



**UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION**

**Issue Paper #4: Improving the Public Service Loan Forgiveness (PSLF) Application Process
October 4-8, 2021**

Issue: Improving the PSLF Application Process

Statutory citations: §455(m) of the Higher Education Act of 1965, as amended

Regulatory citations: 34 CFR § 685.219

Summary of issues: Under section 455(m) of the Higher Education Act of 1965, as amended, the Secretary must cancel outstanding balances on eligible loans for borrowers who are employed full-time in a public service job after they make 120 qualifying payments. Very few borrowers who applied for PSLF have received forgiveness. Many borrowers seeking cancelation of their loans through PSLF have faced problems in the application process, including in counting payments and eligibility of FFEL loans. These issues have caused borrowers to not receive credit for all the payments they were expecting. Although the Department is concerned that only payments made on Direct Loans count toward PSLF, this is a statutory limitation for PSLF that we cannot change without Congressional action.

The Department has identified several areas in the regulations governing the application process that can be improved and further streamlined:

- To request loan forgiveness for PSLF, all borrowers, including Federal employees and servicemembers, are required to submit an application, even though the Department may be able to obtain this information and approve such borrowers without an application. The same could be true of individuals covered in future data matches established by the Department.
- Under 34 CFR 685.219(c)(1)(iii), a qualifying payment is defined as the full scheduled amount paid by the borrower within 15 days of the due date. This narrow definition has created challenges in which borrowers may not receive credit for many payments, such as payments that are a few weeks late, multiple partial payments, and lump sum payments. This provision makes it harder for borrowers to catch up and keep making progress on PSLF if they fall behind. It also makes the program more difficult to administer because it has payment counting rules that are stricter than those used for income-driven repayment.
- There are discrepancies between which payments count for PSLF and income-driven repayment (IDR), including certain deferments and forbearances.
- The clock toward forgiveness is reset when borrowers consolidate their loans, even if the underlying loans were Direct Loans on which qualifying PSLF payments may have been made.
- There is no specific requirement for a FFEL lender to inform borrowers about their eligibility for PSLF.
- There is no formal process to request reconsideration of decisions by the Department related to PSLF.

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Solutions: The Department believes that Public Service Loan Forgiveness must better deliver on its promises. While the Administration is working on multiple pathways to address challenges in this program, improved regulations can make payment rules less confusing, ensure borrowers do not accidentally lose progress toward relief through deferments and forbearances and consolidation, and give borrowers a clearer process for having decisions reconsidered. To accomplish these goals and address the issues identified above, the Department proposes the following initial for discussion with the negotiating committee:

Removing application requirements when the Secretary determines they do not need one. The Department is working to create data matches that would give us the information we would otherwise obtain from an application. Giving the Secretary flexibility to not require an application when it is not needed will assist in efforts to increase future automation in the PSLF program.

Payment Counting. The Department proposes to simplify regulations so that an amount paid by the borrower equal to the full scheduled payment due counts toward forgiveness, even if the payment is made in multiple installments or outside the 15-day payment window. This would also align the tracking of payments toward forgiveness between PSLF and IDR and would streamline payment-tracking overall. For borrowers on paid ahead status we would adopt the currently allowed practice of paying ahead up until the borrower's next recertification date on an income-driven repayment plan.

Allow certain deferments and forbearances to count as payments. The Department also proposes to count certain types of deferments or forbearances as payments, thereby aligning payments for PSLF and IDR. The Department proposes to expand the types of deferments and forbearances that qualify for PSLF to reflect two types of situations: (1) instances where status counts as qualifying employment and a qualifying payment and, (2) instances where the status counts as a payment if the borrower proves qualifying employment.

Stop the clock restart upon consolidation. The Department is considering whether to stop resetting the clock for Direct Loans when included within a consolidation loan for a borrower, including those that also include non-Direct Loans.

FFEL lender notifications to borrowers about PSLF eligibility. The Department proposes to require FFEL lenders to send annual disclosures to borrowers informing them of how they may access PSLF benefits, and to respond to any verbal or written questions about PSLF from borrowers. The disclosures would include information about consolidation and the steps to take if the borrower wishes to pursue consolidation.

PSLF Reconsideration Process. The Department proposes to codify a formal reconsideration process in the regulations that will allow borrowers to request an appeal of their application when they believe they have been wrongfully denied. A reconsideration process would include the following: the basis for which a reconsideration can be requested, reasonable timeframes to request reconsideration, and the provision of additional information.