is an important reason why this has been so challenging and not just for borrowers to get what they were promised but also for the Federal Government to administer it.

Mr. SMUCKER. So, we have been hearing the turning down of students as denials. Wouldn't it be more accurate to able those borrowers as currently ineligible?

Mr. CHINGOS. Right. The data we have certainly indicates that a large number of applications that have been rejected are because the applicant is not yet eligible and I would expect in the coming years folks who are, have not yet made the 120 payments are going to cross that make and will be eligible.

Mr. SMUCKER. Students as we mentioned are often unaware of the underlying basics of the aid they are receiving.

You note in your testimony that a study you did found 28 percent of Federal loan borrowers in their first year of college didn't even know that they had a Federal loan and 14 percent did not know that they had any kind of student loan. One third of students could not provide an accurate estimate of how much they had borrowed. How much they had borrowed in the first place.

Given that many borrowers do not have a good grasp of some of the basics of the Federal loan system, I am really not surprised that the PSLF and TEPSLF approval rates are low. Are there ways that we could bolster our current loan counseling to help students and provide more of a positive solution?

Mr. CHINGOS. I think it's definitely better to provide more better information to people, but I think that's ultimately going to be a challenge because of the complex nature of the problem.

So first, yes, we should try and do that but at the same time for borrowers going forward, I think we need to think can we make these programs better so they work better without having to, you know, pay tons of money to some other company to have to then explain it back to the American people.

Mr. SMUCKER. Thank you.

Chairwoman DAVIS. Thank you, Mr. Smucker. Before I turn to Ms. Adams in North Carolina, I just want to take the prerogative of the chair and just clarify that the 1.3 billion that we are talking about to PHEAA is just the payment that they receive for servicing the loans. So, I wanted to add that to the record. Ms. Adams.

Ms. ADAMS. Thank you, Madame Chair, and thank you very much to all the witnesses for your testimony and for being here today. Thank you for the Ranking Member as well. I want to first direct my line of questioning to Ms. Shavit, is that the correct pronunciation?

I first of all I want to commend you and your office in your investigation into is that PHEAA. I know that Attorney General Josh Stein of my home state of North Carolina similarly attempted to request information from the Education Department of look into PHEAA's and PSLF practices but was rebuffed.

So, can you describe the process that your office went through in investigating PHEAA's conduct and how the lawsuit was pursued?

Ms. SHAVIT. I'll answer that to the best of my ability to—

Ms. ADAMS. Yes, ma'am.

Ms. SHAVIT.—within the bounds of the litigation. But I think as a general matter, when we investigate any actor, we speak to borrowers who have been or sorry, not to borrowers, but to consumers who have concerns, who raise those concerns to our office.

And then we look at available information about what's going on and we have the authority to file civil investigative demands which are like subpoenas to get information from the entities that we're investigating.

We have received information about PHEAA's practices through the course of that type of an investigation as we were figuring out what was going on before we filed this lawsuit.

Ms. ADAMS. Okay. All right, thank you very much. Ms. Finlaw, thank you very much for telling us your story. I share the sentiments and that my colleague expressed in terms of just feeling really bad about what happened and the fact that we do need to get to the bottom of it and thank you for being a teacher.

I taught 40 years at a college, Bennett College in Greensboro, North Carolina. My daughter is an assistant principal and has taught for 18 years. It is a noble profession. I can't think of anything that I would have rather done for all of those years and like you, my degrees are in art, education, and multiculturalism, all three of them.

So, I appreciate the fact of what you do with students and I know what that is because I have done that.

As someone who has been a teacher, I do know how rewarding that work can be, but I also know how long the hours can be and how for someone who doesn't come from wealth, programs such as PSLF can be a godsend.

So, I image how angry you were when Fed Loan told you that you basically threw 10 years of—worth of payments down the drain. That is not only sad, but it is very unfortunate that happened to you and to anyone else.

So, what advice would you have for others considering applying for public student loan forgiveness?

Ms. FINLAW. A friend of mine recently asked me that question and what I would do differently now is the same advice that I would give to someone applying. I would keep every document you've ever been given because I no longer have access to documents that were given to me.

I would record every phone call when every person told me that I was on track and I was just year's away, months away. I would get names and ID numbers of who I'm speaking with and I would cover my own back in a program that was meant to cover my back.

I have called Fed Loan within the past three months, requested information and been told certain information and called back later and received different answers. So, we talk about how this program can be approved and the guidance of the borrowers. Let's start with some accountability with our servicers.

Ms. ADAMS. Okay.

Ms. FINLAW. What information are they giving people and how can I talk to two different agents within a five minute period and get different answers. And I would have all of that documented.

Ms. ADAMS. Okay.

Ms. FINLAW. Every person that's going to apply document everything.

Ms. ADAMS. Okay. So, what do you hope that will come out of your lawsuit and your testimony today? We have got about 15 seconds.

Ms. FINLAW. Okay. The lawsuit is asking for forgiveness of the eight plaintiffs on the lawsuit. But I don't want another teacher—I recently told my colleagues about this, what's happening and I said I hope that when you get to 10 years that you don't have to sit where I'm sitting, that you don't have to look over your back or to answer for all of those things. My hope is that this program is fixed for you.

Ms. ADAMS. Thank you very much. I am out of time.

Ms. FINLAW. Thank you. Thank you.

Ms. ADAMS. Thank you very much of your testimony. Madame Chair, I yield back.

Chairwoman DAVIS. Thank you very much. Mr. Watkins of Kansas.

Mr. WATKINS. Thank you, Madame Chair. Thanks for being here, everybody.

Based on your insight, Dr. Chingos, about the extensive program criteria, could you please elaborate on what the early data tell us about borrowers who do qualify for forgiveness and what would a borrower today have to have done to be eligible for TEPSLF?

Dr. CHINGOS. So, the first eligible payments could be made in October of 2007 so about 12 years ago. So, in order for someone to be eligible today, they would have had to pretty much either have a direct loan back in '07, '08, '09, or have known to consolidate into one of them right away. They then would have pretty much had to remain in a public service job for the 10 following years, make those 120 qualifying payments. As we have talked about, these have to be in the right kind of plan, an income driven plan, and they have to be on time payments. Not late payments, not early payments, on time payments. So, they would have had to check all of those boxes to be eligible now in 2019.

Mr. WATKINS. Okay. According to the GAO, 71 percent of TEPSLF applications were denied because a PSLF application had not been submitted first.

However, looking beyond that, the remaining ineligible data is muddled. What is your analysis of the lesser discussed reasons why borrowers did not receive forgiveness and what do the outcomes of borrowers in the other 29 percent of application rejections tell us about the scope and future of the TEPSLF program?

Dr. CHINGOS. So, if we look at the 29 percent of borrowers who did, who met that fist screen of having been applied and been rejected for PSLF, what we see is 35 percent had not been in repayment for 10 years. So, if you haven't been in repayment for 10 years, you couldn't possibly be eligible so they don't even look any further.

A 19 percent failed to meet the payment size criteria set by Congress when they created TEPSLF, those new requirements. 13 percent were below 120 payments, qualifying payments. 11 percent didn't have any eligible Federal loans. 8 percent didn't provide the requested income information that Congress said they had to collect when they made TEPSLF, and a few other reasons and then four percent were approved.

Mr. WATKINS. Thank you, Dr. Chingos. Madame Chair, I yield the remainder of my time to Mr. Smucker.

Mr. SMUCKER. Thank you. A point of clarification. We talked about the $1 billion from PHEAA. It is true PHEAA got paid in fees from the Department of Education $1 billion, we are not denying that. But it is also true that PHEAA over the last decade has given back $1 billion to students in Pennsylvania.

And a second point the borrower on the panel has had interactions with multiple servicers which sounds like some of those interactions happened before Fed Loan became the exclusive PSLF servicer.

So, seems that there have been obvious previous problems and the previous administrations did not properly make sure that all servicers properly implemented the program.

I think we will hear in the upcoming panel from the Department of Ed about steps that they are taking to rectify some of those issues.

Chairwoman DAVIS. I will now move to Mr. Scott, chair of the overall Education and Labor Committee. From Virginia.

Mr. SCOTT. Thank you. Thank you, Madame Chair. The, this—if a student applies and is denied, it is probably the student's fault. But if 99 percent are denied it is the programs fault.

These aren't puzzles or contests, this is a program that you are supposed to benefit from. And having all these hurdles and barriers is just totally unreasonable.

Ms. Finlaw let me get—verify. You were told that you were on track by your servicer. Dr. Chingos, did you say 96 percent were ineligible?

Mr. CHINGOS. Under TEPSLF if you met the first requirement then 96 percent were still not eligible for TEPSLF.

Mr. SCOTT. So, we have program where people think they are eligible when 96 percent of them are in fact not eligible.

Mr. CHINGOS. That's right.

Mr. SCOTT. Ms. Shavit, what is the basis of your lawsuit and what remedy are you—which remedy are you seeking?

Ms. SHAVIT. Sorry. Our lawsuit is alleging that PHEAA has mismanaged its servicing of the PSLF program in addition to other servicing failures that we also allege.

But relevant to this discussion, we are alleging that by denying borrowers the opportunity to make payments that qualify under PSLF, PHEAA is derailing borrower's ability to benefit from the program.

What we are seeking is that PHEAA will correct this problem, that it will ensure that borrowers who have been harmed are made whole.

We are also asking that PHEAA take measures to ensure that the same problems that are harming borrowers now and that have already been a problem for public servants won't repeat themselves.

We are asking PHEAA to ensure that it is changing its policies in a forward looking fashion as well.

Mr. SCOTT. In the meanwhile, obviously we need a change in the program. Are those needed changes regulatory or statutory and what would you suggest that we do?

Ms. SHAVIT. I think as an initial matter, we have an important program that's been law for quite a while and while its complex, it's not impossibly so.

The problems with this program have came to a head in 2017 when it was clear that there was real servicing failure around the time that borrowers were first eligible to receive loan forgiveness.

And the Department of Education didn't rise of the occasion to increase its oversight of PHEAA and its other servicers to ensure that borrowers weren't harmed. The program as it exists needs to be fixed.

While there might be some statutory changes that could happen, first and foremost, the Department needs to do what it is tasked by Congress with doing which is ensuring that borrowers get the benefit of the PSLF program.

And one thing that I might add is given both the Department and PHEAA's failures to fix these problems thus far, Congress might consider devoting some funding to a third party auditor who could go through and review PHEAA's practices to actually identify what's going on that's harming borrowers and to audit individual borrower accounts to make sure that every person is identified who has been harmed and can get the relief that they're entitled to.

Mr. SCOTT. Are you familiar with the GAO report?

Ms. SHAVIT. Yes, I am.

Mr. SCOTT. They made recommendation—the GAO made recommendations?

Ms. SHAVIT. Yes.

Mr. SCOTT. Are there additional recommendations that need to be addressed?

Ms. SHAVIT. I think it's more oversight by ED and I think it's more responsibility of servicers. I think as the Department's Office of Inspector General noted, the Department of Education needs to actually create consequences for servicer misconduct. It needs to be willing to penalize its servicers when they're failing borrowers. That's I think not mentioned in the GAO report, but I certainly agree with the recommendations in that report as well.

Mr. SCOTT. Thank you, Madame Chair, I yield back.

Chairwoman DAVIS. Thank you. I now turn to the ranking chair, Ms. Foxx of North Carolina.

Mrs. FOXX. Thank you, Chairman Davis. I want to thank our witnesses for being here today. Dr. Chingos, much of the hearing today has focused on what GAO has reported regarding PSLF and TEPSLF implementation and the experiences of borrowers navigating the repayment progress.

Lost in this conversation are some critical facts. The CBO's most recent baseline projects that under fair value, the direct loan program will cost tax payers over $300 billion over the next decade.

The CBO recently estimated that eliminating PSLF for new borrowers would save a projected $23 billion over 10 years. Student loan borrowers as a group are paying down about 1 percent of their Federal student loan debt every year.

As of the second quarter of fiscal year 2018, 45 percent of borrowers were in active repayment. 56 percent of borrowers owe less than $20,000 of student loans and the top 6 percent of all people who borrowed at the most hold 23 percent of all the outstanding student loan debt.

Taken together, these data tell me that tax payers are about to be on the hook for billions of dollars borrowed by graduate students. Do you agree with this assessment?

Dr. CHINGOS. Thank you for the question. So graduate lending is a big piece of the story here. So, in the most recent data we see graduate students are 14 percent of all students, but they borrowed 47 percent of the loans. So nearly half. So that's really where the big dollar loans are among graduate students.

Mrs. FOXX. If this is the case, what structural changes should Congress make to the lending and repayment programs to limit irresponsible borrowing and protect the interest pf both students and taxpayer alike?

Mr. CHINGOS. Well, I think Congress can take a look at the loan limits in the program. So, one thing that happened around the time PSLF was put in place in '07, within a couple years I think in 0'6, a Congress expanded the grad plus or created the grad plus program.

So where as undergraduates can't really borrow, it's pretty hard to borrow more than 45 and by law you can't borrow more than 57,500. But graduate students can borrow an unlimited amount up to the cost of attendance.

And for a number of years that sort of worked okay. The graduate loan program was maybe even making some money for the government. People were borrowing but they were borrowing money that they could repay.

But when you interact that with a loan forgiveness program that is potentially if implemented as generous as PSLF, you could create a situation where we are forgiving lots of debt and we are not forgiving debt of, you know, people with 30,000 for a BA, we are forgiving debt with for people with 150, 200,000 to be a doctor or lawyer.

Mrs. FOXX. Right. Well, let us return to CBO's recent estimate that eliminating PSLF for new borrowers would save a projected 23 billion over 10 years.

In your mind, is this another indication that the initial denial rate is temporary and as more time passes, these eligibility issues will get ironed out and borrowers will navigate these rules more successfully?

Mr. CHINGOS. Right. So we know from the GAO and the Department of Ed that not many applications for PSLF and TEPSLF have been approved so far but I think it is pretty clear from the CBO saying this is a program that's going to cost 23 billion over the next 10 years that they expect a lot more people to be approved in the coming 10 years.

Mrs. FOXX. Thank you. I know some comments have been made about the PROSPER Act which we passed through this committee last session.

Let me say that the main motivating factor in our eliminating PSLF going forward was exactly what we are hearing about today. And that is how complicated the law is and how unwieldy it has been for students.

We didn't want to hurt students who wanted to get an undergraduate degree and go into public service, that was not the intention.

The intention was exactly to solve the problem that's here today. And we believe under income repayment plans, students would have—we know, we did the numbers. Would have been better off with a very simple loan program that was much easier to understand than it is clear as being described here today.

I would also like to point out that a witness has said that the Department did not do what it should have done before 2017 and we certainly agree with that.

I would also like to enter, Madame Chairman, two other pieces into the record. These are graphics from the Department of Education. How to get your student loans forgiven and then process for obtaining TEPSLF loan forgiveness which puts in graphics what Dr. Chingos has been saying.

Chairwoman DAVIS. Thank you. And that is so ordered for the record. Thank you. Unanimous consent. Ms. Bonamici from Oregon.

Ms. BONAMICI. Thank you very much. Thank you all for your testimony. I have a consumer protection background, so I have been deeply concerned about the implementation of the Public Service Loan Forgiveness program and the Temporary Public Service Loan

Forgiveness program and have been incredibly considered about this being an empty promise to borrowers like Ms. Finlaw.

Last Friday I had a roundtable discussion to hear from Oregonians who have been affected by this. A lot of people showed up. What I heard, stress, uncertainty, and a feeling like these borrowers have upheld their share of the bargain and they told me about putting off getting married, putting off home ownership, putting off starting families, all because of the burden of student debt and they spoke about their passion for public service.

One of the borrowers, Sawyer, served in the military. She found out after paying her loans for eight years they told her she was in the wrong repayment plan. She had to start all over again on her 120 payments.

There is a Ph.D. psychologist who works at the Federal prison. She loves her jobs, it is really hard. She is incredibly stressed because of the amount of debt she has from getting a Ph.D. Her payments are not even affecting the principle, so it is getting, the debt is getting larger and larger and the stories she is hearing she is really concerned about that.

Other participates, some are told that they needed to consolidate their loans to participate and there are others said they didn't qualify because they consolidated their loans. Many lost years' worth of payments like you did, Ms. Finlaw.

One of the borrowers, Susan, said she and her husband tried for a year to get confirmation that their payments were qualified.

One borrower, a teacher, had her loans forgiven under the Temporary Public Service Loan Forgiveness program. I think she is one of 24 in the entire state. One of the, you know, one percent nationally.

And she told her story. She said she had to fight tooth and nail. She said, she doesn't have any kids, she used all of her spare time. She worked with my office, she worked with the Consumer Financial Protection Bureau which I might note would not be particularly helpful at this period of time because President Trump recently appointed a PHEAA executive as the top student loan official at the Consumer Financial Protection Bureau.

S he worked with the ombudsman at the Department of Education. She painfully detailed as you recommended, Ms. Finlaw, every interaction she had about her loans. It took a tremendous amount of time and patience. This is certainly not what Congress intended when the Congress passed the original program or the temporary program.

I am really grateful for all of them, all the people who shared their stories in Oregon and Ms. Finlaw as a big supporter of arts education. Thank you for your important work. I am going to ask you a question but first I want to ask Ms. Shavit, is there any information you can share about how PHEAA got this very lucrative contract to administer the Public Service Loan Forgiveness program?

Ms. SHAVIT. The information that I know is basic information. I'm sure that there is more detailed information available but there was a process by which servicers competed to get the exclusive contract to manage this program.

And I'll note, that any complexity in this program was known at the time and PHEAA represented in order to get this contract that it would be able to do its job and administer it.

So, you know, I think that's a critical piece of this, right. The representations made are that PHEAA is up to the task. That was the position I'm sure that they took in order to get that contract.

Ms. BONAMICI. Thank you. And, Ms. Finlaw, you know, you have heard this morning that PHEAA is not represented here today even though they were invited and decided not to come. What would you have said to PHEAA and to—what would you like to tell the Department of Education about your experience? What would you say to them directly?

Ms. FINLAW. I think that it's interesting that if my principal called me into his office today and I just said nah, I am not going to show up, it would mean my job. And yet there is an empty seat next to me.

And I'm someone that this organization deeply affected, and I don't get to look anybody in the eye. And that—he has to sleep at night. And all of the people that are going to hide behind legislation have to sleep at night.

I sleep really well at night. My moral compass is strong. And I will be in school tomorrow morning at 8 a.m. greeting my kids at the door and no one is going to take that from me. And I would go back and do it all again for the right to stand there every day.

And I just wonder what he would have to say to me, what he would have to answer to me to say hey, you didn't jump through every hoop. We know we told you, we told you did but games up like you didn't follow every rule like you got to the end and oops. Like you, can you really look at me and say that? He is not. He is not here to do it.

Ms. BONAMICI. Thank you so much for your work, for your passion, and for representing I know many others who are in the same or similar situations across the country.

Chairwoman DAVIS. Thank you.

Ms. BONAMICI. Thank you, Madame Chair, I yield back.

Chairwoman DAVIS. Mr. Cline of Virginia.

Mr. CLINE. Thank you, Madame Chair. Thank the witnesses for being here. As law makers, we are tasked with ensuring that all legislation we pass out of this body is able to hold the test of time within the framework of the constitution. And to that point, laws should not be written in such a manner that compliance is proven to be extraordinarily difficult particularly what the incentive is financial.

I wasn't a Member of Congress when the Public Service Loan Forgiveness program was passed back in 2007. Unfortunately, PSLF and Temporary Expanded PSLF have seen dramatically low rates of full eligibility even when the participants have such a large financial incentive to be in compliance.

Since coming to Washington and joining the Education and Labor Committee, I have committed to ensuring that laws are and remain navigable.

PSLF and TEPSLF were intended to benefit nurses, firefighters, police officers, teachers, and other workers who have devoted their lives to serving the public. In many cases, these brave men and women are putting their lives on the line for others in their communities.

That drive and motivation to serve is part of what makes this country so exceptional and we should recognize, commend, cherish, and empower all of our citizens who work to make the world a better place.

Instead of drafting PSLF for specific occupations, the Majority designed and passed a program that delineated eligibility based on the tax status of the employer so not all nurses and not all teachers were eligible for forgiveness and depending on where they worked or how they had structured and were making their payments, their eligibility is even further magnetized.

These are important distinctions that quite literally have very real costs associated with them. We need to have a serious conversation about solutions instead of attacking the Administration for executing the law that Congress wrote.

A law of—a law creating a web of confusing requirements will inevitably reward those borrowers most skilled at navigating such a complex process instead of the borrowers who may be more in need of relief.

Dr. Chingos, in your estimation, do PSLF and TEPSLF as currently structured lay out an easy to follow path and help the borrowers who most need repayment relief?

Mr. CHINGOS. I think a lot of the requirements makes it clear that it's challenging. Look at the implementation of the program and look at the fact that 99 percent of the people who think they're eligible are not, in fact, eligible; or look at stories like Ms. Finlaw's which, you know, frankly, it's angry to hear the stories like that. And so really my interesting in all this is helping think about how do we design a program, so it doesn't happen again?

Mr. CLINE. And how has the complexity of compliance changed over the years?

Mr. CHINGOS. I think it's become more complex. When the program was passed, around the same time they passed one of the—not the first, but I think the second or third income-based repayment program. We now have a new income-based repayment program. We have a pay as you earn program. We have a revised pay as you earn program. So, the repayment system itself has become more complex and because you have to be in that system to be eligible for PSLF.

And then TEPSLF, of course, also well-intentioned, created a whole other set of requirements around certifying that your payment size was the right size over the last 12 months. And as we saw, a number of people were rejected because they didn't send that information, or they didn't meet that requirement set by Congress.

