

House Report Condemns Department of Education’s Failure to Implement Public Service Loan Forgiveness Program

By [Hunter B. Martin, NASFAA Staff Reporter](#)

As many borrowers continue to face challenges when applying for federal student loan forgiveness through the Public Service Loan Forgiveness (PSLF) program, lawmakers found fault with the Department of Education’s (ED) management of the program and oversight of loan servicers.

The House Committee on Education and Labor released a report last week after holding a hearing last month on challenges in implementing PSLF. The report, “[Broken Promises: How the Department of Education Failed America’s Public Servants](#),” analyzed previously unreleased documents and argued ED was aware of many of the issues plaguing borrowers as early as 2017.

“[ED] has failed the vast majority of students in PSLF by only approving 1% of applicants,” the report said. “Students are paying the price of this administration's incompetence.”

The report claimed ED was mismanaging the program and rarely held loan servicers accountable.

“[ED] has passively watched as its loan servicers — companies contracted to advise borrowers and manage their loans — provide borrowers with misleading or false information about PSLF year after year, ultimately causing systemic program failures,” the report said.

Examples of loan servicer errors listed in the report include incorrect classification or outright denial of approved employers, failing to account for all qualifying payments, and giving borrowers misleading information about the program. All three of these issues were noted in previously unreleased internal Federal Student Aid (FSA) audits of FedLoan, and a [2017 report](#) by the Government Accountability Office (GAO), but none of the recommendations from that report have yet been implemented.

The Trump administration [has claimed](#) that the high denial rates are due to the overly complex design of PSLF rather than ED’s failure to properly implement the program. However, since 2017 the Consumer Financial Protection Bureau’s (CFPB) [Consumer Complaint Database](#) has received over 600 complaints specific to PSLF, “nearly 80% of which asserted that [ED’s] servicers communicated bad information about PSLF or inaccurately counted borrower's payments,” according to the report.

The report speculates that there may be far more complaints from borrowers who were unable to figure out the proper channels through which to file a CFPB complaint. The consequences for borrowers due to errors made by loan servicers include extra payments, interest charges, or ineligibility for PSLF due to a lack of qualifying loans or being on the incorrect repayment plan.

Kelly Finlaw, a middle school art teacher in New York City, testified before Congress last month during the [House education subcommittee hearing](#) that focused on challenges with implementing PSLF.

“When I learned about [PSLF], I called my loan servicer and said, ‘I’m a teacher. What do I need to do to qualify for the PSLF program?’” Finlaw said. “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 ... [ED] denied my application for [PSLF]. The reason, which no loan servicer had ever raised, was that one of the loans was not a Direct Loan. Once I reconsolidated ... I was told that my qualifying payments had been reset to zero and I would have to keep paying for 10 [additional] years.”

Publication Date: 10/16/2019