

Written Statement of

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**On behalf of the Higher Education Loan Coalition
(HELC)**

**Comments on the Public Service Loan Forgiveness
Program**

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*Written Comments Delivered by Rachelle Feldman
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I write to you today on behalf of the Higher Education Loan Coalition (HELCO), a grassroots organization comprised of schools dedicated to the continuous improvement and strengthening of the student loan programs. Its members are practicing financial aid professionals working at participating institutions of higher education.

I would like to thank the Secretary for the opportunity to provide the Department of Education with comments on improvements that might be made to the income-based repayment (IBR) plans and Public Service Loan Forgiveness (PSLF) program.

HELCO looks forward to the implementation of the FUTURE Act and hopes the integration of data will significantly simplify the repayment process for borrowers, including those borrowers working towards forgiveness through PSLF.

Importance of the PSLF Program

The COVID-19 pandemic has accentuated the important role public service workers play in keeping America strong, creating a well-functioning society with a high standard of living and a globally competitive workforce. From frontline nurses and doctors in public hospitals, to school teachers, publicly-funded lawyers, and researchers, workers in these essential roles helped bring the country together and keep us going during the past 18 months. At all times, these workers play an essential role throughout society while needing specialized training and education, and PSLF plays an important role in our ability to train and attract people to such vital roles. In particular, PSLF is key to allowing students from lower income backgrounds, including those from both urban and rural areas, to pursue professions that might otherwise be financially out of reach. These are some of the same people who will best serve otherwise underserved communities and individuals.

Current Operations of the PSLF Program and Suggested Improvements

It is clear the PSLF plan is not working as intended and therefore has been ineffective in incentivizing graduates to enter public service. The very small number – only 1.26 percent as of September 2020 – of PSLF applicants who successfully had loans forgiven reflects the complicated and confusing process which must be improved for the program to succeed.

Better tracking and approval of borrowers. Significant changes in the tracking and approval of borrowers for forgiveness are needed.

- An individual should be able to verify upon employment whether their position qualifies as public service for purposes of the program through a public database, and the Department should update the database regularly based on its approval of Employment Certification Forms.
- The Department should create a checklist of eligibility requirements needed for PSLF and require all servicers to share this checklist with borrowers regularly. The checklist should make it easier for borrowers to determine their eligibility for PSLF before accepting job offers or enrolling in repayment plans.

Improved communication and verification of qualifying payments. Too many borrowers find out late in the process they have been making payments under a plan that does not qualify for forgiveness under PSLF.

- A required indicator of whether each payment would qualify for PSLF or another IBR plan should be disclosed to the borrower regardless of whether the borrower has applied for PSLF or not. Servicers should display whether a monthly payment qualifies for PSLF shortly after the payment is received so borrowers can track their progress online.
- On an annual basis, the Department or its servicers should be required to send PSLF applicants a statement of qualifying payments and progress towards forgiveness.

Increased servicing standards. Improvements in the servicing side also must be made to support a stronger PSLF program.

- Standards for servicers to provide appropriate detail of loan payment history and plans in a timely way when transferring loans between servicers, particularly if the Department chooses to continue having one servicer manage PSLF, are necessary.
- There must be accountability for servicers to process applications in a timely way and avoid placing loans in administrative forbearance during the transfer.
- The consequence of a loan consolidation also should be made clear to borrowers, including the effect on forgiveness, prior to a servicer initiating the consolidation.

Departmental coordination with employers and employer registry. Increased communication between the Department and employers will lessen confusion and allow more proactive PSLF registration.

- To further help borrowers make wise choices about employment, we suggest the Department conduct active outreach to employers with borrowers already enrolled in PSLF (or with similar characteristics to those workplaces with enrolled borrowers) and allow them to register with the Department of Education, which could then verify the employer and roles eligible for PSLF.
- The Department or employer could then make use of this registry data in marketing PSLF and employment opportunities.
- Employers could be prompted to periodically verify or update the positions they believe are eligible for forgiveness, so the Department can keep the registry current and accurate.
- The registry also could serve as a searchable database for borrowers seeking employment to verify their chosen position will make them eligible for the program.

Executive action to forgive loans for select borrowers in PSLF. We suggest the Department consider using its executive powers to extend forgiveness to current borrowers who have made 120 consecutive loan payments, but were in an ineligible repayment plan for some or all payments made, or whose employment was originally determined to qualify and later that decision was reversed. In this way current borrowers may benefit from improvements to the program and the economic benefits would extend beyond future entrants to the program.