Mr. CLINE. So, the PSLF program was enacted back in 2007, and the first time a borrower could verify they were somewhat on the right track for PSLF was after the Department released the employer certification form in 2012. How did this long delay in getting the implementation of PSLF start to contribute to the problems and confusion borrowers are grappling with today?

Mr. CHINGOS. I think that fact, I mean, it highlights a broader issue, which is that retroactive programs are really hard to implement. So, it's one thing to say, okay, starting next year we're going to change the loan program in this way. We're going to give a forgiveness to someone who does something next year. But to say you have to look back 10 years, that's why I think it has been important that the Department over the last two administrations has worked to put those certification processes in place, but it's, you know, yet another example of how complicated and difficult it is to implement this program.

Mr. CLINE. Thank you. Madam Chair, with that I am going to yield the remainder of my time, if she would like it, to the Ranking Member, Congresswoman Foxx.

Mrs. FOXX. Thank you very much. Dr. Chingos, would you state that again that you just said? Most of the time those of us in education know that you set up evaluations to begin with, you don't go backward and try to evaluate. Because I think that is a very important point that you made.

Mr. CHINGOS. Well, I think this is an area where I'd love to have more data. I mean, I really want to know, you know, are there 10 Kelly Finlaws in the world? Are there a hundred? Are there a thousand? Are there a million? And GAO gave us a lot of data, but it didn't tell us anything about that. It told us about who applied and who was eligible. And what we really need to know is who is out there, who is eligible for this program, and are we reaching them?

Mrs. FOXX. Thank you very much. That is very helpful.

Chairwoman DAVIS. Thank you. I want to turn now to Ms. Lee of Nevada.

Ms. LEE. Sorry about that. I wasn't expecting that. I thought you were going first. Thank you, Madam Chair. Thank you for all being here today.

This issue is really important to me for two reasons. One, as a person who put myself through school with student loans and understanding the burden that it is placing on young people in our country, we have a student debt crisis in this country. But secondly, in my home state of Nevada we happen to have a public employee service crisis in terms of deficits in nursing, mental health professionals, and, most importantly, teachers like yourself, Ms. Finlaw. We just started the school year with 700 vacant positions.

This program, statutorily we can talk about the law, et cetera, but was created to incentivize people to go into public service careers. And in this committee, unfortunately, we heard many stories. And I think about one in particular in my hometown, Caroline Courtman, who worked for the Clark County School District. She took out loans in 1998 and thought she had paid them off entirely. Turned out that she had $130 left. Then, as many teachers who seek career advancement, she went on to get a certification in speech pathology, which required her to take out $25,000 in loans.

And after that, she made—she signed up for the teacher loan forgiveness program, another distinct program, but also one that is run by a loan servicer, such as PHEAA. She went on to make her six minimum payments. And after that, she applied, but was denied because of that $130 from 1998, which she had already actually paid off. And I am sure, like you, she went through several iterations of trying to navigate the system.

And finally, Nelnet told her that her servicer said essentially, she should start and apply for the PSLF and start the clock ticking again for 10 more years. And given what we know now, I can't blame her for giving up at that point.

Loan forgiveness programs, let us be clear, were intended to encourage people to enter public service.

Ms. Finlaw, first of all, thank you for your commitment. Your children must be incredibly fortunate to have you as a teacher. Your story is just one that is all too familiar.

But most importantly, it is really about mismanagement and confusion and, in the end, hardworking people like you not being able to adequately benefit from a program that was created to help you.

I just want to understand a little bit more. Can you walk me through what was your process of applying? But more specifically, how many times did you call? What was the length of those calls? And where do you stand? You already told us where you stand now.

Ms. FINLAW. To be eligible for this program you have to be on an income-based repayment plan, which means that every year you have to reapply. So, every year they're reaching out to you and saying you need to submit your taxes and proof of employment. That conversation happens every year, and in that conversation, I say and this is putting me on for PSLF. And me submitting this, is there anything else that I have to do?

No, just keep paying. You pay every month. It's auto-deducted out of your bank account. Like, you're on the right track. As long as you fill out that income-based repayment plan, like you're on the right path.

In 2017, I received an email from Nelnet that said you are eligible to apply for Public Service Loan Forgiveness. You've done everything right.

Then I was taken over to FedLoan. Nelnet was no longer my servicer. So, Nelnet even said don't pay anymore because your loans will be forgiven. FedLoan sent me a letter that said, essentially, too bad, so sad.

Ms. LEE. Clearly, very confusing. Here is my question. You believe this was a government program and was operating in good faith. At any time did you feel that you were lied to or misled?

Ms. FINLAW. When someone earlier was speaking about other loan forgiveness programs, I was forgiven by Stafford loan. I was forgiven different loans. I had no reason to believe this wasn't going to work. I really believed that the couple thousand dollars that have been applied to my loans would be forgiven because they had been so far.

And, yes, I was lied to several times, directly lied to. In fact, I was told to do things that in the end put me in a worse place.

Ms. LEE. I thank you for the answer. I am out of my time. Thank you.

Chairwoman DAVIS. Thank you. Mr. Sablan?

Mr. SABLAN. Thank you very much, Madam Chair, for holding today's hearing. Good morning—good afternoon, I think, everyone.

My two youngest are public school teachers. My daughter works in a county sheriff's office. But, Ms. Finlaw, is there something that you would like to say that you have not been given an opportunity to? Do you want to say something for the record? And then I will share it with Ms. Shavit.

Ms. FINLAW. Thanks for giving me that opportunity.

Mr. SABLAN. You are welcome.

Ms. FINLAW. It feels a lot, as someone sitting in this seat, that it's really easy to write me off under what Congress put into law in 2007. It's just really easy to say they made it really complicated, end of story, period. I did what I was asked to do. I called. I made my payments on time. I pay every month and I was misled not just by FedLoan, but by other servicers, and lied to. And in what other sector of government are you able to lie to the people that you're servicing and then hold them responsible for the lies that you told them?

And so, from someone sitting in this seat, it deeply effects my life and it's just infuriating to hear someone say, well, this is what the law said. If that's what the law said, I'm going to go back up what Mr. Scott said and say then how did 99 percent of people misread the law?

Mr. SABLAN. Right.

Ms. FINLAW. Thank you.

Mr. SABLAN. I would probably throw a shoe against a wall, maybe on several occasions.

Ms. Shavit, is there something you would like to add for the record?

Ms. SHAVIT. I would like to reiterate the importance of this program. And I'd also like to say that, as Ms. Finlaw suggested, the complexity of a program shouldn't be an excuse for the Department not to do what it is responsible to do and ensure that the program is administered correctly.

I disagree with the notion that this is a uniquely complex program. I think what we see here is a failure of good faith on the part of the Department to actually make sure that this program is implemented the way it should be and it's a failure of responsibility on the part of servicers to make sure that they're doing everything that they need to do to make sure that borrowers are getting the benefits of the programs that Congress intended.

Mr. SABLAN. Thank you. Madam Chair, thank you. I yield my time back.

Chairwoman DAVIS. Thank you very much. Mr. Keller.

Mr. KELLER. Thank you, Madam Chair. Just a couple things.

Congresswoman Foxx actually laid out a timeline and submitted items for the record, which I thought she very adequately pointed out the failures in what happened here in Congress and, quite frankly, in previous administrations in the Department of Education. A program that started in 2007 that was signed into law, regulations came out in 2008. And the Department of Education didn't have an employer certification form until 2012. Certainly, we can't say that it is one loan servicer over the other when you have the confusion. I mean, we are talking about people that 98 percent of them don't understand how the program works. If you have all the loan services that don't understand how the program works, there is definitely a problem with the program.

And rather than try and place blame on one of those individuals or another, I think this body ought to be looking on how we fix it and now how we place blame. Because certainly, we can probably look at what happened with this law in 2007 and we can look at the Department of Education under previous administrations. Congress realized there were problems with it when, in 2018, we had the Temporary Expanded Public Service Loan Forgiveness program. So, Congress obviously knew that something was done incorrectly, and we did this.

And I will say that the current administration is the one that signed that and the administration or the loan servicers cannot make up their own rules. They should not and they cannot. They follow the rules they are given. This is serious stuff. It effects lives, it effects people.

And these are certainly from their government, but here again, we can point to numerous things in both of these programs that have been failures because of the ambiguity created here in this body.

So, with that I want to go to Dr. Chingos. There is a question. You mentioned some data earlier and understanding that. How might the Department use available data to predict participation in the PSLF and the TEPSLF, you know, people that might be, you know, eligible for these loans, so that we can target making sure they have the adequate information?

Mr. CHINGOS. So, the primary way the Department can do that now is for the people who have come forward to identify themselves, started to fill out those employer certification forms, started to count those qualifying payments, they can keep track of those people. We could get maybe a deeper look into the servicer data on those people. I think there's more—you know, reading the GAO report, I thought there was more that could be learned from the data that currently exists about people who are applying.

I'm really interested in better understanding that 99 percent that's, you know, not being approved, understanding why because it's a huge number of people. And it's easy for me to sit and say, well, maybe people are confused and don't understand it, but I think there's a lot more we can use the data to learn, you know, why is that the case and what do we do about it.

Mr. KELLER. Is there any other data that we are not collecting that you think we should?

Mr. CHINGOS. So, I think if there were a linkage between, say, IRS data and Department of Ed data, that would be an opportunity for the Federal Government to know things about borrowers it doesn't currently know. So, if someone is working in the public or nonprofit sector, they'd get a W–2 from their employer with an EIN, and so that's in—over in the Department of Treasury and the IRS. If the Department of Ed knew that information, well, then they could do more proactive outreach to people to say, hey, you're in this sector, make sure you're doing the right things to be eligible for this program that you're entitled to. But right now, they're not able to do that.

Mr. KELLER. Okay, I appreciate that. And a perfect example of how two Federal Government agencies aren't communicating and yet we want to—we put out rules to loan servicers that, obviously, multiple over the 10 years or, you know, prior to people could apply, and now we want to go after the loan servicer of PHEAA simply because they are the ones servicing the loans now.

So, again, I just think that there is—we need not focus on who we contracted with, but why we made it so ambiguous that people don't understand it.

Thank you. I yield back.

Chairwoman DAVIS. Thank you very much. It is now time to recognize myself for five minutes. I am going to do that quickly and then we will turn to the next panel.

While we still have you with and, again, you have all been very helpful, I wonder part of the full picture here really does mean that we need to hear from the Department of Education. And I wonder—and we also have the GAO with us, as well. I wonder if you could share with us, maybe just starting with Ms. Shavit, what you would like to know from them. What would be helpful in our further discussions to better understand the role that they have been playing and whether or not, in fact, there is something that they could have been doing along the line to communicate better with the Congress?

Ms. SHAVIT. One thing that I would certainly like to know is what efforts are being taken right now in the Department of Education to make sure that borrowers like Ms. Finlaw are getting the benefits of the programs that they were reasonably relying on. I want to know what instructions the Department is giving to PHEAA with respect to making sure that these borrowers are made whole, but I want to know what the Department is itself doing or planning to do in that regard and how it thinks that the program can be fixed going forward. I want to know what plans the Department has to make sure that future borrowers who are willing to commit themselves to the public good will have access to this program.

These are the primary pieces of information that I think we need to know. What plan is in place and what information needs to be gathered to make sure that people who are supposed to benefit from this program can?

Chairwoman DAVIS. Thank you. Doctor, we have been saying "shin-goes," "ching-goes."

Mr. CHINGOS. "Ching-goes."

Chairwoman DAVIS. Chingos.

Mr. CHINGOS. Chingos.

Chairwoman DAVIS. Okay, thank you. Please, in just a minute or two, what is your sense? What would you like to know?

Mr. CHINGOS. Sure. I would love to hear from, you know, GAO, Department of Ed, you know, what data would they need and how could they get it to more accurately measure how well PSLF and TEPSLF are being implemented. You know, we talk about this 99 percent rejection rate. It tells us something about the program, but it doesn't tell us what we really want to know, which is who's out there? Who should be getting this program and are they getting it? And if they're not getting it, why?

So, I would really want to know what data could help us better assess that, so that we can make improvements going forward.

Chairwoman DAVIS. Thank you. And, Ms. Finlaw, what would you like to tell the Department of Ed? What would you like them to know that you haven't had a chance to say?

Ms. FINLAW. I would like to know what I'm supposed to do when I'm lied to. I would like to know what recourses I have and, in 10 years, what will I do then? I'd like to know who's out—who's looking to protect the borrower from these organizations that mislead and misrepresent? And who's going to protect me in the next 10 years? How do I know I'm not being lied to again if I'm doing everything I'm told to do?

Chairwoman DAVIS. Thank you. I want to thank all of you and certainly my colleagues who are here. This is often when we have a second panel it makes it difficult because Members have had to go into other committee hearings. And so, I hope the few of us who are here right now will have an opportunity to really understand and learn more.

I have heard many different things. I mean, I have heard we should shelve the program; that, in fact, if people only read the Department of Ed's directions that, you know, they shouldn't have any problem.

I have heard that, in fact, it is complicated. And there are probably reasons why in the process of even the initial legislations and on is that we know, you know, it started in the Bush administration and went through three administrations basically and, you know, we still have a role on the part of the Department of Ed to be able to, you know, kind of yell help, you know, we have got some problems here, we need to take a look at this. So that is what we want to know.

I personally believe that as a country this is something important for us to continue to do, to pledge and then to act on that pledge that we are there to help along the way those people who go into public service and choose to make that their career, their lifelong careers; important for people to do and not everybody is able to do that.

We do have—I know that the issue of graduate students maybe have more wherewithal, yes, some do, but probably the majority do not. And so, we need to be able to address that issue and how we deal with it, how we make this work. And you have been very helpful in helping us understand that. Thank you.

I now want to remind my colleagues, I have a number of things I have to read here, so just bear with me for a second.

I remind my colleagues that pursuant to committee practice, materials for submission for the hearing record must be submitted to the Committee Clerk within 14 days following the last day of the hearing, preferably in Microsoft Word. The materials submitted must address the subject matter of the hearing.

Only a Member of the committee or an invited witness may submit materials for inclusion in the hearing record. Documents are limited to 50 pages each. Documents longer than 50 pages will be incorporated into the record via an internet link that you must provide to the Committee Clerk within the required timeframe. Please recognize that years from now that link may no longer work.

What we have heard here today, of course, is very valuable. Members of the committee may have some additional questions for you, and we ask the witnesses to please respond to those questions in writing. The hearing record will be held open for 14 days in order to receive those responses.

I remind my colleagues pursuant to committee practice witness questions for the hearing record must be submitted to the Majority Committee Staff or Committee Clerk within 7 days. The questions submitted must address the subject matter of the hearing.

And we will now take a very, very brief minute or two to seat our second panel. Thank you again.

[Recess]

Chairwoman DAVIS. All right. Thank you both for being here, for staying with us throughout the panel. I think it is helpful for you to hear them and for them to know that you are in the audience, as well, and appreciate that.

I wanted to now introduce our introduce witnesses. Jeff Apple—Appel, Jeff Appel is the director of policy liaison and implementation at Federal Student Aid. Prior to joining Federal Student Aid in 2016, Mr. Appel worked in the Department's Offices of the Undersecretary as well as the Office of Planning, Evaluation, and Policy Development.

Prior to working at the Department, he worked on Capitol Hill as a senior policy advisor with the House Committee on Education and Labor. And prior to working for the committee, Mr. Appel worked at the Government Accountability Office, the GAO, for over 20 years. And for several years, led much of GAO's higher education and student financial aid-related work.

Next, Melissa Emrey "ah-ross"—"air-us"? "Air-us." Arras, okay. Thank you, Ms. Arras, is a director in GAO's Education Workforce and Income Security Issues team. She oversees GAO's higher education reports and has led studies examining the Public Service Loan Forgiveness program.

Before joining in GAO in 2001, she worked at a private sector consulting company and conducted program evaluations for state and local governments.

Pursuant to Committee Rule 7(d) I will now ask the witnesses to please stand and raise their right hands.

[Witnesses sworn.]

Chairwoman DAVIS. Let the record show that the witnesses all answered in the affirmative.

We appreciate, again, your being here and look forward to your testimony. I wanted to remind you that we have read your written testimony, your statements, and they will appear in full in the hearing record.

Pursuant to Committee Rule 7(d) and committee practice, each of you is asked to limit your oral presentation to a five-minute summary of your written statement. I also wanted to remind you that pursuant to Title 18 of the U.S. Code, Section 1001, it is illegal to knowingly and willfully falsify any statement, representation, writing, document, or material fact presented to Congress or otherwise conceal or cover up a material fact.

Before you begin your testimony, please remember to press the button on the microphone in front of you so that it will turn on and the Members can hear you. As you begin to speak, the light in front of you will turn green and after 4 minutes the light will turn yellow to signal that you have 1 minute remaining. And when the light turns red, your five minutes have expired, and we ask that you please wrap up.

We will let the entire panel, both of you, make your presentations before we move to Member questions. Please remember to turn the microphone on, once again, when you respond.

I will first recognize Director Appel. Please begin.

TESTIMONY OF JEFF APPEL, DIRECTOR OF POLICY LIAISON AND IMPLEMENTATION, OFFICES OF FEDERAL STUDENT AID, DEPARTMENT OF EDUCATION

Mr. APPEL. Thank you, Chairwoman Davis, Ranking Member Smucker, and Members of the committee for the opportunity to join you today. I look forward to discussing with you the Public Service Loan Forgiveness program, which we call PSLF, its temporary expansion, and our efforts to help borrowers understand and navigate their complexity.

In 2007, Congress created PSLF to forgive any remaining balance on direct loans for borrowers who make 120 qualifying monthly payments. Under the law and regulations, a qualifying monthly payment is generally one that is made on time, under a qualifying repayment plan, and while working full time for a qualifying employer.

While these requirements seem simple, the law and regulations surrounding PSLF pose obstacles to borrowers. A few such complexities are, first, not all loan programs qualify. In fact, only direct loans do. And when PSLF was enacted, the Direct Loan Program was a much smaller program. In 2007, about 75 percent of borrowers participated in the nonqualifying FFEL program, a choice made by borrower's school. To qualify for PSLF, therefore, a borrower with one or more FFEL loan would have had to consolidate them into a Direct Loan. The FFEL program ceased making loans in 2010.

Second, not all loan repayment plans qualify. Qualifying repayment plans for PSLF generally include the income-driven repayment plans, IDR plans, and the 10-year standard plan, which would pay off loans before PSLF would apply. Many borrowers don't choose qualifying plans because they're comfortable making their payment when not based on income or would find a payment based on income unaffordable to them.

In light of these complexities and other disqualifying factors, the number of borrowers who have to date been eligible to receive forgiveness is low. As of June 30th, about 91,000 borrowers have applied for PSLF, but only 845 have had loans discharged. Fifty-two million dollars has been forgiven.

In 2018, to increase the number of borrowers who could receive loan forgiveness Congress created a limited temporary expansion of PSLF, or TEPSLF. The expansion 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 plan.

In creating the expansion, however, Congress set other conditions. Under the law these borrowers must demonstrate that their most recent payment and the one 12 months prior to applying was at least as much as they would have paid under an IDR plan. And like the original program, the temporary program limited benefits to borrowers who made 120 qualifying payments on Direct Loans, which excluded many borrowers who had FFEL program loans or that payments they made prior to consolidation.

Congress also required the Department to implement an application process for TEPSLF within 60 days of enactment. Thus, we stood up the simplest application process we could within that short timeframe. As of June 30th, we've received over 17,000 requests for expanded forgiveness. Of these, 681 borrowers had their loans discharged for a total of $28.2 million.

While initial approvals have been low, we do expect that more borrowers will qualify for PSLF and its expansion in the future. Why do we expect this? Consider the following.

Overall, among applicants without standing eligible loans, about 80 percent have not been in repayment for 10 years. Naturally, as time passes, more borrowers will have a real opportunity to meet the criteria of PSLF and the expansion. Regardless, we recognize that we must build on our improvements in administering the program. These improvements include implementing GAO's recommendations, which includes improving our communications and outreach, as well as streamlining processes. The GAO's recommendations were helpful to us and we will continue to meet them moving forward.

Beyond the GAO recommendations, we recently developed a PSLF help tool to help borrowers understand PSLF eligibility requirements. The tool 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. Since launched in December 2018, borrowers have used the tool more than 216,000 times to generate over 82,000 forms.

The help tool is a first step for the type of service that we believe all borrowers deserve. To that end, we anticipate improving it as part of Federal Student Aid's Next Gen Initiative. The central focus of Next Gen is to improve the customer experience throughout every stage of the student aid life cycle.

In short, we are committed to doing our job to help borrowers navigate the complex forgiveness programs the Congress established. We, as always, stand ready to provide technical assistance to you and any legislative change that would expand forgiveness to more borrowers who faithfully serve our country.

In the meantime, we will continue to implement the law as written and continue to improve our administration of it. I appreciate the opportunity to provide you with an overview of our work, the changes we have made and plan to make, and welcome any questions you have today.

[The statement of Mr. Appel follows:]

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

September 19, 2019

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.

Chairwoman DAVIS. Thank you. Thank you. Ms. Arras.

TESTIMONY OF MELISSA EMREY–ARRAS, DIRECTOR OF EDUCATION, WORKFORCE, AND INCOME SECURITY, GOVERNMENT ACCOUNTABILITY OFFICE

Ms. EMREY–ARRAS. Chairwoman Davis, Republican Leader Smucker, and Members of the committee, I am pleased to be here today to discuss GAO's reports on the PSLF program and the temporary expanded loan forgiveness process. I will focus my remarks on three issues.

