

## Stakeholders, Lawmakers Lament 'Broken Promises' with Public Service Loan Forgiveness

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

“I have to resign myself that I’m going to die with this debt,” said Kelly Finlaw, a middle school art teacher who works in New York City. “I started with \$120,000; I now have almost \$90,000. At a 7% interest rate, if I pay this off myself, I’ll still pay \$130,000.”

Finlaw was one of five witnesses who testified before a House education subcommittee on Thursday during a [hearing](#) that focused on challenges with implementing the Public Service Loan Forgiveness (PSLF) program.

Congress created the PSLF Program in 2007, with the goal of encouraging borrowers to pursue careers in public service in exchange for the opportunity for loan forgiveness after 120 consecutive payments. But in the more than 10 years since the program’s creation, borrowers, consumer advocates, lawmakers, and federal officials have pointed fingers for what most have described as a failed implementation as borrowers struggle to communicate with loan servicers, and servicers with the Department of Education (ED) over where responsibility lies for oversight and administration of the program.

“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,” said Yael Shavit, an assistant attorney general in the consumer protection division of the Massachusetts Attorney General’s Office. “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.”

An analysis from 2018 found ED had denied approximately 99% of applicants for PSLF during the first eight months after the first candidates became eligible to apply, according to Melissa Emery-Arras, the director of education, workforce and income security at the Government Accountability Office (GAO). Denial rates have remained steady since then, she added.

Similarly, she said, ED had also denied 99% of applicants for the [Temporary Expanded PSLF](#) (TEPSLF) program, which was created specifically to reconsider denied PSLF applications. Congress allocated \$700 million over two years in the fiscal year 2018 omnibus spending bill for ED to reconsider denied PSLF applications on a first-come, first-served basis. TEPSLF expanded the list of qualifying repayment plans to include the Graduated Repayment Plan, Extended Repayment Plan, Consolidated Standard Repayment Plan, and Consolidated Graduated Repayment Plan. A borrower’s application can be reconsidered if it was previously denied because “some or all of the payments were not made under a qualifying repayment plan for PSLF.” ED will also reconsider pending applications for borrowers who made payments in a non-qualifying repayment plan.

There are many reasons that applicants have been denied, most of which have to do with borrowers not meeting at least one of the program requirements, which many argue is because of the complex nature of the eligibility requirements that Congress established when they designed the program.

Borrowers qualify for loan forgiveness for their remaining balances after the following criteria have been met: 120 qualifying monthly payments; that are under a qualifying repayment plan that is income-based; payments that were made within 15 days of their due date; and a borrower is employed full-time by a qualifying employer.

Jeff Appel, director of policy liaison and implementation at the Office of Federal Student Aid (FSA), noted that one of the biggest issues with borrowers being denied was that many had not been making payments for 10 years.

“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,” Appel said.

Both the [American Federation of Teachers](#), a national teachers union which Finlaw is a member of, and the Massachusetts Attorney General’s Office are involved in ongoing litigation in two separate lawsuits against ED, Secretary of Education Betsy DeVos, and the sole loan servicing company managing PSLF applications.

“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,” Shavit said.

James Steeley, chief executive officer of the Pennsylvania Higher Education Assistance Agency (PHEAA), was originally listed as a witness for the hearing, but refused to testify. PHEAA conducts its student loan servicing as FedLoan, which is the federally-contracted loan servicer for the PSLF program.

"As a federal servicer, PHEAA is strictly bound by the laws, regulations and guidance of the programs put forward by Congress and the Department; therefore, I must respectfully decline your invitation," Steeley wrote in a letter to Rep. Bobby Scott (D-VA), chairman of the House Committee on Education and Labor.

Rep. Lloyd Smucker (R-PA), ranking member of the Higher Education and Workforce Investment Subcommittee that held the hearing argued that Steeley’s absence was due to ongoing litigation between PHEAA and the state of Massachusetts.

However, Rep. Susan Davis (D-CA), chairwoman of the subcommittee, pushed back, saying “PHEAA had decided not to show up today, and that was well before Ms. Shavit was invited to be here. So there’s no relationship to that. I think, as we can tell from the testimony, it would be very helpful to have them here and they were in error to not be here.”

“I think that it’s interesting that if my principal called me into his office today and I just said, ‘Nah, I’m not going to show up,’ it would mean my job,” Finlaw said when asked about the absence. “And yet there’s 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.”

Rep. Virginia Foxx (R-NC) noted another missing element to the testimonies: none of the panelists had mentioned student financial aid officers and their responsibilities to students.

“It seems to me that there’s a big gap here in the people who are not here,” said Foxx. “We should have had somebody from NASFAA here to talk about what’s the role of financial aid officers in explaining this to students.”

Smucker submitted a [letter from NASFAA](#), which details concerns with the implementation of PSLF and includes recommendations to improve implementation moving forward, such as making both PSLF applications and Employment Certification Forms available for online completion, streamlining the Temporary Expanded PSLF (TEPSLF) application process, and resolving discrepancies in inaccurate counts of qualified payments, among other things.

“[PSLF] is a good example of a program created with the best of intentions, but whose very construction was flawed nearly from the outset. Delayed and convoluted implementation compounded those problems,” the letter reads. “Most recently, attempts to fix these shortcomings alleviated various issues, but simultaneously created other barriers. While we work to correct these challenges, it is our hope that our experience with PSLF can serve as a case study as Congress considers the creation of new student benefits and programs going forward.”

In the meantime, borrowers may continue to struggle navigating the program and the process of applying for loan forgiveness.

“I would keep every document you’ve ever been given,” Finlaw said when asked what advice she would offer to someone else applying for PSLF. “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 years away, months away. I would get names and ID numbers of whom I’m speaking with. I would cover my own back in a program that was meant to cover my back. Every person that’s going to apply, document everything.”

“I hope that when you get to 10 years that you don’t have to sit where I’m sitting,” said Finlaw. “My hope is that this program is fixed for you.”

*Publication Date: 9/20/2019*