Restarting Repayment and the Effects of the COVID-19 Pandemic

Many borrowers hoping to benefit from PSLF were among the hardest hit during the COVID-19 pandemic. Doctors and nurses worked in a continual state of crisis. District Attorneys and Public Defenders needed to change the way they interact in court. Teachers had to adapt their teaching methods and work remotely with often overwhelmed children and parents. Legislative aides worked overtime in attempts to provide legislative relief to struggling Americans. Special consideration should be made to these borrowers on both the treatment of the payment pause period and the transition to restarting payments.

Streamline repayment plans. As borrowers begin repayment of loans following the emergency temporary loan forbearance, the Department should use its executive powers to:

- Reduce the number of plans, preferably to one IBR plan that takes the best of the existing plans, one standard plan, and perhaps one extended repayment plan. Borrowers currently in other plans should be assigned to the most similar plan with the option to change.
- Increase the pool of eligible borrowers for the IBR plan by offering loan consolidation to borrowers who may not be able to take advantage of this plan as a result of borrowing in the FFEL program or obtaining a federal Direct Loan prior to the established date. Expanding loan consolidation options could have the added benefit of reducing the outstanding FFEL portfolio and reducing costs.

Data sharing implementation. Data sharing with IRS established in the FUTURE Act should enable borrowers to more easily stay enrolled in IBR plans, including PSLF eligible plans, and renew enrollment in a streamlined and timely way.

- Every attempt should be made to minimize the effort of borrowers to verify income and household size to enroll and stay enrolled in IBR plans, including their ability to authorize data sharing for multiple years.

- It is vital the Department work with the IRS to determine options for an auto-enrollment process. It also should proactively remind borrowers to complete their annual certification and provide clear instructions to those who missed deadlines on how to re-certify their income and family size to get back on track for PSLF.

Incentivize Loan Servicers to Direct Borrowers to the Most Advantageous Repayment Plan

As the Department moves forward with securing contracts with loan servicers, it is critical those contracts are written with the success of borrowers in mind. The financial incentives in the contract should encourage consistent and borrower-favorable applications of payments and overpayments. In addition, there must be incentives to match borrowers to the most advantageous repayment plan for their circumstances, even if that requires more effort, paperwork, or discussion on the part of the servicer. Placing borrowers in forbearance should be strongly discouraged by the contracts, as should any unnecessary capitalization of interest. In particular, servicers must be held accountable to help borrowers interested in the PSLF program and avoid taking any actions that might risk their ability to benefit from the program, including consolidations or transfer of their loans to an ineligible program.

Simplify the Federally Held Loan Servicing Environment

HELC applauds the efforts of the Department to simplify the borrowing environment and move servicers onto a single platform to encourage consistency and equity among borrowers. The current Direct Loan servicing environment is fraught with confusion and frustration for student borrowers. There is an inherent flaw with the current multiple contractor environment — borrowers do not understand who holds their loan. We believe this adds to the confusion and ineffectiveness of PSLF.

HELC believes changes are needed to restore clarity and simplification for students, including the following:

- Borrowers must have a single point of contact for all loan repayment activities, which should be branded as the Department of Education. The identity of the contractor should be invisible to borrowers while servicers exclusively use the Department's logo;
- Borrowers should be given one web portal and phone number for loan servicing, with behind-the-scenes technology routing the borrower to their contractor;
- Service levels, loan terms, and borrower benefits must be equal and uniform;
- Consistent processes and forms for common requests like deferment and forbearance should be the same for all contractors and available through electronic means;
- Calculations of interest, fees, interest capitalization, and application of payments to principal and interest should all be standard and consistent among the contractors;
- Performance measures should be relevant and uniformly applied to all contractors; and
- Contractor 'branding' and other marketing of the contractor to the borrower should be prohibited.

We support healthy competition among a limited number of contractors -- too many contractors increase the complexity of the system and taxpayer cost. Healthy competition can be managed in a way that is invisible to the borrower.

In closing, I would like to thank you again for the opportunity to present these comments on behalf of the Higher Education Loan Coalition. Many of our members were the first schools to implement the Direct Loan program over 20 years ago and have years of expertise in operational and policy issues as well as compliance with the regulations for the program. The Coalition has been supportive of the PSLF program since its inception and looks forward to participating in the negotiated rulemaking process.