One, the extent to which borrowers' applications for loan forgiveness through the PSLF program and the temporary expanded process have been approved or denied.

Two, the extent to which education provides the PSLF servicer with sufficient information to administer the program.

And three, opportunities for improving service to borrowers.

Beginning with a look at the data on loan forgiveness, our 2018 analysis found that Education had denied about 99 percent of borrowers that applied for PSLF during the first 8 months that Education was accepting applications. According to Education's PSLF data, through March of 2019 PSLF program denial rates have continued to be about 99 percent. Similarly, when we looked at the temporary expanded loan forgiveness process, we found that Education had denied 99 percent of those requests as of May of 2019.

Turning to Education's interactions with the PSLF loan servicer, we found shortcomings in the information Education provided to the loan servicer, which increased the risk of administrative errors. For example, in our 2018 report, we found that Education does not have a comprehensive document or manual to provide the PSLF servicer with guidance and instructions. This made it difficult to effectively administer the PSLF program and provide consistent service to borrowers according to PSLF servicer officials. We reported that Education's guidance and instructions to the PSLF servicer are dispersed in a piecemeal manner across multiple documents, including Education's original contract, multiple updates to the contract, and hundreds of emails to the servicer. As a result, PSLF servicer officials said that their staff were sometimes unaware of relevant PSLF program guidance and instructions in emails provided by Education.

Consequently, we recommended that Education develop a timeline for issuing a comprehensive guidance and instructions documents for PSLF servicing. We also made recommendations to Education provide additional information for determining which employers qualify for PSLF and to standardize the payment information the PSLF servicer receives from other loan services for determining qualifying payments for PSLF. Education agreed with these recommendations but has yet to fully implement them.

Now turning to opportunities to improve service to borrowers, we have found that Education can provide better service to borrowers by expanding outreach, streamlining processes, and sharing critical information with borrowers. For example, we found that Education does not include information for borrowers about the temporary expanded process and key online sources.

Consequently, we made recommendations that Education include information on this process in its online PSLF help tool and require all loan servicer websites to provide information on the temporary expanded process.

We also made recommendations that Education integrate the request for the temporary expanded process into the PSLF application, provide borrowers with sufficiently detailed information to be able to identify any errors in the servicer's counts of qualifying payments for the program, and provide borrowers more information on options for contesting denials of temporary expanded loan forgiveness. Education agreed with these five recommendations and has yet to fully implement them.

In conclusion, large numbers of borrowers have pursued careers in public service, sometimes at lower pay than in the private sector with the hope of one day achieving loan forgiveness through the PSLF program. They have often had to navigate the PSLF program requirements with a lack of sufficient information from Education, only to be denied 10 years later when they applied for loan forgiveness because their prior years of employment or loan payments did not qualify.

In addition, some borrowers who were denied may not be aware that they may be eligible for loan forgiveness through the temporary expanded process, potentially missing out on this opportunity. Education needs to take action to better serve these borrowers and help smooth their long road towards loan forgiveness.

We continue to believe that implementing GAO's eight recommendations would strengthen program administration, improve service to borrowers, and help fulfill the original goal of encouraging individuals to enter and continue tin public service. Thank you.

[The statement of Ms. Emrey–Arras follows:]

United States Government Accountability Office

Testimony

Before the Subcommittee on Higher Education and Workforce Investment, Committee on Education and Labor, House of Representatives

For Release on Delivery
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PUBLIC SERVICE LOAN FORGIVENESS

Opportunities for Education to Improve Both the Program and Its Temporary Expanded Process

Statement of Melissa Emrey-Arras, Director,
Education, Workforce, and Income Security

GAO Highlights

Highlights of GAO-19-717T, a testimony before the Subcommittee on Higher Education and Workforce Investment, Committee on Education and Labor, House of Representatives

Why GAO Did This Study

The PSLF program was established in 2007 and forgives borrowers' remaining federal student loan balances after they have made at least 10 years of qualifying loan payments while working in public service. Starting in September 2017, the first borrowers potentially became eligible for the PSLF program and began applying to have their loans forgiven. In 2018, Congress appropriated $700 million to temporarily expand the PSLF program for certain borrowers who initially did not qualify for the program.

This statement—based on GAO's reports issued in September 2018 (GAO-18-547) and September 2019 (GAO-19-595)—discusses (1) the extent to which borrowers' requests for loan forgiveness through PSLF and the temporary expanded process have been approved or denied, (2) the extent to which Education provides the PSLF servicer with sufficient information to administer the program, and (3) opportunities for improving service to borrowers.

What GAO Recommends

GAO has made eight recommendations to Education to improve its implementation of the PSLF program and its temporary expanded process. Education agreed with GAO's recommendations. As of September 2019, GAO continues to believe that actions are necessary to fully implement all of the recommendations discussed in this statement.

View GAO-19-717T. For more information, contact Melissa Emrey-Arras at (617) 788-0534 or emreyarrasm@gao.gov.

September 2019

PUBLIC SERVICE LOAN FORGIVENESS

Opportunities for Education to Improve Both the Program and Its Temporary Expanded Process

What GAO Found

A large number of borrowers are pursuing the Public Service Loan Forgiveness (PSLF) program, but the Department of Education (Education) has denied about 99 percent of loan forgiveness applications as of March 2019. Close to one-half of these applications were denied because the borrowers had not yet made the required 120 qualifying monthly loan payments. As of May 2019, Education has also denied 99 percent of loan forgiveness requests made through the temporary expanded process, which is intended for borrowers who did not initially qualify for the PSLF program.

In its 2018 report, GAO found that shortcomings in the information Education provided to the loan servicer that administers the PSLF program increased the risk of administrative errors. For example, Education had not provided the PSLF servicer with a definitive source of information for determining which employers qualify. GAO made three recommendations to Education to address these issues (see table below). Education agreed with these recommendations and has taken some actions, but has not yet fully implemented them.

Recommendations for Providing Information to the PSLF Servicer	Status
Develop a timeline for issuing a comprehensive guidance and instructions document for PSLF servicing	Not fully implemented
Provide additional information for determining which employers qualify for PSLF	Not fully implemented
Standardize the payment information the PSLF servicer receives from other loan servicers for determining qualifying payments for PSLF	Not fully implemented

Source: GAO-18-547. | GAO-19-717T

In its 2018 and 2019 reports, GAO found that Education can provide better service to borrowers by expanding outreach, streamlining processes, and sharing critical information with borrowers. For example, GAO found that Education does not include information for borrowers about the temporary expanded process in key online sources. GAO made five recommendations to Education to address these issues with the PSLF program and the temporary expanded process (see table below). Education agreed with these recommendations, but has not yet fully implemented them.

Recommendations for Improving Service to Borrowers	Status
Include information about the temporary expanded process in the online PSLF Help Tool	Not fully implemented
Require loan servicer websites to provide information on the temporary expanded process	Not fully implemented
Integrate the request for the temporary expanded process into the PSLF application	Not fully implemented
Provide borrowers with sufficiently detailed information to be able to identify any errors in the PSLF servicer's counts of qualifying payments for the PSLF program	Not fully implemented
Provide borrowers more information on options for contesting temporary expanded process decisions and denials	Not fully implemented

Source: GAO-18-547 and GAO-19-595. | GAO-19-717T

Chairwoman Davis, Senior Republican Smucker, and Members of the Subcommittee:

I am pleased to be here today to discuss the Department of Education's (Education) administration of the Public Service Loan Forgiveness (PSLF) program. The PSLF program was established in 2007 and is intended to encourage individuals to enter and continue careers in public service. It does so by forgiving borrowers' remaining federal student loan balances after they have made at least 10 years of loan payments while working in qualifying public service jobs and meeting other requirements.[1] Starting in September 2017, the first borrowers began applying for loan forgiveness through the PSLF program. After concerns were raised about high PSLF denial rates and some borrowers facing barriers to pursuing loan forgiveness, Congress appropriated $700 million in 2018 to temporarily expand the PSLF program to forgive the loans of certain borrowers who did not initially qualify.[2] However, borrowers have continued to cite problems with Education's management of the PSLF program and its temporary expanded process.

Drawing on our prior work on the PSLF program and the temporary expanded process, my remarks today address (1) the extent to which borrowers' applications for loan forgiveness through the PSLF program and the temporary expanded process have been approved or denied, (2) the extent to which Education provides the PSLF servicer with sufficient information to administer the program, and (3) opportunities for improving service to borrowers. In addition, I will highlight several key actions we have recommended that Education can take to improve the PSLF program and the temporary expanded process to help ensure consistent services to borrowers and safeguard taxpayer funds. My testimony is based on our prior reports issued in 2018 and 2019 and cited throughout

[1] See 20 U.S.C. § 1087e(m); 34 C.F.R. § 685.219. In this testimony, we refer to this as the PSLF program.

[2] Referred to as Temporary Expanded Public Service Loan Forgiveness, this temporary expansion of the PSLF program is for borrowers who would have been eligible for the PSLF program, except that they were repaying their loans in a type of repayment plan that is not eligible for PSLF. See Pub. L. No. 115-141, § 315, 132 Stat. 348, 752 (2018); Pub. L. No. 115-245, § 313, 132 Stat. 2981, ____ (2018). In this testimony, we generally refer to this as the temporary expanded process.

this statement.[3] We used multiple methodologies to develop the findings, conclusions, and recommendations for our prior reports. A more detailed discussion of the objectives, scope, and methodologies, including our assessment of data reliability, is available in each report.

The work upon which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Education administers federal student aid programs, including the William D. Ford Federal Direct Loan (Direct Loan) program, through the Office of Federal Student Aid. Only Direct Loans are eligible for the PSLF program and the temporary expanded process.[4] Under the Direct Loan program, Education issues and oversees federal loans provided to students, and contractors service these loans. Education currently contracts with nine loan servicers that each handle the billing and other services for a share of the over $1 trillion in outstanding student loans provided through the Direct Loan program. Borrowers interested in pursuing loan forgiveness under PSLF, or the temporary expanded process, must have their loans eventually transferred to Education's sole PSLF loan servicer in order to

[3] See GAO, *Public Service Loan Forgiveness: Improving the Temporary Expanded Process Could Help Reduce Borrower Confusion*, GAO-19-595 (Washington, D.C.: Sept. 5, 2019) and *Public Service Loan Forgiveness: Education Needs to Provide Better Information for the Loan Servicer and Borrowers*, GAO-18-547 (Washington, D.C.: Sept. 5, 2018).

[4] Before 2010, many federal student loans were originated and serviced by private lenders and servicers through the Federal Family Education Loan Program. Today, all new federal loans are Direct Loans provided by Education, and serviced by contractors. Only Direct Loans are eligible for the PSLF program and the temporary expanded process, including Direct Subsidized Loans, Direct Unsubsidized Loans, Direct Graduate PLUS Loans, and Direct Consolidation Loans. Parent PLUS Loans are also eligible for forgiveness, but cannot be repaid under any of the qualifying repayment plans unless these loans are consolidated into a new Direct Consolidation Loan. Borrowers may also consolidate certain federal loans that are not eligible for the PSLF program and the temporary expanded process, such as loans under the Federal Family Education Loan program and Perkins loans, into a single Direct Consolidation Loan to qualify. However, only the post-consolidation payments count toward the 120 payments required for the PSLF program or the temporary expanded process.

proceed.[5] This designated PSLF servicer handles day-to-day activities associated with the PSLF program and the temporary expanded process, which include responding to borrower inquiries, making preliminary determinations about whether borrowers' employment and loans qualify for loan forgiveness, and processing loan forgiveness applications.

The PSLF program and the temporary expanded process provide eligible borrowers with forgiveness on the remaining balance of their Direct Loans after they have met all program requirements. To receive forgiveness for a loan, borrowers are required to be employed in a qualifying public service job for 10 years when making 120 qualifying payments. Borrowers must also be employed in a qualifying public service job at the time they apply for forgiveness, and at the time they receive forgiveness for their loans. Although there are some differences in the eligibility requirements for PSLF and the temporary expanded process, borrowers are generally required to:

- Work full-time for at least 10 years at a public service organization, such as
  - a government organization, agency, or entity at any level (federal, state, local, or Tribal);
  - a nonprofit, tax exempt organization (under section 501(c)(3) of the Internal Revenue Code); or
  - another private nonprofit organization that provides certain public services.
- Not be in default on their loans.
- Make 120 on-time monthly loan payments for the full amount due on their bill.[6] These monthly payments do not need to be consecutive.
- Repay their loans through a qualifying repayment plan. The PSLF program generally requires borrowers to repay their loans through one of the eligible income-driven repayment plans or the Standard

[5] The Pennsylvania Higher Education Assistance Agency's FedLoan Servicing unit is the exclusive servicer for borrowers pursuing the PSLF program or the temporary expanded process. In this testimony, we will refer to this as the PSLF servicer.

[6] Payments are generally considered on-time if they are received no later than 15 days after the due date.

repayment plan.[7] The temporary expanded process allows borrowers to qualify for loan forgiveness if they are participating in several additional types of repayment plans, including the Graduated repayment plan, Extended repayment plan, Consolidated Standard repayment plan, and Consolidated Graduated repayment plan.[8] In addition, for the temporary expanded process, the following two payments generally must be at least as much as the borrower would have paid under an income-driven repayment plan: (1) the payment made immediately prior to applying for the temporary expanded process, and (2) the payment made 12 months prior to applying for the temporary expanded process.[9]

There are key differences in the processes for applying for loan forgiveness under the PSLF program versus the temporary expanded process (see table 1).

[7] Income-driven repayment is an umbrella term that describes a number of repayment plans available to eligible borrowers that base the monthly student loan payment primarily on income and family size, and extend repayment periods from the typical 10 years under the Standard plan to 20 or 25 years. These are the plans that are mostly likely to yield a balance available for loan forgiveness under the PSLF program. The 10-year Standard repayment plan is the default repayment plan for Direct Loans—borrowers will be placed on this plan if they do not choose a different repayment plan. Although the 10-year Standard repayment plan qualifies for PSLF, borrowers in this plan will pay off their loans before they are eligible for forgiveness unless they change to an income-driven repayment plan that leaves them with a balance remaining to be forgiven after 120 payments.

[8] A Graduated repayment plan starts with lower payments that increase every two years and payments are made for up to 10 years. An Extended repayment plan allows borrowers to make lower set monthly payments by spreading the repayment period over up to 25 years. Under the Consolidated Standard repayment plan and the Consolidated Graduated repayment plan, payment terms range from between 10 and 30 years depending on the amount of the loan.

[9] This requirement ensures that only borrowers who were paying a monthly amount equal to or more than they would have under a PSLF-eligible income-driven repayment plan would qualify.

Table 1: Comparison of Key Processes for the Public Service Loan Forgiveness (PSLF) Program and the Temporary Expanded Process

	PSLF application	Temporary expanded process request
Purpose	Application for loan forgiveness that is intended for borrowers that have already made 120 qualifying payments.	Additional loan forgiveness option for borrowers who did not initially qualify for the PSLF program because they were repaying their loans in a repayment plan that did not qualify for the PSLF program.
Process summary	PSLF servicer reviews borrower's application and determines if the borrower's loans and employment qualify and if they have made at least 120 qualifying payments. If yes, the application receives a final review from Education before the borrower's remaining loans are forgiven.	PSLF servicer reviews borrower's emailed request, but only proceeds if the borrower has previously submitted a PSLF application. • If there is no PSLF application on file, the request is denied. • If the borrower has submitted a PSLF application that was denied, the servicer then determines: 1) if the borrower has qualifying loans and employment, and 2) has made at least 120 payments that qualify under the modified eligibility requirements. All approved requests receive a final review from Education before the borrower's remaining loans are forgiven.

Source: GAO analysis of Department of Education (Education) documents. | GAO-19-717T

Approximately 99 Percent of Borrower Applications for Loan Forgiveness through Both the PSLF Program and the Temporary Expanded Process Have Been Denied

Despite broad borrower interest in the PSLF program and the temporary expanded process, very few borrowers have been granted loan forgiveness. A large number of borrowers are pursuing the PSLF program, but our 2018 analysis found that Education had denied about 99 percent of borrowers that applied for loan forgiveness through the PSLF program during the first 8 months that Education was accepting applications (September 2017 through April 2018), according to data from the PSLF servicer.[10] According to Education's most recent publically released PSLF program data through March 2019, PSLF program denial rates have continued to hover around 99 percent since our 2018 review. Of the 76,002 loan forgiveness applications that had been processed, the PSLF servicer had denied 75,138 (99 percent), as of March 2019.

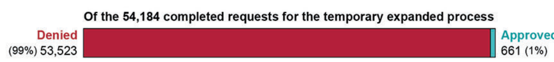
According to data as of March 2019, close to one-half of the PSLF program loan forgiveness applications the PSLF servicer had processed were denied because the borrower had not yet made 120 qualifying payments. The other most common reasons PSLF program applications were denied were because of missing information on the application or

[10] See GAO-18-547. In that report, we found that as of April 2018, Education had approved 55 borrowers out of the 19,321 that submitted applications.

because the borrower did not have qualifying federal loans. For borrowers that have been approved, Education had forgiven almost $31 million in outstanding student loans, an average of more than $59,000 per approved borrower.[11]

Denial rates are also very high for the temporary expanded process. We recently reported that from May 2018 through May 2019, Education had denied 99 percent of the completed requests from about 40,000 borrowers (see fig. 1).[12]

Figure 1: Completed Requests for the Public Service Loan Forgiveness (PSLF) Temporary Expanded Process as of May 2019



Source: GAO analysis of loan servicer data on requests for the temporary expanded process from May 2018 through May 2019. | GAO-19-717T

The majority of requests borrowers submitted for the temporary expanded process were ineligible for consideration and were therefore denied because the borrower had not previously submitted an application for the PSLF program, according to data from the loan servicer.[13] For the 1 percent of applications that were approved from May 2018 through May 2019, Education had granted almost $27 million in loan forgiveness under the temporary expanded process, totaling about 4 percent of the $700

[11] Borrowers can submit more than one PSLF application, so the total number of applications may exceed the number of borrowers. As of March 2019, Education had processed loan discharges for 518 borrowers.

[12] See GAO-19-595. Borrowers can submit more than one request for loan forgiveness under the temporary expanded process, so the total number of requests may exceed the number of borrowers.

[13] Under the temporary expanded process, the loan servicer first checks to see if the borrower requesting loan forgiveness has submitted an application for the PSLF program. If the borrower has not done so, the loan servicer does not conduct any further review of the borrower's request and sends the borrower a denial letter informing them that they have to submit the PSLF application before the borrower can be considered for the temporary expanded process.

million appropriated funds, according to our 2019 report.[14] Borrowers received an average of about $41,000 in loan forgiveness.

The high denial rates for the PSLF program and temporary expanded process suggest that many borrowers are confused by the requirements. In our 2018 report, we noted that officials from the PSLF servicer said that borrowers were frequently confused by the PSLF program requirements related to qualifying loans, employment, repayment plans, and payments.[15] PSLF servicer officials also said that borrowers were sometimes unaware that they were not on a PSLF-qualifying repayment plan or that forbearance, deferment, and loan consolidation would affect their qualifying payments.[16] For example, the Consumer Financial Protection Bureau has reported that borrowers have complained of spending years making payments, believing they were making progress towards PSLF loan forgiveness, and then learning that they were not eligible.[17] Similarly, in our 2019 report on the temporary expanded process, we noted that officials from Education, the PSLF loan servicer, and representatives from selected organizations representing student borrowers all said that the requirement to submit an application for the PSLF program to be eligible for the temporary expanded process can confuse borrowers.[18]

[14] The temporary expanded process is available to borrowers on a first-come, first-served basis until the $700 million is expended. The temporary expanded process became available in May 2018.

[15] GAO-18-547.

[16] A deferment or forbearance allows the borrower to temporarily stop making their federal student loan payment or to temporarily reduce the amount they pay. With a deferment the borrower may not be responsible for paying the interest that accrues on certain types of loans during the deferment period, but with a forbearance the borrower is responsible for paying the interest that accrues. A Direct Consolidation Loan allows the borrower to consolidate (combine) multiple federal education loans into one loan but consolidating their loans will cause the borrower to lose credit for any previous payments made toward PSLF, and the borrower would have to start over to work toward 120 qualifying payments.

[17] Consumer Financial Protection Bureau, Staying on Track While Giving Back: The Cost of Student Loan Servicing Breakdowns for People Serving Their Communities (Washington, D.C.: June 2017).

[18] GAO-19-595.

Shortcomings in the Information Education Provides to the PSLF Servicer Increase the Risk of Administrative Errors

We have previously reported on how shortcomings in the information Education provides to the PSLF servicer has resulted in uncertainty about PSLF program requirements and increased the risk of potential errors in borrower eligibility determinations. To address these issues, we have made three recommendations to Education to provide the servicer with comprehensive guidance and instructions, additional information on qualifying employers, and standardized prior payment information (see table 2). Education agreed with these recommendations and has taken some actions, but has not yet fully implemented them.

Table 2: GAO Recommendations for the Department of Education to Improve Information Provided to the Public Service Loan Forgiveness (PSLF) Servicer

Recommendation	Status
Develop a timeline for issuing a comprehensive guidance and instructions document for PSLF servicing	Not fully implemented
Provide additional information for determining which employers qualify for PSLF	Not fully implemented
Standardize the payment information the PSLF servicer receives from other loan servicers for determining qualifying payments for PSLF	Not fully implemented

Source: GAO, Public Service Loan Forgiveness: Education Needs to Provide Better Information for the Loan Servicer and Borrowers, GAO-18-547 (Washington, D.C.: Sept. 5, 2018). | GAO-19-717T

Piecemeal Guidance and Instructions

In our 2018 report, we found that Education does not have a comprehensive document or manual to provide the PSLF servicer with guidance and instructions. This made it difficult to effectively administer the PSLF program and provide consistent service to borrowers, according to PSLF servicer officials. We reported that Education's guidance and instructions to the PSLF servicer are dispersed in a piecemeal manner across multiple documents, including Education's original contract with the servicer, multiple updates to the contract, and hundreds of emails. As a result, PSLF servicer officials said that their staff were sometimes unaware of relevant PSLF program guidance and instructions in emails provided by Education, which creates a risk that some policy updates will be overlooked and not consistently implemented. The absence of a central, authoritative source of PSLF guidance and instructions creates a risk of differing interpretations and inconsistent implementation. It also makes it difficult to maintain program continuity in the event of staff turnover or if Education decides to contract with a new servicer to administer the PSLF program. Federal internal control standards state that agencies should communicate information to those who need it, in a form that enables them to carry out their responsibilities.[19]

Around the time our 2018 report was issued, Education officials told us they planned to develop a comprehensive PSLF servicing manual, but they did not have a timeline for completing it. In response, we recommended that Education develop a timeline for issuing a comprehensive guidance and instructions document for PSLF servicing. Education agreed with this recommendation and reported in September 2019 that it was continuing its efforts to improve and streamline guidance for the PSLF servicer. While Education said it is working on developing its comprehensive PSLF servicing manual, it does not yet have a timeline for how it will complete this manual and has pushed back the estimated implementation date for this recommendation to 2020. To help ensure that program requirements are applied consistently by the PSLF servicer, we continue to believe that Education should fully implement this recommendation.

Limited Information on Qualifying Employers

In 2018, we reported that Education had not provided the PSLF servicer with a definitive source of information for determining which employers qualify a borrower for PSLF loan forgiveness.[20] Instead, Education had identified some data sources the PSLF servicer can use to determine whether borrowers are working for qualifying employers. However, we found that these sources were not comprehensive, and that PSLF servicer officials said they sometimes had to consult other sources that have significant limitations. For example, PSLF servicer officials told us they used an online directory of nursing home facilities to help determine if certain nursing homes were nonprofit employers. However, this website explicitly stated that it did not guarantee that the information it provided was accurate or current. Federal internal control standards state that agencies should communicate the necessary quality information to those who need it,[21] and PSLF servicer officials said that having additional information would help them assess employers more quickly and minimize the risk of inaccurate decisions. Borrowers would also benefit from additional information about qualifying employers, according to

[19] GAO, Standards for Internal Control in the Federal Government, GAO-14-704G (Washington, D.C.: September 2014).

[20] GAO-18-547.

[21] GAO-14-704G.

PSLF servicer officials, in part because it would help them make better informed employment decisions.

Our 2018 report recommended that Education provide additional information to the PSLF servicer and borrowers to enhance their ability to determine which employers qualify for PSLF. Education agreed with this recommendation, and said it planned to incorporate qualifying employer information into an online PSLF Help Tool. As of September 2019, Education reported that it had incorporated a feature into its online PSLF Help Tool to help borrowers determine if their employer fits within general eligibility criteria. However, Education said more specific information to help the PSLF servicer make employer eligibility determinations and an employer database will not be available until 2020. We believe that if Education fully implements this recommendation to provide the servicer with more definitive employer information, it would help reduce the risk of errors in assessing employer eligibility for PSLF.

Inconsistencies in Prior Loan Payment Data

In our 2018 report, we found that Education does not ensure that the agency's other loan servicers provide the PSLF servicer consistent information on borrowers' prior loan payments, which could increase the risk of qualifying payments being miscounted for the PSLF program.[22] PSLF servicer officials said inconsistencies in the information provided by other loan servicers make it challenging to determine whether borrowers are on qualifying repayment plans or making qualifying payments. Officials with Education and the PSLF servicer said that these inconsistencies increase the risk of miscounting qualifying payments. This is contrary to federal internal control standards, which state that agencies should use quality information.[23] Our 2018 report recommended that Education standardize the payment information that the PSLF servicer receives from other loan servicers to ensure the PSLF servicer obtains more consistent and accurate payment information. Education agreed with this recommendation and stated that efforts were underway to improve the consistency of payment information exchanged between servicers. As of September 2019, Education reported that it is planning to standardize this loan payment data by spring 2020. If Education

[22] If a borrower's loan is being serviced by one of Education's eight other loan servicers, the loan and prior payment information must be transferred to the PSLF servicer before the servicer can count the borrower's qualifying PSLF payments.

[23] GAO-14-704G.

implements this recommendation, we believe it would reduce the potential risk of qualifying PSLF payment count errors moving forward.

Education Can Provide Better Service to Borrowers by Expanding Outreach, Streamlining Processes, and Sharing Critical Information with Borrowers

We have previously reported on how unclear processes and a lack of information about the PSLF program and the temporary expanded process could contribute to borrower confusion and high denial rates. We have also reported that borrowers can face challenges detecting any errors in payment counts for the PSLF program and with contesting eligibility determinations for the temporary expanded process. To address these issues, we have made five recommendations to Education to improve service to borrowers by expanding outreach, streamlining processes, and providing information to help borrowers catch and resolve errors (see table 3). Education agreed with these recommendations, but has not yet taken sufficient actions to fully implement them.

Table 3: GAO Recommendations for the Department of Education to Improve Public Service Loan Forgiveness (PSLF) Program and Temporary Expanded Process Service to Borrowers

Recommendation	Status
Include information about the temporary expanded process in the online PSLF Help Tool	Not fully implemented
Require loan servicer websites to provide information about the temporary expanded process	Not fully implemented
Integrate the request for the temporary expanded process into the PSLF application	Not fully implemented
Provide borrowers with sufficiently detailed information to be able to identify any errors in the PSLF servicer's counts of qualifying payments for the PSLF program	Not fully implemented
Provide borrowers more information on options for contesting loan servicer's temporary expanded process decisions	Not fully implemented

Source: GAO, Public Service Loan Forgiveness: Improving the Temporary Expanded Process Could Help Reduce Borrower Confusion, GAO-19-595 (Washington, D.C.: Sept. 5, 2019) and Public Service Loan Forgiveness: Education Needs to Provide Better Information for the Loan Servicer and Borrowers, GAO-18-547 (Washington, D.C.: Sept. 5, 2018).| GAO-19-717T

Borrower Outreach

Education uses several methods to inform borrowers about the PSLF program and temporary expanded process requirements, including through its website and webinars. Congress also appropriated $4.6 million in 2018 for Education to conduct outreach to borrowers about PSLF, including the temporary expanded process. However, our recent work has found several areas in which the agency's outreach activities related to the temporary expanded process are limited. While Education and PSLF loan servicer officials told us that they primarily direct borrowers to online sources to inform them about requirements for the temporary expanded process, we found that the agency does not include information about the temporary expanded process in key online sources. For example, according to agency officials, one of Education's primary PSLF outreach mechanisms—the online PSLF Help Tool, which the agency launched in December 2018—does not include any information about the temporary expanded process.[24] Officials from Education and the PSLF servicer stated that integrating information about the temporary expanded process into the online PSLF Help Tool would be beneficial for borrowers and would reduce confusion about the temporary expanded process. In addition, our 2019 report found that while all nine of Education's loan servicers' websites contain some information on the PSLF program, none of them (other than the PSLF loan servicer) included information about the temporary expanded process on their websites or provided a link to Education's website specific to the temporary expanded process. Education officials told us that only the PSLF servicer is required to have information about the temporary expanded process on its website; however, other loan servicers may also serve borrowers who are potentially eligible but may be unaware of the temporary expanded process.

This limited outreach to borrowers about the temporary expanded process reduces the likelihood that borrowers are able to take advantage of this opportunity. Further, federal internal control standards state that management should externally communicate the necessary quality information to achieve the entity's objectives.[25] To improve Education's borrower outreach about the temporary expanded process, our September 2019 report recommended that Education include information about the temporary expanded process in its online PSLF Help Tool and that Education require all loan servicers to provide information about the temporary expanded process on their websites. Education agreed with both of these recommendations, and stated that it would take steps to address them. If Education implements these two recommendations, we believe it would help the department provide better service to borrowers

[24] The online PSLF Help Tool assists borrowers with determining whether their loans and employment qualify and which PSLF forms they need to submit. Starting in May, 2018, borrowers were able to request that their federal student loans be forgiven through the temporary expanded process, seven months before the online PSLF Help Tool was launched.

[25] GAO-14-704G.

by raising awareness of the temporary expanded process and requirements.

Streamlining Processes

In September 2019, we reported that Education's process for requesting loan forgiveness through the temporary expanded process is not clear to borrowers and may contribute to high denial rates.[26] In particular, the requirement that borrowers must have already submitted a separate PSLF application in order to be eligible for loan forgiveness through the temporary expanded process can confuse borrowers. Borrowers currently must submit a separate PSLF application, even if they know it will be denied, before Education will consider their request for forgiveness through the temporary expanded process.[27] Education officials acknowledged that the majority of requests for the temporary expanded process come from borrowers who have not first submitted a PSLF application. Similarly, our September 2019 report found that 71 percent of the denied requests were denied because the borrower had not submitted a PSLF application. Officials from the PSLF loan servicer said that borrowers who called were frequently confused when they received a denial for the temporary expanded process based on the fact that they had not first submitted an application for the PSLF program.

This lack of a borrower-friendly process complicates the path towards loan forgiveness and does not align with Education's strategic plan objective to improve the quality of service to customers. To address this issue, our 2019 report recommended that Education streamline the process for borrowers to request loan forgiveness through the temporary expanded process by integrating the request for temporary expanded process consideration into the PSLF application, eliminating the need for borrowers to submit a separate PSLF application prior to consideration. Education agreed with this recommendation and stated that it will integrate requests for the temporary expanded process into the PSLF application as part of its ongoing initiative to overhaul its online portal for student loan borrowers. Implementation of this recommendation would improve service to borrowers by making the process easier and less confusing.

[26] GAO-19-595.

[27] Education officials said that the department added this step to the process because the PSLF application form captures information the loan servicer needs to determine a borrower's eligibility for the temporary expanded process, and because they were required to roll out the temporary expanded process within 60 days.

Information to Help Borrowers Identify and Remedy Potential Errors

In 2018, we reported that although Education and PSLF servicer officials acknowledged the risk of miscounting qualifying payments, the PSLF servicer did not provide borrowers with sufficient information to easily identify PSLF program errors. Officials with the PSLF servicer said they rely on borrowers to catch any payment counting errors resulting from issues with information provided by other loan servicers. As we reported, the PSLF servicer provided borrowers with aggregate counts of qualifying payments, which are useful for helping borrowers track their progress, but did not provide borrowers with enough detail to check the servicer's counts and identify prior payments that the servicer may have missed. This is also contrary to federal internal control standards which call for communicating necessary information to external parties.[28] Our 2018 report recommended that Education ensure that borrowers receive sufficiently detailed payment information from the PSLF servicer to be able to identify any errors in the servicer's counts of qualifying payments. Education agreed with this recommendation and stated that efforts were underway to standardize the payment count information that is provided to borrowers. As of September 2019, Education reported that it is reviewing communications from the PSLF servicer to ensure that borrowers receive sufficiently detailed information regarding payment counts and payment history and that this review will be completed by September of 2020. To help borrowers detect potential payment counting errors that could ultimately affect their eligibility for the PSLF program, we believe Education should implement this recommendation and provide borrowers with more detailed qualifying payment information.

Further, our 2019 report on the temporary expanded process found that Education does not provide complete information to borrowers about options they have to contest payment counts or other aspects of the eligibility determination process. An Education official told us that while there is no formal process for borrowers who are dissatisfied with their temporary expanded process determinations to contest the determination, borrowers do have additional options for addressing concerns, such as an additional review by the PSLF servicer, or a complaint to Education's Federal Student Aid Feedback System or Ombudsman. Education officials told us that the agency does not provide information about these options in its denial letters or on its website for the temporary expanded process, noting that borrowers could find this information at the bottom of Education's Federal Student Aid main website. However, borrowers may

[28] GAO-14-704G.

not know where to find this information should they choose to contest their temporary expanded process determination, because this information is not effectively communicated to them in accordance with federal internal control standards.[29] To address this, our 2019 report recommended that Education provide borrowers with more information on the website for the temporary expanded process and in the servicer's denial letters about options available to borrowers should they wish to contest the servicer's decision. Education agreed with this recommendation and stated that it would add information about the options borrowers have to contest temporary expanded process decisions to relevant websites and denial letters. Implementing this recommendation will increase the likelihood that borrowers with valid concerns about the temporary expanded process will have them appropriately resolved.

In conclusion, my statement has highlighted several actions Education could take to strengthen the PSLF program and the temporary expanded process to deliver on the promise the federal government has made to borrowers pursuing careers in public service. Education is responsible for establishing an administrative structure for the loan servicer, but more than 10 years after the PSLF program was first established, Education has not provided the loan servicer with a comprehensive source of guidance and instructions on how to operate the PSLF program, and could provide additional information to help ensure that eligibility determinations are being made correctly. Education is responsible for ensuring that borrowers are aware of and understand programmatic requirements. However, the high denial rates for the PSLF program and its temporary expanded process suggest that borrowers are still confused. It is also important for Education to maintain borrower confidence, but the department has not provided critical information to borrowers to help them remedy potential errors.

Large numbers of borrowers have pursued careers in public service, sometimes at lower pay than in the private sector, with the hope of one day achieving loan forgiveness through the PSLF program. They have often had to navigate the PSLF program requirements with a lack of sufficient information from Education only to be denied 10 years later when they applied for loan forgiveness because their prior years of

[29] GAO-14-704G.

employment or loan payments did not qualify. In addition, some borrowers who were denied may not be aware that they might be eligible for loan forgiveness through the temporary expanded process, potentially missing out on this temporary opportunity. Education needs to take action to better serve these borrowers and help smooth their long road towards loan forgiveness. Education has not yet taken action to fully implement the eight recommendations discussed in this testimony. We continue to believe that implementing these eight recommendations would strengthen program administration, improve service to borrowers, and help to fulfill the original goal of encouraging individuals to enter and continue in public service employment. We will continue to monitor Education's efforts in these areas.

Chairwoman Davis, Senior Republican Smucker, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact Melissa Emrey-Arras, Director of Education, Workforce, and Income Security, at (617) 788-0534 or emreyarrasm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony include William Colvin (Assistant Director), Nora Boretti (Analyst-in-Charge), Linda Collins, and Aaron Karty. Additional support was provided by James Bennett, Deborah Bland, Alex Galuten, Lara Laufer, Sheila R. McCoy, and Jessica Orr.

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Chairwoman DAVIS. To both of you, thank you very much, again, for being here.

I am going to turn to Ms. Jayapal for the first questions.

Ms. JAYAPAL. Thank you, Madam Chair. I do think it is unfortunate that the CEO of the Pennsylvania Higher Education Assistance Agency, which exclusively manages the Public Service Loan Forgiveness through FedLoan is not here. I would have really liked to ask him questions, especially given that FedLoan's performance under its contract with the Department of Education has, frankly, been abysmal.

Dr. Appel, you say in your testimony that as of June 30, 2019, about 91,000 borrowers have applied for PSLF and 845 borrowers have had their loans discharged for a total of 52 million. You realize that is a less than 1 percent approval rate, correct?

Mr. APPEL. Yes, Congresswoman.

Ms. JAYAPAL. And you acknowledge that Congress provided an extra $700 million to help students who were enrolled in the wrong repayment plan and yet the Department of Education disbursed 28 million to forgive 681 borrower loans?

Mr. APPEL. Yes, Congresswoman.

Ms. JAYAPAL. And you acknowledge that the Pennsylvania Higher Education Assistance Agency or FedLoan has made $1.3 billion over the course of 10 years to service student loans, correct?

Mr. APPEL. Off the top of my head, I don't know the sum of the compensation they received.

Ms. JAYAPAL. But it sounds about right?

Mr. APPEL. I wouldn't want to guess.

Ms. JAYAPAL. Okay. I will tell you it is right. But you are aware that Mark Brown, the head of the Education Department's Office of Federal Student Aid, called FedLoan's performance "wholly unacceptable" in an April 2019 letter to the company?

Mr. APPEL. I haven't seen the letter. I will take your word for it.

Ms. JAYAPAL. Actually, Madam Chair, I would like to enter into the record that letter from Mr. Brown. I would like to ask unanimous consent.

Chairwoman DAVIS. Oh, yes, I am sorry.

Ms. JAYAPAL. Thank you. And based on these facts, Mr. Appel, how would you grade FedLoan's performance under its contract?

Mr. APPEL. Well, among the—if we were to go over some of the facts that you laid out, you mentioned the reflected and I—but I also mentioned it in my oral statement and in the written statement we've submitted, the approval rate is low. But I think in the earlier panel there were questions about terminology sometimes being unfortunate.

Ms. JAYAPAL. I understand. And I am so sorry, I just have a little bit of time.

Mr. APPEL. Yeah.

Ms. JAYAPAL. But if you had to grade FedLoan's performance how would you grade it on an A to F grading system?

Mr. APPEL. So, Congresswoman, the current contract process that is used to allocate loans among—new loans among servicers is based on a performance metric. In other words, as borrowers take out new loans and those are allocated among servicers, those are based on their performance against a set of metrics that include keeping repayment—keeping loans in repayment, as well as—

Ms. JAYAPAL. I'm going to just—

Mr. APPEL.—as well as customer borrower satisfaction.

Ms. JAYAPAL. Okay. I wanted to see if you were willing to endorse what Mr. Brown said in his letter. He called FedLoan's performance wholly unacceptable. I wanted to see if you were willing to say that.

Has the Department of Education ever issued a corrective action plan to FedLoan or to its parent company, the Pennsylvania Higher Education Assistance Agency?

Mr. APPEL. I believe FSA has issued corrective actions with respect to a number of servicers.

Ms. JAYAPAL. And I will just say in the letter that I submitted there are three outstanding corrective action plans: one, around deficiencies for improper servicing; two, around customer service as identified in Higgins v. Education; and three, the implementation of the Teach Grant reconsideration process. The fact that these warnings were even issued I think shows serious malfeasance at FedLoan.

Has the Department of Education compensated the borrowers who were affected, or did you require FedLoan to do so?

Mr. APPEL. I don't know about the particular circumstances that you're referencing. I do know when there are cases of servicer error, there can be corrective action that requires keeping borrowers whole.

Ms. JAYAPAL. Okay. Has the Department ever considered taking all or a portion of business away from FedLoan to improve the borrower experience?

Mr. APPEL. As you may be aware, Congresswoman, FSA is now engaged in a significant effort to remake and transform the student loan servicing function as part of its Next Gen Initiative.

Ms. JAYAPAL. And do you believe that FedLoan should be under consideration for an ongoing contract given that it has been called wholly unacceptable in terms of its performance so far?

Mr. APPEL. So, the acquisitions process that's common across the Federal Government includes provisions that require solicitations to be open for competition that will be—past performance will be judged based on requirements of that solicitation.

Ms. JAYAPAL. Thank you, Mr. Appel. It is unfortunate, and I think very disturbing to me, that $1.3 billion in taxpayer money is potentially going to be continued for an agency that has wasted that money as far as we can see from everything that has been put forward. And I hope that you would reconsider that at the Department of Education.

Thank you, Madam Chair.

Chairwoman DAVIS. Thank you.

Ms. JAYAPAL. I yield back.

Chairwoman DAVIS. Thank you. Mr. Smucker? The Ranking Member will now ask questions.

Mr. SMUCKER. Thank you, Madam Chair. Mr. Appel, I would like to just get a few questions and your answers on the record.

So yes or no, does the Higher Education Act, which is, of course, the act which authorizes PSLF, have specific criteria for borrower eligibility?

Mr. APPEL. Yes, Congressman.

Mr. SMUCKER. Does that specific participation criteria include employment with specific types of organizations doing specific types of work, yes or no?

Mr. APPEL. Yes, Congressman.

Mr. SMUCKER. And does the specific participation criteria include specific requirements about what counts as a payment for PSLF?

Mr. APPEL. Yes, Congressman.

Mr. SMUCKER. And does that criteria include a requirement for a borrower to be in a certain type of repayment plan and how many payments need to be made to qualify for participation?

Mr. APPEL. Yes, Congressman.

Mr. SMUCKER. Did the Department of Education add any requirements for participation in addition to what was already in the law?

Mr. APPEL. There were some additions as a result of regulations developed by the Department that further—

Mr. SMUCKER. Could you go into detail about what some of those requirements may be, when they were established? And have any of those eligibility requirements been changed in the last decade?

Mr. APPEL. So, the Department of Education originally engaged in negotiated rulemaking to develop regulations for PSLF in 2007. I believe the final regulations were issued in 2008. In defining eligibility requirements, an on-time payment is defined as a payment within 15 days of the due date.

There are also requirements that address certain types of qualifying activities within work performed by certain types of organizations. So, for example, certain religious activities might not qualify under the program as—for employment purposes.

Mr. SMUCKER. So, again, your testimony is that those regulations were implemented in 2008?

Mr. APPEL. Yes, sir.

Mr. SMUCKER. Have any of those requirements changed since then, in the last decade?

Mr. APPEL. There are a few additions that I believe were added in 2015 that pertained to making some exceptions about how to count payments for Department of Defense loan repayment programs that were kind of given a special treatment in terms of how those payments would be counted.

Mr. SMUCKER. Thank you. Let's go then to the requirements for the expansion, the Temporary Expanded PSLF. Were those requirements as specific as PSLF?

Mr. APPEL. Yes, Congressman.

Mr. SMUCKER. Did the Department add any requirements to the Temporary Expanded PSLF criteria when implementing that program that are not related to the statutory requirements?

Mr. APPEL. No, Congressman.

Mr. SMUCKER. Thank you. Mrs. Emery-Arras, also a few specific questions.

Yes or no, in the report issued by the GAO, the GAO find that the Department was not following the law on TEPSLF?

Ms. EMREY–ARRAS. We did not do a legal compliance review.

Mr. SMUCKER. So, there was no finding that they were not in compliance with the law?

Ms. EMREY–ARRAS. Correct.

Mr. SMUCKER. Did the Department disagree with any of your recommendations in the report because they did not want to help borrowers?

Ms. EMREY–ARRAS. The Department agreed with all of the recommendations.

Mr. SMUCKER. And did the GAO find that the Department was actually denying, completely denying any eligible borrowers?

Ms. EMREY–ARRAS. No.

Mr. SMUCKER. Did the GAO do any analysis of whether the law as written is the reason that almost all applicants for the program have been found ineligible?

Ms. EMREY–ARRAS. No, our focus was on the implementation of the law and how it was operationalized by the Department.

Mr. SMUCKER. Thank you. And I yield back the balance of my time.

Chairwoman DAVIS. Thank you very much. Mr. Scott?

Mr. SCOTT. Thank you, Madam Chair. As I said earlier, I mean, we didn't create a puzzle or a contest. I mean, the odds of somebody getting through this process, they would be better off buying lottery tickets.

Mr. Appel, when should a person know that they are on the right track to get a discharge under this program?

Mr. APPEL. So, Congressman, to help borrowers know whether they're on the right track the Department developed an employment certification form back in 2012 that we encourage borrowers to complete at least annually or more frequently if they change employers. That starts a process that allows them to track their progress towards forgiveness.

Mr. SCOTT. Okay. And is that form sent to the servicer or to the Department?

Mr. APPEL. So, the form is sent to the servicer. It's made available on our website and borrowers can obtain the form from any loan servicer.

Mr. SCOTT. And as soon as the student as the borrower fills out the form, when do they know whether they are on the right track or not?

Mr. APPEL. So, when they—after they complete the form, if it's accurate, completely filled out, the contractor will review and respond to the borrower typically within 30 to 45 days, depending on whether the form is complete. It can take longer if there's any back-and-forth required to obtain more information.

Mr. SCOTT. And so, the borrower should know when they sign up with an employer whether they are on track to a 10-year discharge?

Mr. APPEL. So, one of the things that we—in addition to the employment certification form that we've recently developed and implemented is a Public Service Loan Forgiveness help tool. And it's an automated tool that will guide a borrower towards the steps of completing the employment certification form, but it's almost an online tutorial that will help guide borrowers to recognize, we think, sooner and make sure that they're aware that they have the right loan, are in the right repayment plan, that their employer is likely to qualify or may qualify. And those are some of the—we plan on actually making additional improvements to that tool in response to some of GAO's recommendations.

Mr. SCOTT. If that process starts taking place, what portion of the people who think they are in the plan will actually be in the plan?

Mr. APPEL. So, as we've kind of seen in some of the results to date with respect to applications that have been submitted, among those that have been found not eligible, several are because borrowers are not in the right repayment plan. Some of the new information that we've been making public is to help provide some transparency and clarity about those factors that are keeping borrowers from—

Mr. SCOTT. Now, as I understand it, if you are in the wrong plan, you can consolidate into the right plan, right?

Mr. APPEL. So, if you have the wrong type of loan you can consolidate into the Direct Loan Program. For example—

Mr. SCOTT. And then you would qualify for the 10-year discharge?

Mr. APPEL. You would have an eligible loan. Beyond that—beyond—there are other requirements beyond having the right kind of loan. That includes being in the right repayment plan.

Mr. SCOTT. Well, I guess the question is people ought to know whether they are going to get a discharge after 10 years. We all have constituents who have said they thought they were in the right plan. They are at the end of 10 years, they thought they had done what they—what was necessary. And all of a sudden, they are told, no, you have got another 10 years to make payments. That wasn't what we expected when we set up the program.

Now, to fix this so that people who are in plans and have done what they are supposed to do, do we need statutory changes, or can this be done through regulation to fix the problem?

Mr. APPEL. So, depending on what problems or barriers there may be—

Mr. SCOTT. Well, the problem is that 99 percent of the people that are applying for a discharge are told they are not qualified. And, you know, if it was 99 percent qualified, 1 percent didn't get it right, you could say it was their fault. But 99 percent discharged, there is something wrong with the—well, let me ask you this. Do you think there is something wrong with the program?

Mr. APPEL. Congressman, earlier in my oral statement and in my written statement we have information to the point of the low approval rates to date. So, among eligible—among applicants who have eligible loans, the right loans, about 80 percent have not been in repayment for 10 years. So, meaning that 10-year repayment requirement is a significant criteria in order to earn forgiveness. So, for—

Mr. SCOTT. Well, my time is expiring. Is there anything that—to get this thing fixed is there anything that needs to be done by statute or can you do it by regulation to fix the problem?

Chairwoman DAVIS. Mr. Chair, I am going to go ahead and go to the next Member, but I also want you to respond to that in just a few minutes, okay?

Mr. APPEL. So, I—as I mentioned earlier, some of the obstacles borrowers are facing are because of the statutory requirements, and the Department is happy to provide Congress technical assistance if you'd like to contemplate legislative changes. There are steps that we're taking to improve our administration of the program, some of which are in the response to the GAO's recommendations. We're taking quite a few steps to try to increase borrower awareness about the requirements of the program and the steps that they need to take in order to earn forgiveness.

Chairwoman DAVIS. Thank you, Director Appel. Dr. Foxx?

Mrs. FOXX. Thank you, Madam Chairman. Mr. Emrey-Arras, the GAO completed a report in August of 2015 that said the Department of Education could do more to help ensure borrowers are aware of repayment and forgiveness options. In general, that report found that participation in the available programs was low and the conclusion of that report said the borrowers needed information PSLF to take advantage of the program.

The report also found the Department had not assessed the efforts it had made to raise awareness of the program. Is that generally accurate about that 2015 report?

Ms. EMREY–ARRAS. Yes.

Mrs. FOXX. Ms. Emery-Arras, who was the Secretary of Education at the time this 2015 report was issued?

Ms. EMREY–ARRAS. The prior administration.

Mrs. FOXX. Who was the Secretary of Education in the time period looked at in developing the report, how long had that individual been in that position?

Ms. EMREY–ARRAS. It was under the prior administration.

Mrs. FOXX. But who was it and how long had that person been in the position?

Ms. EMREY–ARRAS. I don't remember how long at that point in time.

Mrs. FOXX. Okay. Well, I would appreciate it if you could get that for us for the record. Okay?

Mr. Appel, you were at the Department when this report was issued, correct?

Mr. APPEL. Correct.

Mrs. FOXX. In that 2015 report the GAO noted that the Department had taken some steps intended to increase borrower awareness of PSLF, but it had not notified all borrowers who have repayment about the program. The report noted that borrowers had to proactively seek out the information on PSLF that the Department had put on social media and its website. The report goes on to note that the Department was considering an email campaign to borrowers on income-driven plans.

Mr. Appel, do you recall what actions the Department took in response to this report?

Mr. APPEL. So after—consequent to the report, the Department continued some of the direct outreach it was making to borrowers as part of a campaign to increase awareness of income-driven repayment and the link participating in that plan to Public Service Loan Forgiveness.

Mrs. FOXX. If the Department had done more to inform borrowers earlier about all of their obligations under the law would the ineligible rates, we are currently seeing have been this high?

Mr. APPEL. So, I think one of these—Congresswoman, one of the significant and important details that we're offering today is—in terms of insight into the low approval rates, is the fact that a large majority of applicants haven't been in repayment for 10 years. So, there's either a confusion on the part of the borrower about what's required or borrowers are going ahead and applying, perhaps thinking they're taking the right steps in order to track progress.

Mrs. FOXX. Right. And nobody in the last panel or this panel has said one word about student financial aid officers and what is their responsibility to the students and interns. And again, one of the things we did in the PROSPER Act was to talk about the financial literacy aspects and the importance of counseling to students.

It seems to me that there is a big gap here in the people who are not here. We talked about PHEAA not being here. We should have had somebody from NASFA here to talk about what is the role of financial aid officers in explaining this to students?

I will still contend students, from the material on the Department's website, could understand what the requirements are. And I do think it is important for us to stop using the word “denied” and start saying “ineligible.” Because, as you say, 80 percent have not even paid 10 years’ worth, which means they are not denied. They simply have not become eligible for the program. And I think it is very important we do that.

If the Department had done earlier a more robust outreach, I believe we would not have seen so many people incorrectly believing they were eligible and on track. But I also believe there would be very few people eligible for a discharge in 2019 considering all the limitations included in the law.

There would have been no need to create TEPSLF if Democrats in Congress in 2007 had done a better job writing the program and the Democrats in the executive branch cared about borrowers enough to move forward with implementing the program so everyone was aware of the legislative requirements from the beginning.

Most of these problems stem from the beginning of the program and the lack of work done during the Obama administration. And that simply is—the blame is being put on this administration, which is incorrect.

Thank you. I yield back.

Chairwoman DAVIS. Thank you. Turn to Mr. Sablan.

Mr. SABLAN. Yeah, thank you, Madam Chair. We are all getting hungry. I will get right to the questions.

Mr. Appel?

Mr. APPEL. Yes, Congressman.

Mr. SABLAN. Mr. Appel, why does the Department prevent prepayments from counting towards Public Service Loan Forgiveness through pay-ahead status? And why wouldn’t the government want to encourage borrowers to pay their loans early?

Mr. APPEL. So, Congressman, I mentioned earlier one of the few additions to the statutory requirements that the Department had added through its regulations was to define what constitutes an on-time payment, and that was a payment within 15 days of a due date. The idea behind that in part rests with the goal of the program and the requirement that a borrower’s employment—that the 10-year service requirement is tied to their loan repayment.

So, in order—so there’s kind of two subparts of that requirement. A borrower needs to work for 10 years for a qualifying employer, but also make 10 years’ worth of repayment. We’ve kind of combined that—those two elements are kind of combined in that one statutory requirement.

Mr. SABLAN. Fair enough, thank you. And, Mr. Appel, on page 9 and 10 of GAO’s report they talk about the benefits of integrating the Public Service Loan Forgiveness program, PSLF, and the Temporary Expanded PSLF, which allows borrowers to qualify for loan forgiveness through additional types of repayment plans. And it says that the Department basically knows that this should happen.

However, GAO says that there are, and I quote, "currently no specific plans to do so." How is that possible?

Mr. APPEL. So, I think, Congressman, to make sure I understood your question, the GAO did recommend that we combine the application process of both the Public Service Loan Forgiveness program and the temporary expansion of that program that Congress created.

When Congress first passed the temporary expansion in 2018, they gave the Department just 60 days to implement a simple process. We did the best we could within that short timeframe. It's a challenge for a Federal agency to implement anything in 60 days and comply with other statutory requirements, frankly, including the Paperwork Reduction Act.

The simple process we've set up really—is really basically a borrower sending us an email. And given the statutory requirements in the appropriations language that conveyed that program, we felt, obviously, legally, we had to make sure that a borrower wasn't, first, eligible for Public Service Loan Forgiveness, but for using the discretionary appropriated funds included in the appropriations bill.

Also, by making sure that we're kind of using one pot of money before we use the discretionary pot of money, we would make those funds go further anyway. So, we thought that was part of the goal of Congress, as well.

Mr. SABLAN. So, Mr. Appel, are you saying that GAO's statement that there are currently no specific plans to do so, to merge, for example, the two programs, is incorrect?

Mr. APPEL. So, I'd say their report and recommendation are fairly recent. I believe your final report just came out a week or two ago and includes that recommendation.

We agreed with the recommendation. We don't have a timeframe yet. One of the our—one of the challenging things about trying to combine the two processes, frankly, is with the appropriated discretionary funds that pay for the loan forgiveness part of the bill is dealing with the first-come, first-served requirement.

Mr. SABLAN. All right.

Mr. APPEL. So, there's a queuing process that is part and parcel of the temporary expansion.

Mr. SABLAN. I have one more question, Mr. Appel. Thank you.

Mr. Appel, we know that the Department itself has found that the loan servicer responsible for administering PSLF, PHEAA, that loan servicer, has miscounted payments towards PSLF contrary to their contract. Has the Department ever penalized PHEAA for not following its contract? And if not, why not?

Mr. APPEL. So, I'm aware that the Department has developed corrective action plans to work with PHEAA on payment counting issues. I'm not sure of the specific requirements of that. I'm happy to get back to you on that, if you'd like.

Mr. SABLAN. So, there is a potential possibility that they will be penalized?

Mr. APPEL. So, the Department in past has taken actions against servicers—

Mr. SABLAN. Money?

Mr. APPEL.—that proposed penalty. It includes recouping funds that they were paid to perform a service that we find they actually didn't perform.

Mr. SABLAN. My time is up, Madam Chair.

Chairwoman DAVIS. Thank you. I am going to turn to Mr. Guthrie.

Mr. GUTHRIE. Thank you, Madam Chair. Thank you for convening this hearing. I appreciate.

I apologize. There is a couple of the—I know another committee and they had a couple subcommittees meeting and I have been there, so I apologize for being late to be here. But glad to be here to ask some questions. I look forward to your responses.

So, Ms. Emrey-Arras, this July, the GAO report—GAO completed another report relating to Federal loan repayments. In the report, on income-driven repayments the GAO found potential fraud in the program and suggested the Department of Education was vulnerable because of the weak verification measures of income-driven repayments. Is that correct?

Ms. EMREY–ARRAS. That is correct.

Mr. GUTHRIE. So, do you all stand by your findings and notes of potential fraud in this report, which you said you do? Do you believe Congress should be concerned about these deficiencies and that we should be looking for solutions to what you discovered?

Ms. EMREY–ARRAS. We did make recommendations in that report that your referenced to help address potential fraud and error in the income-drive repayment plans.

Mr. GUTHRIE. Thank you. So, Mr. Appel, was it the Department's reaction to that report on income verification and income-driven repayment plans—I mean, what was the Department's reaction? And did the Department make any changes or are they in the process of making any changes to eliminate or mitigation the risk of fraud in these repayment plans?

Mr. APPEL. Thank you, Congressman, for the opportunity to respond.

We agreed with GAO's recommendations in that report and are in the process of taking steps to respond to those. We're still trying to figure out how best to do that.

One of the things that GAO found, and that kind of highlights one of the challenges we have in implementing income-drive repayment programs, which has some impact with respect to the Public Service Loan Forgiveness program, is that the Department doesn't have access to income of borrowers unless borrowers provide it to us. That is sometimes an implementation challenge in terms of not only enrolling borrowers into an income-driven repayment plan but maintaining their enrollment because there's a requirement that they certify their income annually.

We've taken steps to try to facilitate borrowers' provision of that income by using the same tool that we've used to help FASFA applicants provide IRS data to the Department for the purposes of applying for Federal student aid. So that's the IRS DRT tool that you may be familiar with.

Mr. GUTHRIE. Right.

Mr. APPEL. So, borrowers can also use that for providing their income data for purposes of participating in an income-drive repayment plan. There are times, of course, that we know that borrowers may lose a job and their financial circumstances change and they may not be earning any income. And they're still entitled to participate under the law in an income-based repayment program. And they may have payments that are legitimately zero dollars.

We're taking steps based on the—GAO's findings that—there seem to be a potential for fraud or an indicator of fraud given the extent to which they found that for some borrowers who had certified on their applications, that they had very large family sizes or low or no income, that GAO found that they had earnings reported in the Department of Health and Human Services' New Hires database; another source of income information to which the Department of Education does not have access.

Mr. GUTHRIE. Okay. One other question, Mr. Appel. In order to prevent fraud in any program it is important to carefully follow the law as written as the Department has done in the Public Service Loan Forgiveness.

Further, I am just wondering, are you aware of any concern of potential fraud in the Temporary Expanded Public Service Loan Forgiveness or Public Service Loan Forgiveness as the GAO noted in the income-drive repayment report?

Mr. APPEL. So, Congressman, I'm not aware of any potential for fraud. But as I mentioned earlier, because of the issues that GAO had identified with respect to those borrowers that participated in income-drive repayment, being enrolled in it for—in order for a borrower to really benefit from the Public Service Loan Forgiveness programs, they need to be in an income-driven repayment plan. That lowers their monthly payment more than a 10-year standard plan would provide.

So, to the extent that the information provided isn't accurate, then that's kind of a spillover from the potential concerns that GAO had about whether there's a chance of fraud.

Mr. GUTHRIE. Okay, thank you. My time has expired, and I yield back. I appreciate your answers. Thank you.

Chairwoman DAVIS. Turn now to Mr. Grothman. Ready?

Mr. GROTHMAN. Okay. Mr. Appel?

Mr. APPEL. Yes, sir.

Mr. GROTHMAN. Okay. There is a lot of confusion about the PSLF eligibility requirements. We should have a graph coming up here. Is there a graph coming up? Oh, here it is behind me. Okay.

I want to make sure I understand everything here and even looking at this graph is going to lend credence to the idea that Congress did a bad job of putting this program together and it is too complicated. But are you familiar with this graph?

Mr. APPEL. Generally.

Mr. GROTHMAN. Yeah. The graph to me looks ridiculously complicated. Do you think it is ridiculously complicated?

Mr. APPEL. So, Congressman, in my written statement we've kind of laid out what the statutory requirements are.

Mr. GROTHMAN. And I am not blaming you for it. I am blaming Congress for it. I think the people who put together this program in 2007 didn't do a very good job. Do you think that is an accurate statement?

Mr. APPEL. Congressman, as we've mentioned, there's a relatively low approval rate and we've identified several of the statutory criteria as being responsible for why borrowers aren't obtaining forgiveness on their loans yet.

Mr. GROTHMAN. Right, and I want to qualify myself. I mean, I asked the previous panel. I am not for programs that discriminate against people who decide to go into manufacturing or agriculture or the private sector. I am not one of those private sector haters who thinks, you know, they should be left out of everything.

But in 2007, a large percentage of students had been borrowing Federal loans through the FFEL program, not Direct Loan, correct?

Mr. APPEL. Correct. About three-quarters of students at that time were participating in the FFEL program because their schools participated in that program.

Mr. GROTHMAN. Yeah. And you think what happened is or part of the problem is here that the expectations were raised for people who were taking out their loans from the FFEL program and that is maybe a primary reason why we don't have those huge forgiveness that some people thought?

Mr. APPEL. I think we, Congressman, find in terms of reviewing the applications that are submitted, that one of the factors that are disqualifying applicants from receiving forgiveness is the fact that they have FFEL loans, which don't qualify for forgiveness.

Mr. GROTHMAN. Okay. Probably millions of people have either FFEL or combined FFEL and Direct Loans, right? You think millions of people are in that boat?

Mr. APPEL. So, the FFEL program ceased making loans in 2010. It's a declining share of the overall outstanding balance of Federal student loans—

Mr. GROTHMAN. But still a high percentage. You have—

Mr. APPEL.—but not insignificant.

Mr. GROTHMAN. Over half?

Mr. APPEL. It's less than half of the current outstanding balance. At the time—

Mr. GROTHMAN. Of the balance. But the number of people who have some loans in that—from those programs?

Mr. APPEL. Congressman, that's also a declining share.

Mr. GROTHMAN. A declining share, but people who have least—

Mr. APPEL. It has millions of borrowers, Congressman.

Mr. GROTHMAN. Millions of borrowers, right. Did the Department say anything to those students during or after the transition about what that meant for repayment as we flip from FFEL to Direct Loans?

Mr. APPEL. So, part of our outreach and communications effort that we do is intended to be—to reach as broad an audience as possible. That's in part why we use—kind of rely on social media in order to reach as many people as possible.

Mr. GROTHMAN. Do you think there were a lot of people who didn't combine or blend their FFELs into Direct Loans? Is that part of the problem, too?

Mr. APPEL. Congressman, that is part of the problem in the sense of that's what we see as we're reviewing the applications borrowers are submitting to date.

Mr. GROTHMAN. Okay. If a borrower over or underpays in any given month, will that still count as a qualified payment assuming the borrower is in the correct repayment plan?

Mr. APPEL. It depends. It can. That has been an issue for some borrowers, and we are looking at taking steps to help those who may have inadvertently overpaid one month. That causes the—their payment bill the next month to decline to an amount that was lower than their regular scheduled monthly payment.

Mr. GROTHMAN. Okay.

Mr. APPEL. So there have been some issues.

Mr. GROTHMAN. Then I want to point out another area we might wind up people disappointed. Okay? Now, to get the PSLF you have to be working for a nonprofit or government agency, right?

Mr. APPEL. No, Congressman—yes, Congressman.

Mr. GROTHMAN. Okay. So that seems odd. So, if I am a journalist for NPR or a journalist for The Washington Post, theoretically you are doing the same thing, but it is not occupation, it is employer, right? So, you can have the exact same job, but because one guy was or gal was—you know, got involved working for a private sector corporation, they are out in the snow. Could that cause part of the confusion, too, if people didn't realize—

Chairwoman DAVIS. Mr. Grothman, your time is well up. Mr. Appel, could you respond quickly to the first part of that question?

Mr. APPEL. Yes. For an employing organization to be eligible it needs to be nonprofit or government. For profit organizations would not be.

Mr. GROTHMAN. Could be confusing. Thank you.

Chairwoman DAVIS. Thank you. Thank you. Ms. Adams.

Ms. ADAMS. Thank you, Madam Chair, and thank you to the witnesses for being here.

Mr. Appel, thanks for appearing before the subcommittee today. It is more than I can say for PHEAA. We know that the Department itself has found that PHEAA has miscounted payments toward the PSLF contrary to their contract. So, has the Department ever penalized PHEAA for not following its contract? And if not, why not?

Mr. APPEL. Congresswoman, thank you for your question. I responded to a similar question earlier. I'm aware that a corrective action plan had been developed for—with respect to PHEAA on payment counting issues. I'm not familiar with the specifics of that. It's not a function that I directly oversee at Federal Student Aid, but I do know there was a corrective action plan taken.

I know with respect to some servicers and others there are penalties and consequences provided in cases where it's necessary. That has included reimbursing the Federal Government for fees they've been paid to perform services that we late find they failed to perform.

Ms. ADAMS. Okay. So, you are saying that they reimburse as a way of correcting?

Mr. APPEL. That is a method of one of the consequences of failing to perform as contracted.

Ms. ADAMS. Do you know if there are others?

Mr. APPEL. There are other examples, I believe, of that being the case with—for other servicers on other issues.

Ms. ADAMS. Okay. Thank you. Ms. Emrey-Arras, the Department seems to lay off a lot of—to lay a lot of the blame on application denials on the borrower either because they were not in repayment for the required 120 months or their applications were incomplete. In GAO's estimation how much of that can be laid at the feet of the Department and PHEAA?

Ms. EMREY–ARRAS. I think any confusion at the level of the borrower relates to the need for outreach by the Department. If people are applying for a program that they're not eligible for, it's because they're confused. And so, it's really important that the Department help them understand what the requirements are so that they can apply if they are eligible and not spend their time applying and have their hopes dashed if they are not.

Ms. ADAMS. So now that the Department has begun implementing some of your recommendations, have we seen denials decrease accordingly?

Ms. EMREY–ARRAS. It's still early, but the numbers have been very consistent in terms of the extremely high denial rates.

Ms. ADAMS. Okay. So, it is more so than it was?

Ms. EMREY–ARRAS. The denial rates have stayed constant at 99 percent.

Ms. ADAMS. Thank you very much. And, Madam Chair, I yield back.

Chairwoman DAVIS. Thank you. Mr. Comer?

Mr. COMER. Thank you, Madam Chair. Mr. Appel, the legislative language that created TEPSLF says, and I quote, "provided further that the Secretary shall provide loan cancellation under this section to eligible borrowers on a first-come, first-served basis based on the date of application and subject to both the limitation on total loan volume at application for such loan cancellations specified in the second proviso of the availability of appropriations under this section."

My question, does the first-come, first-served aspect of the law incent borrowers to act quickly rather than take the time necessary to understand their obligations under the law to be able to receive assistance under this program?

Mr. APPEL. Thank you for the question, Congressman. It seems we see an awful lot of applications that have been submitted among borrowers who have not yet been in repayment long enough to qualify. Because the first-come, first-served feature of the law was a key criteria in the statute, it is one of the things that we advised borrowers about in the information that we've posted and made available to them with respect to how to take advantage of the opportunity.

Mr. COMER. So, it is safe to say that the incentive to act quickly caused people to apply for the program without knowing whether they were actually eligible or had met all the requirements to be eligible, is that correct?

Mr. APPEL. That potentially could be a factor in motivating applicants to apply sooner rather than later.

Mr. COMER. Ms. Emrey-Arras, I know I probably mispronounced that. I apologize.

Ms. EMREY–ARRAS. It's okay. Close enough.

Mr. COMER. Would you agree that the GAO has issued a number of reports over the years that include a finding that the Department of Education could have better informed their grantees or stakeholders about the programs or requirements in a program?

Ms. EMREY–ARRAS. We have found that the Department did not regularly inform people about PSLF when they were entering repayment. We also found—and we actually still have an open recommendation not this day that the Department still does not regularly notify everyone in repayment about income-driven repayment. That has been open for years.

Mr. COMER. I see, yes. In our quick review we found more than 20 reports dating between 2007 and 2015 that included a finding along those lines. Given your expertise in this field, would you agree it is clear that the Department of Education has historically done a pretty bad job of providing clear information to its stakeholders?

Ms. EMREY–ARRAS. We've had concerns over the years.

Mr. COMER. All right. Would you say it is clear Congress should have known that the Department let us say struggles with providing information to people?

Ms. EMREY–ARRAS. I would say our reports have talked about that over time.

Mr. COMER. So to both of you all, would you both agree that if Congress wanted to ensure TEPSLF was implemented in an easy-to-understand and straightforward manner, Congress could, and I would say should, have taken that body of GAO evidence and written a law that at least attempted to mitigate these known issues with the Department of Education under the Obama administration?

Ms. EMREY–ARRAS. For GAO, that would be a policy call that we would leave to the Congress.

Mr. COMER. Mr. Appel?

Mr. APPEL. Congressman, I work at Federal Student Aid, which is—we don't—we also don't do policy. That's the prerogative of other parts of the Department.

I would say that a requirement to implement a program within 60 days is not a lot of time, so that's why we first established it the way that we did. And we did try to simplify the process for borrowers as much as we could within the timeframe given.

And with respect to the requirements for a borrower to let us know that they're interested in TEPSLF, the requirement and application process is basically sending us an email with their name and date of birth. That was the requirement to start the process. If they hadn't applied for PSLF yet, we required that they do so since we needed to make sure that, before we spent the discretionary appropriated funds, that the borrower was ineligible for PSLF.

Mr. COMER. Thank you, Madam Chairman. I yield.

Chairwoman DAVIS. Thank you very much. I think everybody who wants to ask a question has asked a question. And so, I will ask my five minutes of questions. Again, thank you for being here.

Mr. Appel, you obviously sat here during the testimony earlier and I am wondering as you listened to Ms. Finlaw, what did she do wrong?

Mr. APPEL. Congresswoman, unfortunately, given that matter is in litigation, I can't really speak to the specifics of that. I think you will see in our written testimony, in my oral statement, some of the factors that borrowers have had to navigate in order to become eligible for forgiveness under both Public Service Loan Forgiveness and its temporary expansion. And some of that has to do with the limited availability of benefits to the Direct Loan program and in order to access the benefits via that route—

Chairwoman DAVIS. Yeah.

Mr. APPEL.—some of the additional steps that borrowers have to take to do that.

Chairwoman DAVIS. As you listened to that, to her story, though, which I think probably is not unique, were there any thoughts that you had that perhaps more could have been done over the years to address those concerns?

Mr. APPEL. So, I think the Department has, over the last several years, taken an increasing number of steps that we at Federal Student Aid have to increase our outreach in terms of trying to help borrowers understand what the requirements are and what they need to do to access the benefits. We're trying to use the, to a large degree, social media so we can try to reach as broad an audience as we can using the, you know, most current communication tools and methods.

One of the new tools that we're excited about and I think will be very helpful to assist borrowers navigate some of the complexities involved is the new Public Service Loan Forgiveness help tool. And that's something that we're making available on our website and are trying to promote and make other aware, so that they can make sure borrowers have that in order to use. It really is a very useful tool.

Chairwoman DAVIS. Yeah. Thank you. And are you saying that this tool is available today?

Mr. APPEL. Yes.

Chairwoman DAVIS. And are the instructions for using it clear as a bell?

Mr. APPEL. Congresswoman, I believe they are.

Chairwoman DAVIS. Have you tested it on students?

Mr. APPEL. It has been user tested. And we're seeing it—

Chairwoman DAVIS. In how many students?

Mr. APPEL. The test—in terms of user testing, I don't know what the size of the focus groups were on the user testing. We do know that it's already been used in the first half of this year almost a quarter of a million times and generated, as I mentioned before, the importance of the employment certification form, over 82,000 forms.

Chairwoman DAVIS. I understand that you're often pointing to the Next Gen program. How far along is that?

Mr. APPEL. So, the Department has taken a critical first step towards that with the award of—

Chairwoman DAVIS. Is that a baby step or a first step?

Mr. APPEL. I think it's a significant first step. It's the digital customer care solution, which is going to consolidate multiple websites on the Department now that are student-facing. It'll be our way of being able to promote FSA as a single brand and have a single point of entry for borrowers, students, and families to receive more information about student aid.

Chairwoman DAVIS. Okay.

Mr. APPEL. And we'll be able to streamline and make more consistent our communication and outreach.

Chairwoman DAVIS. And that will be dependent, also, on people complying with a bid package as you go forward. Okay.

Ms. Emrey-Arras, could you give us a sense, if you will, I mean, you have you been working with this for a long time, I get the feeling that in looking at all this, even though the Department has said they are taking steps, they are working on it, many, many of the recommendations have been very slow.

Ms. EMREY–ARRAS. Right.

Chairwoman DAVIS. Would you attribute that to being lukewarm to this program or do you think that they are committed?

Ms. EMREY–ARRAS. I can't comment on that issue, but I would say that several years ago we pointed out problems in terms of the financial incentives for servicers to talk about PSLF, and actually pointed out that there was a financial disincentive for servicers to counsel borrowers about PSLF or about loan consolidation because they would lose those accounts. Those accounts would go to another servicer.

We pointed that out. We made a recommendation to the Department years ago to address that issue. That remains an unimplemented recommendation.

We also made recommendations last year to do things like have a single manual for the servicer to make sure that the servicer knew what the guidance was for the program. That has yet to be implemented.

There's a lot of stuff that could be done at the ground level right now to fix this program, and we think those things should be done.

Chairwoman DAVIS. And do you have—give us a sense. You think they are going to be done. When do you think they are going to be done?

Ms. EMREY–ARRAS. I would defer to the Department on that. We've been told that by and large 2020 is the date for a lot of the activity. I don't know if Mr. Appel would like to add anything further on that.

Chairwoman DAVIS. Would you confirm that?

Mr. APPEL. Some of the recommendations that Ms. Emrey-Arras mentioned that the FSA, the Department has agreed to do include developing a servicing manual, which we are planning to do by spring of next year, of 2020.

Chairwoman DAVIS. All right. We will follow up. Thank you, Mr. Appel and Ms. Emrey-Arras, as well.

I want to remind my colleagues that pursuant to committee practice, materials for submission for the hearing record must be submitted to the Committee Clerk within 14 days following the last day of the hearing, preferably in Microsoft Word format. The materials submitted must address the subject matter of the hearing and only a Member of the committee or an invited witness may submit materials for inclusion in the hearing record.

Documents are limited to 50 pages each. Documents longer than 50 pages will be incorporated into the record via an internet link that you must provide to the Committee Clerk within the required timeframe and recognizing that link may no longer work after a number of years.

I want to again thank the witnesses for their participation. And, you know, what we have heard is very valuable. I have to say that, you know, there is some disappointment, obviously.

I don't know, Mr. Appel, whether you feel that it would have been good to have PHEAA here for this hearing, that, in fact—despite the fact that they adhere to regulations, obviously the law that Congress sent. Nevertheless, we would have gained some insights, I think, and perhaps the Department of Ed would have been in that position, as well.

I think that we all would like to see more transparency in this regard. That hasn't existed. And only with the push of GAO, I think we have been able to—be able to really acknowledge the fact that there are real problems in this. They have been there for a long time and we are concerned that they haven't been addressed.

Yes, and I will recognize the Ranking Member for his closings statement, but, again, it has been perplexing. And I hope certainly the next time that we meet—we all want to solve this problem and I think you all do, too. But there has been problems in trying to get to that point.

Mr. Smucker.

Mr. SMUCKER. Thank you, Madam Chair. And before I make those closing remarks, with your permission I would like to submit for the record a letter from NASFA which details the student and administrators' long concerns with the implementation of PSLF over multiple administration and includes recommendations to Congress for how to legislatively fix the program to help borrowers. I would like to submit that for the record, if I may.

Chairwoman DAVIS. Oh, yes, I am sorry. So, ordered.

Mr. SMUCKER. Staff has the actual report. Thank you.

Thank you and I would like to just close by thanking each of you for being here, thanking the witnesses from both panels. I think we did hear a lot today. We learned a lot. I drew just a few conclusions from the conversation that we have had today.

One is this was a law that created expectations which were far beyond what was laid out in the law. The law was more complicated than borrowers were led to believe, and it led to some unfortunate circumstances where borrowers did expect a benefit that they were not able to access.

So, I think the first takeaway for me is that we as Members of Congress have an obligation to write laws that are clear, laws that are written simply and clearly. And I think there was a failure in this case for that to occur.

And then that legislation must be faithfully carried out. It is a duty by the administration, all administrations, to carry out the intent—or the legislation that was passed by the administration. And I think in this case there was a failure there, as well. I think the—and it is unfortunate, the executive branch from the beginning fell short of providing borrowers the information that they needed to verify whether they were eligible, first of all. And then to start down that pathway to eligibility.

The Department failed, as well, I think from the beginning, from 2007, to inform the entities that were carrying out the PSLF to inform them of what precisely they should be telling borrowers, what information that they should make available.

The Department failed to notify borrowers that although they met some conditions for PSLF, that they perhaps were working for a nonprofit, there were also—there were also many other conditions that needed to be met, as well. They may have had the wrong type of loan. They may have been in the wrong repayment plan. They may have been working for a nonqualifying employer. Or they maybe, as was mentioned, hadn't been repayment long enough for that 10-year period to qualify for forgiveness.

But, again, all of that is only part of the problem. As we said earlier today, the Secretary must follow the letter of the law. That is her constitutional duty. And any accusations that she is doing otherwise or can even do anything else are just absolutely false.

It is the responsibility for Congress, of all of us here today, not loan servicers, not the Department, to fix a program that has clearly been overpromised and under-delivered. Republicans on this committee stand ready to discuss bipartisan solutions to provide relief to deserving borrowers struggling with student loan debt. I urge my colleagues on the other side of the aisle to drop this quest for scapegoats, realize that Congress created the PSLF mess, and come to the table with us to do what is right for borrowers across the country.

Thank you, Madam Chair.

Chairwoman DAVIS. Thank you. I want to ask unanimous consent to submit for the record a letter from the bipartisan PSLF Caucus expressing their support for the program; and also, a statement from Representative John Sarbanes on the PSLF program, as well. And since it is in my responsibility to also say without objection, we are submitting that for the record.

And I have basically, you know, given you my sense of this. I think that despite the fact that—and I think we all are saying we want to work on this problem, there is a need to acknowledge where some of the failure has occurred and then to move forward. And I think that is what we are here to do today.

It is disappointing to hear from so many young people that are out there that all they want to do is really serve their communities. They want to be teachers. They want to be able to provide for their communities' health and emergency services, whatever that may be. And clearly, despite all perhaps best intents, we have not lived up to the promises of what this legislation had hoped to do.

So, we have work to do. I think you all have work to do. I know the Department also has work to do. I hope you would acknowledge that. And we will try and get on with that and be back and take another look at this next year.

Thank you very much.

Mr. APPEL. Thank you, Chairwoman.

[Additional submission by Chairwoman Davis follows:]

Statement of Chairwoman Davis on PHEAA's Refusal to Testify – Extension of Remarks
HEWI Subcommittee Hearing:
"Broken Promises: Examining the Failed Implementation of the Public Service Loan Forgiveness Program"
Thursday, September 19, 2019
10:15 AM
Rayburn 2175

During this hearing, the Ranking Member raised concerns about the majority's invitation of the Pennsylvania Higher Education Assistance Agency (PHEAA), the Department's contractor responsible for managing the Public Service Loan Forgiveness (PSLF) program. Mr. Smucker noted that PHEAA and the Massachusetts Attorney General (represented in the hearing by Assistant Attorney General Yael Shavit) are adverse parties in ongoing litigation. The Ranking Member's statements evidence a misunderstanding of the sequence of events leading up to the majority's invitation of both panelists. This extension of my remarks serves to clarify the record. Critically, it demonstrates that the majority only invited Ms. Shavit to testify *after* PHEAA had indicated that it would reject the Committee's invitation.

The minority's concerns regarding the Committee's decision to invite witnesses from entities that may be adverse to each other in litigation are unfounded. The Committee determined that, under House Rules, it was within its authority to extend invitations to any witnesses that it may have relevant information. The fact that litigation may be pending presents no legal impediment to the Committee's actions. The minority cites nothing in the House Rules or applicable law suggesting otherwise.

Further, PHEAA's rejection of the majority's invitation did not relate to the Committee's invitation of Ms. Shavit. In fact, the Committee did not invite Ms. Shavit until after PHEAA representatives repeatedly indicated to Committee staff that PHEAA would reject the Committee's invitation. Committee staff purposefully reached out to PHEAA before establishing other members of the panel in order to negotiate the PHEAA CEO's attendance. During this initial outreach, and in every subsequent discussion, PHEAA representatives indicated that they would advise the PHEAA CEO to reject the Committee's invitation, which he ultimately did.

PHEAA did not, and in fact could not, raise objections to being on the same panel as Ms. Shavit, because her attendance was not confirmed and noticed until September 17, four days after PHEAA had rejected the Committee's invitation on other grounds. Had PHEAA agreed to testify, Committee staff would have provided PHEAA more details about the hearing and accommodated any reasonable requests PHEAA might have made. This could have included modifying who was represented on the panel with PHEAA. Instead, PHEAA's denial was unequivocal and provided no avenue for compromise that might lead to Mr. Steeley's attendance. However, PHEAA forfeited their right to negotiate the Committee's panelists when it rejected the Committees invitation.

It is a misrepresentation of the facts to indicate that there was ever a time when PHEAA and Ms. Shavit were both confirmed for the same panel. PHEAA simply appears to prefer the pretext that they did not attend due to some concern about other panelists, over the pretext that their decision was because "[a]s a federal servicer, PHEAA is strictly bound by the laws, regulations and guidance of the programs put forward by Congress and the Department." In reality, PHEAA refused to attend to evade much needed oversight.

[Additional submissions by Mrs. Foxx follow:]

Education Department's Implementation of PSLF

The following timeline lists the significant steps made by ED to implement PSLF and TEPSLF:

2007

- The CCRAA establishing PSLF is passed by a Democrat-controlled Congress and is signed into law by President Bush on September 27. In the same year, ED releases a preliminary fact sheet and makes initial PSLF information available on studentaid.ed.gov.

2008

- Regulations clarifying certain points about the program, including definitions of public service organizations and "full-time," are published in the *Federal Register* on October 23, 2008.[1]

Jan. 2009 – Jan. 2012

- Four years pass with no significant public activity from ED on PSLF.

2012

- An "Employment Certification Form" (ECF) is released in January 2012. The form allows, but does not require, borrowers to certify with ED their employer qualifies under PSLF.[2]
    - ED does not inform the borrowers if other PSLF qualifications are met besides working for a qualifying employer.
    - Prospective PSLF applicants are encouraged to submit an ECF annually, or when changing employment. [3]

2013

- ED released YouTube videos in January 2013 on FSA's channel that provides information to borrowers on loan repayment options, including PSLF.[4]

2015

[1] https://www.federalregister.gov/documents/2008/10/23/E8-24922/federal-perkins-loan-program-federal-family-education-loan-program-and-william-d-ford-federal-direct
[2] http://www.holdfasttodreams.org/know-your-student-loans/public-service-loan-forgiveness/employment-certification-package/
[3] "Public Service Loan Forgiveness Data" https://studentaid.ed.gov/sa/about/data-center/student/loan-forgiveness/pslf-data
[4] https://www.youtube.com/watch?v=flG4gFIiZzU

- Federal loan servicers, at the direction of ED, begin in November to include PSLF promotion on all initial correspondence to borrowers.

2016

- Beginning in June, ED initiates a PSLF email campaign that targets 3.3 million borrowers who are enrolled in an IDR plan but have not submitted an ECF.
- In July, the PSLF servicer begins to include those qualifying payments that were identified and qualified under any ECF approved

2017 – Beginning of Trump administration

- FSA releases a PSLF Webinar in August.
- October marks 10 years since October 1, 2007, the first month a possible PSLF eligible monthly payment could be made by a borrower. PSLF applications are now live and borrowers can apply for PSLF.[5]
- In November, FSA conducts an educational session for financial aid administrators at the "FSA Training Conference."

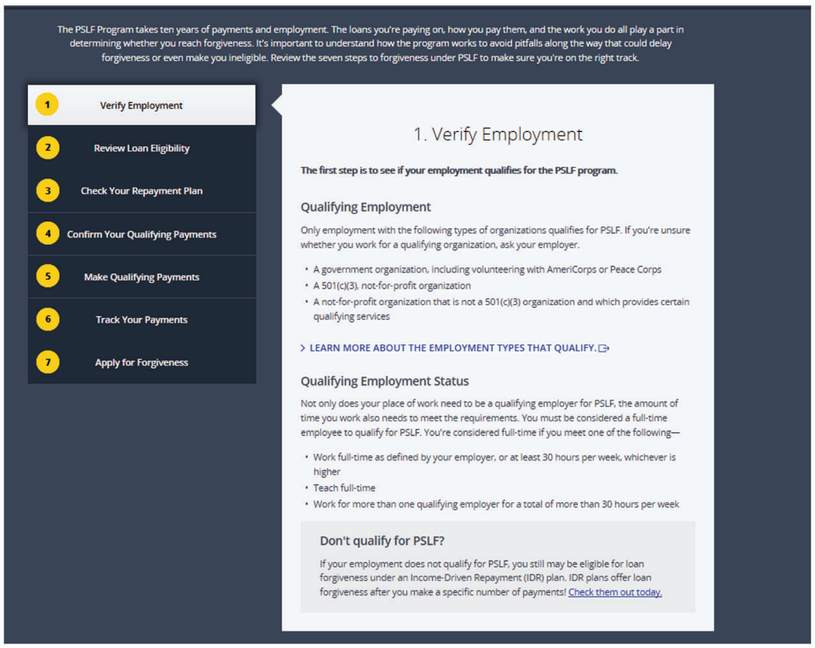
2018

- In March, Congress passes the *Consolidated Appropriations Act of 2018*, which creates TEPSLF and funds it at $350 million.
- In May, ED blasts a press release and social media campaign announcing TEPSLF. Information on TEPSLF is added on studentaid.gov and borrowers previously denied PSLF are the subjects of a targeted email campaign to borrowers.
- In June, ED publishes a blog on common PSLF mistakes on its website. They also have a webinar and outreach event on how to apply and navigate the PSLF program.
- In September, Congress appropriates another $350 million for TEPSLF (for a total fund of $700 million) through H.R. 6157, the *Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019.*
- In December, FSA posts its PSLF Help Tool for borrowers.

2019

- In May, ED hosts a webinar on understanding the basics of PSLF.
- In June, ED posts a blog on the PSLF Help Tool and initiates an IDR and PSLF email campaign to borrowers.

[5] Between October 1, 2017, and March 31, 2019, 864 PSLF applications were approved and 75,138 were rejected.



The PSLF Program takes ten years of payments and employment. The loans you're paying on, how you pay them, and the work you do all play a part in determining whether you reach forgiveness. It's important to understand how the program works to avoid pitfalls along the way that could delay forgiveness or even make you ineligible. Review the seven steps to forgiveness under PSLF to make sure you're on the right track.

1 Verify Employment
2 Review Loan Eligibility
3 Check Your Repayment Plan
4 Confirm Your Qualifying Payments
5 Make Qualifying Payments
6 Track Your Payments
7 Apply for Forgiveness

1. Verify Employment

The first step is to see if your employment qualifies for the PSLF program.

Qualifying Employment

Only employment with the following types of organizations qualifies for PSLF. If you're unsure whether you work for a qualifying organization, ask your employer.

- A government organization, including volunteering with AmeriCorps or Peace Corps
- A 501(c)(3), not-for-profit organization
- A not-for-profit organization that is not a 501(c)(3) organization and which provides certain qualifying services

> LEARN MORE ABOUT THE EMPLOYMENT TYPES THAT QUALIFY.

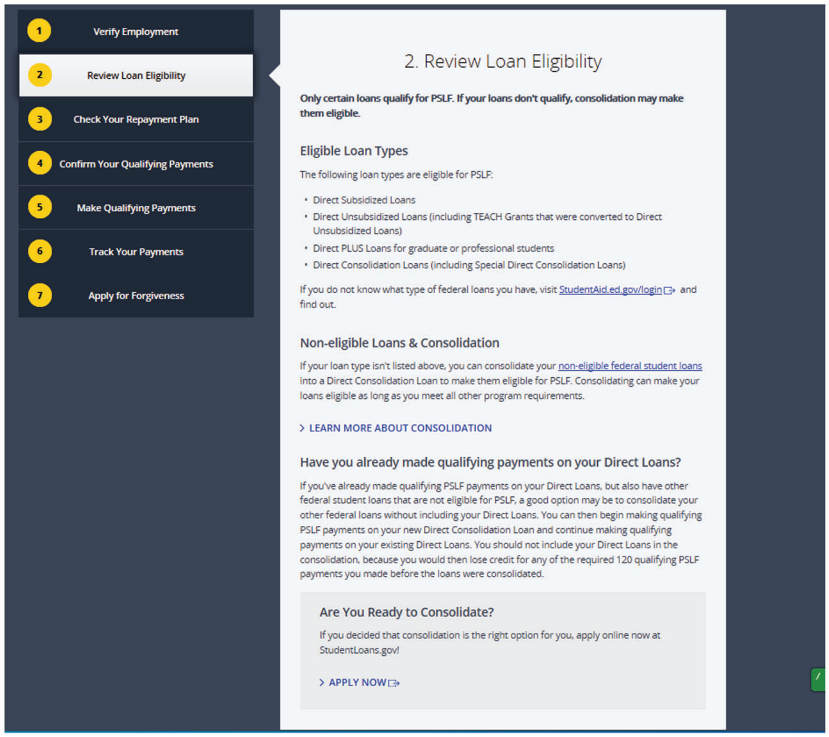
Qualifying Employment Status

Not only does your place of work need to be a qualifying employer for PSLF, the amount of time you work also needs to meet the requirements. You must be considered a full-time employee to qualify for PSLF. You're considered full-time if you meet one of the following—

- Work full-time as defined by your employer, or at least 30 hours per week, whichever is higher
- Teach full-time
- Work for more than one qualifying employer for a total of more than 30 hours per week

Don't qualify for PSLF?

If your employment does not qualify for PSLF, you still may be eligible for loan forgiveness under an Income-Driven Repayment (IDR) plan. IDR plans offer loan forgiveness after you make a specific number of payments! Check them out today.



1 Verify Employment

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4 Confirm Your Qualifying Payments

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2. Review Loan Eligibility

Only certain loans qualify for PSLF. If your loans don't qualify, consolidation may make them eligible.

Eligible Loan Types

The following loan types are eligible for PSLF:

- Direct Subsidized Loans
- Direct Unsubsidized Loans (including TEACH Grants that were converted to Direct Unsubsidized Loans)
- Direct PLUS Loans for graduate or professional students
- Direct Consolidation Loans (including Special Direct Consolidation Loans)

If you do not know what type of federal loans you have, visit StudentAid.ed.gov/login and find out.

Non-eligible Loans & Consolidation

If your loan type isn't listed above, you can consolidate your non-eligible federal student loans into a Direct Consolidation Loan to make them eligible for PSLF. Consolidating can make your loans eligible as long as you meet all other program requirements.

> LEARN MORE ABOUT CONSOLIDATION

Have you already made qualifying payments on your Direct Loans?

If you've already made qualifying PSLF payments on your Direct Loans, but also have other federal student loans that are not eligible for PSLF, a good option may be to consolidate your other federal loans without including your Direct Loans. You can then begin making qualifying PSLF payments on your new Direct Consolidation Loan and continue making qualifying payments on your existing Direct Loans. You should not include your Direct Loans in the consolidation, because you would then lose credit for any of the required 120 qualifying PSLF payments you made before the loans were consolidated.

Are You Ready to Consolidate?

If you decided that consolidation is the right option for you, apply online now at StudentLoans.gov!

> APPLY NOW

1. Verify Employment
2. Review Loan Eligibility
3. Check Your Repayment Plan
4. Confirm Your Qualifying Payments
5. Make Qualifying Payments
6. Track Your Payments
7. Apply for Forgiveness

3. Check Your Repayment Plan

Only certain repayment plans qualify for PSLF. To get the most benefit from the program, you should switch to an Income-Driven Repayment (IDR) plan if you're not already on one.

To benefit from PSLF, you should be on one of the following IDR plans, which generally base your loan payments on your income, family size, and loan debt.

The IDR plans are:

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

If you do not know what repayment plan you are on for your Direct Loans, visit StudentAid.ed.gov/login and find out.

Is PSLF and an IDR plan right for me?

IDR plans provide a lower monthly payment amount for borrowers who have high student loan debt relative to their income. However, in some cases an IDR plan might give you a higher monthly payment than you want to pay, and your monthly payment might be lower under a traditional repayment plan. In that case, PSLF may not be right for you.

What about the 10-Year Standard Repayment plan?

Although the 10-year Standard Repayment plan is eligible, if you were to stay on this plan, your loans would be paid in full by the time you made all 120 qualifying payments. If you are seeking PSLF and you are currently on the Standard Repayment plan, you should switch to an IDR plan as soon as possible.

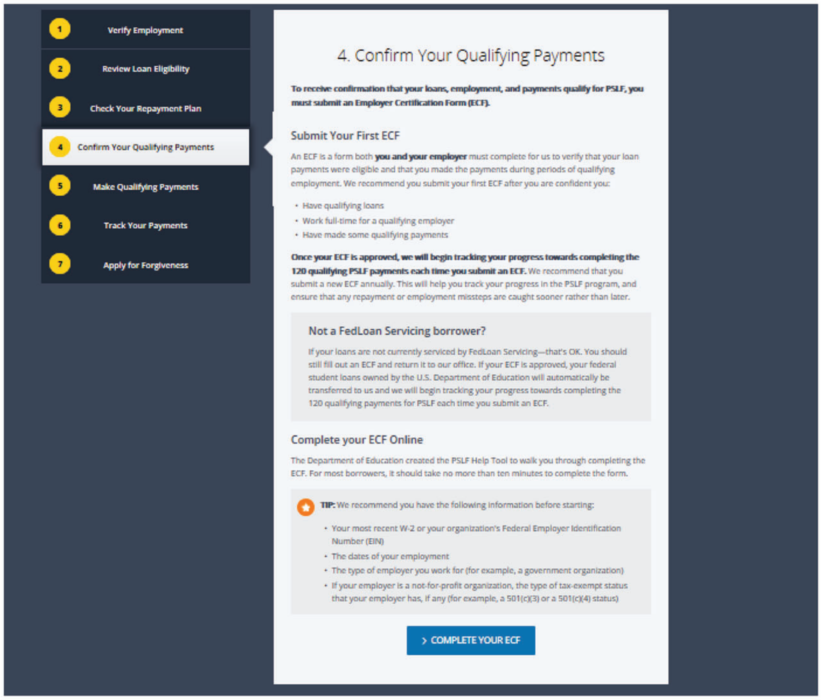
KEEP IN MIND

- Any other repayment plan is eligible for PSLF if the monthly payment is equal to or greater than the amount you'd pay on the 10-year Standard Repayment Plan.
- Alternative repayment plans do not qualify for PSLF.

Do you have a Direct PLUS Loan?

Direct PLUS Loans for parents are not eligible for IDR plans that allow borrowers to benefit from the PSLF program. Therefore, Direct PLUS Loans for parents should be consolidated into a Direct Consolidation Loan. Once consolidated, the new Direct Consolidation Loan can then be repaid under the ICR plan, which is a qualifying repayment plan for PSLF. The ICR plan is the only available IDR plan for a Direct Consolidation Loan that includes a PLUS Loan made to a parent borrower.

NOTE: Direct PLUS Consolidation Loans, which include PLUS Loans made to parent borrowers before July 1, 2006 must be re-consolidated into a Direct Consolidation Loan to qualify for repayment under the ICR plan. However, this loan type may only be re-consolidated if combined with another loan.



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4. Confirm Your Qualifying Payments

To receive confirmation that your loans, employment, and payments qualify for PSLF, you must submit an Employer Certification Form (ECF).

Submit Your First ECF

An ECF is a form both **you and your employer** must complete for us to verify that your loan payments were eligible and that you made the payments during periods of qualifying employment. We recommend you submit your first ECF after you are confident you:

- Have qualifying loans
- Work full-time for a qualifying employer
- Have made some qualifying payments

Once your ECF is approved, we will begin tracking your progress towards completing the 120 qualifying PSLF payments each time you submit an ECF. We recommend that you submit a new ECF annually. This will help you track your progress in the PSLF program, and ensure that any repayment or employment missteps are caught sooner rather than later.

Not a FedLoan Servicing borrower?

If your loans are not currently serviced by FedLoan Servicing—that's OK. You should still fill out an ECF and return it to our office. If your ECF is approved, your federal student loans owned by the U.S. Department of Education will automatically be transferred to us and we will begin tracking your progress towards completing the 120 qualifying payments for PSLF each time you submit an ECF.

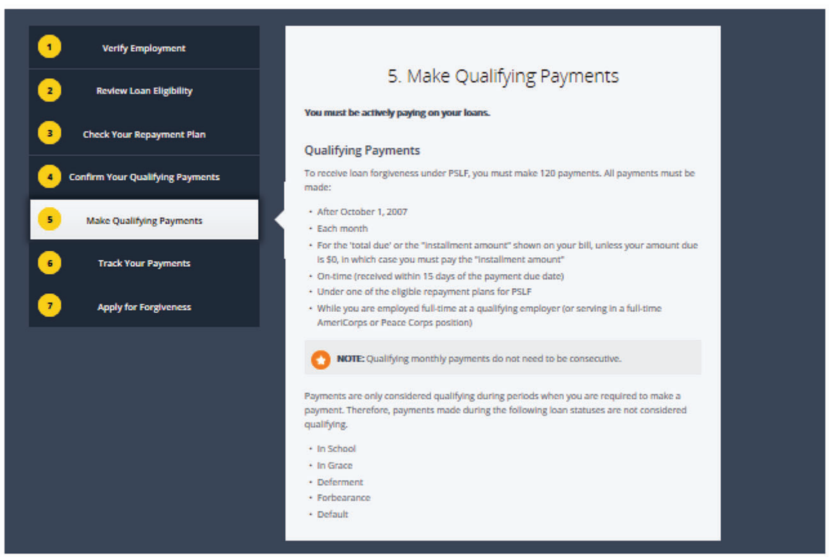
Complete your ECF Online

The Department of Education created the PSLF Help Tool to walk you through completing the ECF. For most borrowers, it should take no more than ten minutes to complete the form.

TIP: We recommend you have the following information before starting:

- Your most recent W-2 or your organization's Federal Employer Identification Number (EIN)
- The dates of your employment
- The type of employer you work for (for example, a government organization)
- If your employer is a not-for-profit organization, the type of tax-exempt status that your employer has, if any (for example, a 501(c)(3) or a 501(c)(4) status)

> COMPLETE YOUR ECF



1 Verify Employment
2 Review Loan Eligibility
3 Check Your Repayment Plan
4 Confirm Your Qualifying Payments
5 Make Qualifying Payments
6 Track Your Payments
7 Apply for Forgiveness

5. Make Qualifying Payments

You must be actively paying on your loans.

Qualifying Payments

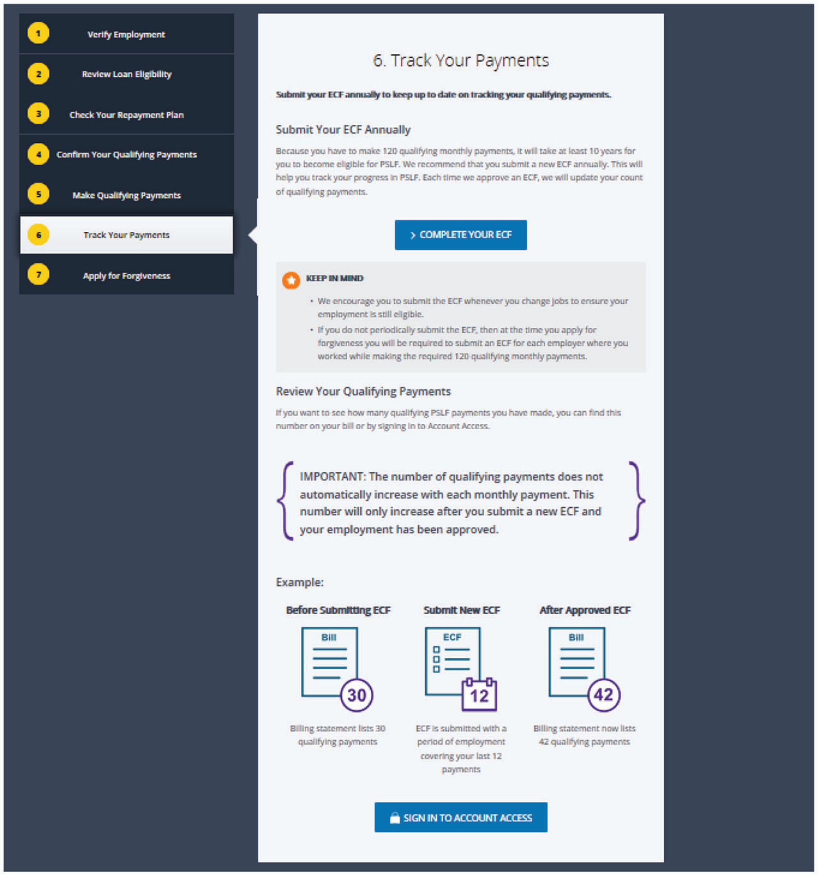
To receive loan forgiveness under PSLF, you must make 120 payments. All payments must be made:

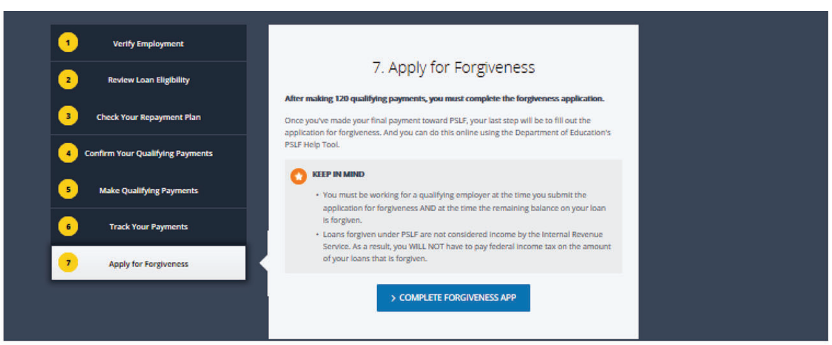
- After October 1, 2007
- Each month
- For the 'total due' or the "installment amount" shown on your bill, unless your amount due is $0, in which case you must pay the "installment amount"
- On-time (received within 15 days of the payment due date)
- Under one of the eligible repayment plans for PSLF
- While you are employed full-time at a qualifying employer (or serving in a full-time AmeriCorps or Peace Corps position)

NOTE: Qualifying monthly payments do not need to be consecutive.

Payments are only considered qualifying during periods when you are required to make a payment. Therefore, payments made during the following loan statuses are not considered qualifying.

- In School
- In Grace
- Deferment
- Forbearance
- Default


1 Verify Employment
2 Review Loan Eligibility
3 Check Your Repayment Plan
4 Confirm Your Qualifying Payments
5 Make Qualifying Payments
6 Track Your Payments
7 Apply for Forgiveness
6. Track Your Payments
Submit your ECF annually to keep up to date on tracking your qualifying payments.
Submit Your ECF Annually
Because you have to make 120 qualifying monthly payments, it will take at least 10 years for you to become eligible for PSLF. We recommend that you submit a new ECF annually. This will help you track your progress in PSLF. Each time we approve an ECF, we will update your count of qualifying payments.
COMPLETE YOUR ECF
KEEP IN MIND
• We encourage you to submit the ECF whenever you change jobs to ensure your employment is still eligible.
• If you do not periodically submit the ECF, then at the time you apply for forgiveness you will be required to submit an ECF for each employer where you worked while making the required 120 qualifying monthly payments.
Review Your Qualifying Payments
If you want to see how many qualifying PSLF payments you have made, you can find this number on your bill or by signing in to Account Access.
IMPORTANT: The number of qualifying payments does not automatically increase with each monthly payment. This number will only increase after you submit a new ECF and your employment has been approved.
Example:
Before Submitting ECF
Bill
30
Billing statement lists 30 qualifying payments
Submit New ECF
ECF
12
ECF is submitted with a period of employment covering your last 12 payments
After Approved ECF
Bill
42
Billing statement now lists 42 qualifying payments
SIGN IN TO ACCOUNT ACCESS


1 Verify Employment
2 Review Loan Eligibility
3 Check Your Repayment Plan
4 Confirm Your Qualifying Payments
5 Make Qualifying Payments
6 Track Your Payments
7 Apply for Forgiveness
7. Apply for Forgiveness
After making 120 qualifying payments, you must complete the forgiveness application.
Once you've made your final payment toward PSLF, your last step will be to fill out the application for forgiveness. And you can do this online using the Department of Education's PSLF Help Tool.
KEEP IN MIND
• You must be working for a qualifying employer at the time you submit the application for forgiveness AND at the time the remaining balance on your loan is forgiven.
• Loans forgiven under PSLF are not considered income by the Internal Revenue Service. As a result, you WILL NOT have to pay federal income tax on the amount of your loans that is forgiven.
COMPLETE FORGIVENESS APP

[Additional submission by Ms. Jayapal follow:]

April 12, 2019

Ms. Stephanie M. Martella
Senior Vice President, Client Relations
Pennsylvania Higher Education Assistance Agency
1200 North 7th Street
Harrisburg, PA 17102

Dear Ms. Martella,

This letter is to share my concerns regarding recent trends at FedLoan Servicing.

Federal Student Aid (FSA) contracts with FedLoan Servicing to provide call center support in line with established and industry accepted performance standards. To date, you are not meeting those standards nor our expectations.

On May 3, 2018, FSA shared benchmark data to provide an expectation for Abandon Rates and Average Speed to Answer (ASA). Although FedLoan Servicing initially reduced their Abandon Rates and ASA's, since January 2019, these rates have steadily grown. The original benchmark data that was provided for the period of April 2017 – March 2018 was an ASA of 109.25 seconds and a 5.07% Abandon Rate. Since January 2019, FedLoan has experienced increased and fluctuating ASA and Abandon Rates month over month. The increase in both benchmarks has resulted in borrowers being unable to have their concerns or questions resolved in a timely manner. This level of performance is wholly unacceptable.

While we acknowledge FSA delays in onboarding certain contractor personnel may have contributed to some of these delays, we are implementing changes to our personnel security clearance process that will greatly expedite the onboarding of your staff. As such, we expect that your ASA and Abandon Rates should return to levels that allow us to provide the service our customers deserve and expect.

In addition to the issues identified above, there are three outstanding Corrective Action Plans (CAPS): 1) for deficiencies in Improper Servicing, 2) customer service as identified in *Higgins v. Education,* and 3) the implementation of the TEACH Grant Reconsideration process. I expect timely closure of these CAPS based on the dates provided in those plans. If, for any reason, you do not believe that you will be able to meet the agreed upon dates, FSA expects you to contact the contracting officer within five business days of receipt of this letter.

In closing, I want to reiterate the expectation that FedLoan Servicing's performance must meet or exceed established call center benchmarks and contractual requirements; anything short of that standard is unacceptable. If you have questions or concerns, please do not hesitate to contact me.

Sincerely,

Mark Anthony Brown

Mark A. Brown
Chief Operating Officer
Federal Student Aid

[Questions submitted for the record and their responses follow:]

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WASHINGTON, DC 20515-6100

October 3, 2019

Ms. Melissa Emery-Arras
Director, Education, Workforce, and Income Security
United States Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Director Emery-Arras,

I would like to thank you for testifying at the September 19, 2019, Subcommittee on Higher Education and Workforce Investment hearing entitled *"Broken Promises: Examining the Failed Implementation of the Public Service Loan Forgiveness Program."*

Please find enclosed additional questions submitted by Committee members following the hearing. Please provide a written response no later than Monday, November 4, 2019, for inclusion in the official hearing record. Your responses should be sent to Ben Sinoff of the Committee staff. He can be contacted at 202-225-3725 should you have any questions.

I appreciate your time and continued contribution to the work of the Committee.

Sincerely,

ROBERT C. "BOBBY" SCOTT
Chairman

Enclosure

Higher Education and Workforce Investment Subcommittee Hearing
"Broken Promises: Examining the Failed Implementation of the Public Service Loan Forgiveness Program"
Thursday, September 19, 2019
2:00 p.m.

Representative Davis (D-CA)

- Have denial rates for PSLF forgiveness applications declined since the Department started accepting applications in 2017?
- Have borrowers been any more successful requesting forgiveness through the expanded process?
- Has the Department provided the PSLF servicer with the guidance they need to effectively administer the program?
- Are there specific aspects of the eligibility determination process that are potentially vulnerable to error?
- What can the Department do to ensure that borrowers' loan payments are correctly counted towards loan forgiveness?
- Do borrowers have options for contesting the PSLF servicer's determination when their TEPSLF requests are denied?
- Is the $700M that was appropriated for the expanded process sufficient to cover all borrowers that might be eligible?
- In your estimation, why don't other loan servicers besides FedLoan make information about PSLF and TEPSLF widely available to their borrowers? What role does profit play in their decision to obscure this information?
- GAO's September 5, 2019 report on TEPSLF implementation analyzed 54,184 TEPSLF requests from May 2018 to May 2019 and found that 53,523 applications had been rejected and 661 had been approved, reflecting a 99% denial rate. By contrast, the Department's June 2019 PSLF Report on the Federal Student Aid Data Center, containing data over a similar time period (through June 30, 2019) found that 16,740 applications for TEPSLF had been rejected and 726 had been approved. There is a significant discrepancy in the total number of TEPSLF applications analyzed by GAO (54,184) and those for which a status is listed by the Department (17,466). Why does the Department's data reflect less than a third of the applications that GAO was able to review over a similar time period?

Representative Bonamici (D-OR)

- When I speak with Oregonians about their challenges with the PSLF program, one of the issues they identify is servicers miscounting the number of eligible payments they have made. One of my constituents, a teacher in Beaverton, OR, told me that two months of payments didn't count because the amount of her automatic withdrawal was a few cents off through no fault of her own. What has the Department done to make sure that borrowers' loan payments are correctly counted towards loan forgiveness? What more can the Department do?

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FRED KELLER, PENNSYLVANIA
GREGORY F. MURPHY, NORTH CAROLINA

October 3, 2019

Ms. Yael Shavit, J.D.
Assistant Attorney General
Office of the Massachusetts Attorney General
One Ashburton Place, 18th Floor
Boston, MA 02108

Dear General Shavit,

I would like to thank you for testifying at the September 19, 2019, Subcommittee on Higher Education and Workforce Investment hearing entitled *"Broken Promises: Examining the Failed Implementation of the Public Service Loan Forgiveness Program."*

Please find enclosed additional questions submitted by Committee members following the hearing. Please provide a written response no later than Monday, November 4, 2019, for inclusion in the official hearing record. Your responses should be sent to Ben Sinoff of the Committee staff. He can be contacted at 202-225-3725 should you have any questions.

I appreciate your time and continued contribution to the work of the Committee.

Sincerely,

ROBERT C. "BOBBY" SCOTT
Chairman

Enclosure

Higher Education and Workforce Investment Subcommittee Hearing
"Broken Promises: Examining the Failed Implementation of the Public Service Loan Forgiveness Program"
Thursday, September 19, 2019
2:00 p.m.

Representative Davis (D-CA)

- 87 percent of respondents to a 2018 survey by the National Legal Aid & Defender Association reported that qualification for PSLF would make them much more likely to accept a particular job, and more than half reported that they would be very likely or certain to leave their jobs if PSLF did not exist.[1] The individuals who responded to this survey are public defenders, who protect the constitutional rights of Americans in court, and attorneys at civil legal aid organizations, who provide critical legal help to families facing eviction, victims of domestic violence, veterans seeking access to benefits earned through service to our country, and in many other legal matters. As Assistant Attorney General, you are embedded in the justice system. From your experience, could you describe the consequences for communities in Massachusetts and for the administration of justice, if lack of access to PSLF makes it unaffordable for attorneys to enter and remain in these vital public service roles and as a result, low-income people in your state are forced to face the justice system alone, without legal representation?

Representative Marcia L. Fudge (D-OH)

- Congress has requested the Department of Education bring the PSLF program into the modern era with a fully digital process. Congress even allocated $4.6 million for new outreach to borrowers of which $1 million represents the development of an online "help tool". Can you tell us how helpful it may have been if your loan servicer had been a proactive partner and reached out to you at least once a year to let you know how many payments you made to date, how many were PSLF qualifying payments and how many payments you had left before your loans were discharged?

[1] http://www.nlada.org/sites/default/files/PSLF%20and%20the%20Justice%20System.pdf

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

October 24, 2019

The Honorable Susan A. Davis
Chairwoman
Subcommittee on Higher Education and Workforce Investment
Committee on Education and Labor
House of Representatives

The Honorable Suzanne Bonamici
House of Representatives

Subject: Public Service Loan Forgiveness Questions for the Record

Thank you for your questions for the record based on my September 19, 2019 testimony on Public Service Loan Forgiveness before the Subcommittee on Higher Education and Workforce Investment. The enclosure contains responses to these questions. If you have further questions, please feel free to contact me at (617) 788-0534 or emreyarrasm@gao.gov.

Melissa Emrey-Arras

Melissa Emrey-Arras, Director
Education, Workforce,
and Income Security Issues

Enclosure

Higher Education and Workforce Investment Subcommittee Hearing
"Broken Promises" Examining the Failed Implementation of the Public Service Loan Forgiveness Program"
Thursday, September 19, 2019
2:00 p.m.

Representative Davis (D-CA)

1. Have denial rates for PSLF forgiveness applications declined since the Department started accepting applications in 2017?

Denial rates for the PSLF program have continued to hover around 99 percent since Education started accepting applications. Our initial 2018 analysis found that Education had denied about 99 percent of borrowers that applied for loan forgiveness through the PSLF program during the first 8 months that Education was accepting applications (September 2017 through April 2018), according to data from the PSLF servicer.[1] Eleven months later, of the 76,002 loan forgiveness applications that had been processed, the PSLF servicer had denied 75,138 (99 percent), according to Education's publically released PSLF program data through March 2019.

2. Have borrowers been any more successful requesting forgiveness through the expanded process?

Denial rates for the temporary expanded process are also around 99 percent. In 2019 GAO reported that Education had denied 53,523 (99 percent) of the 54,184 completed requests for loan forgiveness through the temporary expanded process from May 2018 through May 2019.[2]

3. Has the Department provided the PSLF servicer with the guidance they need to effectively administer the program?

We have previously reported on how shortcomings in the information Education provides to the PSLF servicer has resulted in uncertainty about PSLF program requirements and increased the risk of potential errors in borrower eligibility determinations. In our 2018 report, we found that Education does not have a comprehensive document or manual to provide the PSLF servicer with guidance and instructions.[3] This made it difficult to effectively administer the PSLF program and provide consistent service to borrowers, according to PSLF servicer officials. We reported that Education's guidance and instructions to the PSLF servicer are dispersed in a piecemeal manner across multiple documents. These documents include Education's original contract with

[1] GAO, *Public Service Loan Forgiveness: Education Needs to Provide Better Information for the Loan Servicer and Borrowers*, GAO-18-547 (Washington, D.C.: Sept. 5, 2018).

[2] GAO, *Public Service Loan Forgiveness: Improving the Temporary Expanded Process Could Help Reduce Borrower Confusion*, GAO-19-595 (Washington, D.C.: Sept. 5, 2019).

[3] GAO-18-547.

the servicer, multiple updates to the contract, and hundreds of emails. The absence of a central, authoritative source of PSLF guidance and instructions creates a risk of differing interpretations and inconsistent implementation. As a result, we recommended that Education develop a timeline for issuing a comprehensive guidance and instructions document for PSLF servicing. Education has not yet fully implemented this recommendation.

4. Are there specific aspects of the eligibility determination process that are potentially vulnerable to error?

In 2018, we reported on how shortcomings in the information the PSLF servicer receives on qualifying employers and payments potentially makes these aspects of the eligibility determination process vulnerable to errors.[4] For instance, we reported that Education had not provided the PSLF servicer with a definitive source of information for determining which employers qualify a borrower for PSLF loan forgiveness. Instead, Education had identified some data sources the PSLF servicer could use to determine whether borrowers are working for qualifying employers. However, we found that these sources were not comprehensive, and that PSLF servicer officials said they sometimes had to consult other sources that have significant limitations. In response we recommended that Education provide additional information to the PSLF servicer and borrowers to enhance their ability to determine which employers qualify for PSLF. Education has not yet fully implemented this recommendation.

See question 5 for a discussion of potential vulnerabilities in the payment counting process.

5. What can the Department do to ensure that borrowers' loan payments are correctly counted towards loan forgiveness?

We have made two recommendations in a prior report for actions Education can take to help ensure that borrowers' qualifying payments are counted correctly. In our 2018 report, we found that Education does not ensure that the agency's other loan servicers provide the PSLF servicer consistent information on borrowers' prior loan payments, which could increase the risk of qualifying payments being miscounted for the PSLF program.[5] PSLF servicer officials said inconsistencies in the information provided by other loan servicers make it challenging to determine whether borrowers are on qualifying repayment plans or making qualifying payments. Officials with Education and the PSLF servicer said that these inconsistencies increase the risk of miscounting qualifying payments. We recommended that Education standardize the payment information that the PSLF servicer receives from other loan servicers to ensure the PSLF servicer obtains more consistent and accurate payment information.

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[4] GAO-18-547.

[5] GAO-18-547.

Additionally in 2018, we reported that although Education and PSLF servicer officials acknowledged the risk of miscounting qualifying payments for the PSLF program, the PSLF servicer did not provide borrowers with sufficient information to easily identify any errors.[6] Officials with the PSLF servicer said they rely on borrowers to catch any payment counting errors resulting from issues with information provided by other loan servicers. As we reported, the PSLF servicer provided borrowers with aggregate counts of qualifying payments, which are useful for helping borrowers track their progress, but do not provide borrowers with enough detail to check the servicer's counts and identify prior payments that the servicer may have missed. We recommended that Education ensure that borrowers receive sufficiently detailed payment information from the PSLF servicer to be able to identify any errors in the servicer's counts of qualifying payments.

Education has not yet taken action to fully implement these two recommendations.

6. Do borrowers have options for contesting the PSLF servicer's determination when their TEPSLF requests are denied?

In 2019 GAO reported that Education does not provide complete information to borrowers about options they have to contest payment counts or other aspects of the eligibility determination process.[7] An Education official told us that while there is no formal process for borrowers who are dissatisfied with their temporary expanded process determinations to contest the determination, borrowers do have additional options for addressing concerns, such as an additional review by the PSLF servicer, or a complaint to Education's Federal Student Aid Feedback System or Ombudsman. Education officials told us that the agency does not provide information about these options in its denial letters or on its website for the temporary expanded process, noting that borrowers could find this information at the bottom of Education's Federal Student Aid main website. However, borrowers may not know where to find this information should they choose to contest their temporary expanded process determination. To address this, our 2019 report recommended that Education provide borrowers with more information on the website for the temporary expanded process and in the servicer's denial letters about options available to borrowers should they wish to contest the servicer's decision. Education agreed with this recommendation.

7. Is the $700M that was appropriated for the expanded process sufficient to cover all borrowers that might be eligible?

It is unclear whether the appropriation is sufficient without knowing how many borrowers may be eligible for the expanded process. In 2019 GAO reported that according to Education officials, it is difficult to identify borrowers that may be eligible for temporary expanded PSLF because: (1) Education has no way to identify borrowers who may be interested in public service loan forgiveness without borrowers contacting the loan servicer to express interest in the program,

[6] GAO-18-547.

[7] GAO-19-595.

and (2) Education does not collect data that would allow them to identify borrowers on specific repayment plans who also meet all other PSLF requirements.[8] While the loan forgiveness opportunity through the expanded process is only available until the $700 million in funding has been spent, a relatively small amount of total funding has been spent so far. As of May 2019, Education had granted almost $27 million in loan forgiveness under the temporary expanded process, totaling about 4 percent of the $700 million appropriated funds, according to our 2019 report. It is therefore possible that the program could continue for years.

8. In your estimation, why don't other loan services besides FedLoan make information about PSLF and TEPSLF widely available to their borrowers? What role does profit play in their decision to obscure this information?

While GAO has not conducted specific work to answer this question, we previously reported in 2016 that Education's performance metrics and related compensation for loan servicers can sometimes hinder Education's strategic goal of providing superior customer service.[9] Borrowers interested in pursuing loan forgiveness under PSLF, or the temporary expanded process, must have their loans eventually transferred to Education's sole PSLF loan servicer in order to proceed. Education pays servicers for each loan they service, but we reported that loan servicers are not compensated for their loss when a loan is transferred to the PSLF loan servicer. Education officials acknowledged that the lack of compensation for transferred loans could be a disincentive for servicers to counsel borrowers about PSLF.

9. GAO's September 5, 2019 report on TEPSLF implementation analyzed that 54,184 TEPSLF requests from May 2018 to May 2019 and found that 53,523 applications had been rejected and 661 had been approved, reflecting a 99% denial rate. By contrast, the Department's June 2019 PSLF Report on the Federal Student Aid Data Center, containing data over a similar time period (through June 30, 2019) found that 16,740 applications for TEPSLF had been rejected and 726 had been approved. There is a significant discrepancy in the total number of TEPSLF applications analyzed by GAO (54,184) and those for which a status is listed by the Department (17,466). Why does the Department's data reflect less than a third of the applications that GAO was able to review over a similar time period?

Education's most recent publically released temporary expanded PSLF program data through June 2019 excludes requests that were denied because the borrower had not submitted a PSLF application. In 2019 GAO reported that from May 2018 through May 2019, about 38,000 denied temporary expanded PSLF requests were determined ineligible for consideration and were therefore denied because the borrower had not submitted a PSLF application, according to data

[8] GAO-19-595.

[9] GAO, *Federal Student Loans: Education Could Improve Direct Loan Program Customer Service and Oversight*, GAO-16-523 (Washington, D.C.: May 16, 2016).

from the loan servicer.[10] Those borrowers who have not submitted the PSLF application are sent a denial letter from the loan servicer. Education's recent data is comparable to what GAO previously reported once the excluded requests are accounted for.

Representative Bonamici (D-OR)

1. When I speak with Oregonians about their challenges with the PSLF program, one of the issues they identify is servicers miscounting the number of eligible payments they have made. One of my constituents, a teacher in Beaverton, OR, told me that two months of payments didn't count because the amount of her automatic withdrawal was a few cents off through no fault of her own. What has the Department done to make sure that borrowers' loan payments are correctly counted towards loan forgiveness? What more can the Department do?

We have made three recommendations in prior reports for actions Education can take to help ensure that borrowers' qualifying payments are counted correctly towards loan forgiveness. In our 2018 report, we found that Education does not ensure that the agency's other loan servicers provide the PSLF servicer consistent information on borrowers' prior loan payments, which could increase the risk of qualifying payments being miscounted for the PSLF program.[11] PSLF servicer officials said inconsistencies in the information provided by other loan servicers make it challenging to determine whether borrowers are on qualifying repayment plans or making qualifying payments. Education and the PSLF servicer officials said that these inconsistencies increase the risk of miscounting qualifying payments. We recommended that Education standardize the payment information that the PSLF servicer receives from other loan servicers to ensure the PSLF servicer obtains more consistent and accurate payment information. Education has not yet fully implemented this recommendation.

Additionally in 2018, we reported that although Education and PSLF servicer officials acknowledged the risk of miscounting qualifying payments, the PSLF servicer did not provide borrowers with sufficient information to easily identify PSLF program errors.[12] PSLF servicer officials said they rely on borrowers to catch any payment counting errors resulting from issues with information provided by other loan servicers. As we reported, the PSLF servicer provided borrowers with aggregate counts of qualifying payments, which are useful for helping borrowers track their progress, but do not provide borrowers with enough detail to check the servicer's counts and identify prior payments that the servicer may have missed. We recommended that Education ensure that borrowers receive sufficiently detailed payment information from the

[10] GAO-19-595.

[11] GAO-18-547.

[12] GAO-18-547.

PSLF servicer to be able to identify any errors in the servicer's counts of qualifying payments. Education has not yet fully implemented this recommendation.

Further, our 2019 report on the temporary expanded process found that Education does not provide complete information to borrowers about options they have to contest payment counts or other aspects of the eligibility determination process.[13] Education officials told us that the agency does not provide information about additional options for addressing concerns in its denial letters or on its website for the temporary expanded process, noting that borrowers could find this information at the bottom of Education's Federal Student Aid main website. However, borrowers may not know where to find this information should they choose to contest their temporary expanded process determination. We recommended that Education provide borrowers with more information on the website for the temporary expanded process and in the servicer's denial letters about options available to borrowers should they wish to contest the servicer's decision.

[13] GAO-19-595.

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Written Responses of Yael Shavit
Assistant Attorney General
Consumer Protection Division
Office of Massachusetts Attorney General, Maura Healey

HOUSE OF REPRESENTATIVES SUBCOMITTEE ON HIGHER EDUCATION
AND WORKFORCE INVESTMENT

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

SEPTEMBER 19, 2019

Representative Davis (D-CA)

87 percent of respondents to a 2018 survey by the National Legal Aid & Defender Association reported that qualification for PSLF would make them much more likely to accept a particular job, and more than half reported that they would be very likely or certain to leave their jobs if PSLF did not exist.[1] The individuals who responded to this survey are public defenders, who protect the constitutional rights of Americans in court, and attorneys at civil legal aid organizations, who provide critical legal help to families facing eviction, victims of domestic violence, veterans seeking access to benefits earned through service to our country, and in many other legal matters. As Assistant Attorney General, you are embedded in the justice system. From your experience, could you describe the consequences for communities in Massachusetts and for the administration of justice, if lack of access to PSLF makes it unaffordable for attorneys to enter and remain in these vital public service roles and as a result, low-income people in your state are forced to face the justice system alone, without legal representation?

Yael Shavit Response:

The Public Service Loan Forgiveness program was designed to encourage participation in critically important public service jobs for the benefit of public servants and the communities they serve. Senator Edward Kennedy described the importance of PSLF on the Senate floor when the final bill was approved:

> It is the desire of so many [] young people to be involved in public service and to help respond to the needs in their communities. They want to be part of the solution, not part of the problem. So often, because of their indebtedness, they have to choose careers in order to deal with the indebtedness. So this legislation will open up or help us take advantage of that idealism that is out there. We are giving them a pathway to making a difference in terms of the future of our country, and I think that is enormously important. That is one of the most important parts of this legislation.

153 Cong. Rec. S11,258 (daily ed. Sept. 7, 2007) (statement of Sen. Edward M. Kennedy).

Without PSLF, people interested in dedicating themselves to public service careers—including students interested in becoming legal aid attorneys and public defenders—often would be unable to do so because of the steep costs of higher education. For that reason, the PSLF program is critical, not only to the borrowers who rely on it, but to individuals who rely on the work of public servants and to the broader societal interest of ensuring that skilled workers can serve in jobs that benefit their communities. In the context of the justice system, access to legal assistance is essential to ensuring that the justice system is fair and equitable to everyone, regardless of their income. Ensuring the availability of such legal assistance is necessary for promoting the interests of justice and guaranteeing that people do not lose their homes, savings, medical care, or their freedom because they cannot afford to pay a lawyer.

Representative Marcia L. Fudge (D-OH)

Congress has requested the Department of Education bring the PSLF program into the modern era with a fully digital process. Congress even allocated $4.6 million for new outreach to borrowers of which $1 million represents the development of an online "help tool". Can you tell us how helpful it may have been if your loan servicer had been a proactive partner and reached out to you at least once a year to let you know how many payments you made to date, how many were PSLF qualifying payments and how many payments you had left before your loans were discharged?

Yael Shavit Response:
Through our work advocating on behalf of student loan borrowers, we have consistently seen the importance of ensuring that borrowers are given timely and complete information about their student loans and about PSLF in particular. The PSLF program was designed to give borrowers the peace of mind that they can pursue low-paying public service jobs without needing to worry about unaffordable student debt. The program, by its very nature, is intended to affect the most fundamental choices people make about their careers and finances. The uncertainty that has been created by the lack of reliable information about borrowers' PSLF progress may affect people's ability to make informed decisions about their lives, including what jobs to take and whether to buy a home. Ensuring that student loan borrowers have access to timely and correct information about their loans and progress towards achieving PSLF is essential for realizing the goals of the PSLF program and allowing borrowers to make informed choices.

[Whereupon, at 1:42 p.m., the subcommittee was adjourned.]

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