

Why GAO Did This Study

As of September 2014, outstanding federal student loan debt exceeded \$1 trillion, and about 14 percent of borrowers had defaulted on their loans within 3 years of entering repayment, according to Education data. GAO was asked to review options intended to help borrowers repay their loans.

For Direct Loan borrowers GAO examined: (1) how participation in Income-Based Repayment and Pay As You Earn compares to eligibility, and to what extent Education has taken steps to increase awareness of these plans, and (2) what is known about Public Service Loan Forgiveness certification and eligibility, and to what extent Education has taken steps to increase awareness of this program. GAO reviewed relevant federal laws, regulations, and guidance; September 2014 data from Education and its loan servicer for Public Service Loan Forgiveness; Treasury's eligibility estimates; and 2012 employment data (most recent available) from the Bureau of Labor Statistics. GAO also interviewed officials from three loan servicers that service about half of Education's loan recipients.

What GAO Recommends

GAO recommends Education consistently notify borrowers in repayment about income-driven repayment, and examine borrower awareness of Public Service Loan Forgiveness. Education generally agreed with GAO's recommendations, but it believed the report overstated the extent to which borrowers lack awareness of income-driven repayment. GAO modified the report to clarify this issue.

View [GAO-15-663](#). For more information, contact Melissa Emrey-Arras at (617) 788-0534 or emreyarrasm@gao.gov.

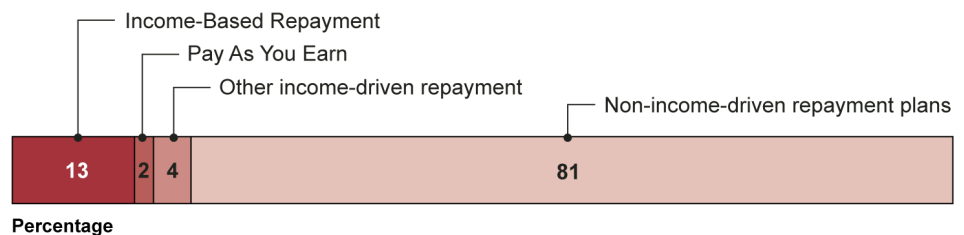
FEDERAL STUDENT LOANS

Education Could Do More to Help Ensure Borrowers Are Aware of Repayment and Forgiveness Options

What GAO Found

Many eligible borrowers do not participate in the Department of Education's (Education) Income-Based Repayment and Pay As You Earn repayment plans for Direct Loans, and Education has not provided information about the plans to all borrowers in repayment. These plans provide eligible borrowers with lower payments based on income and set timelines for forgiveness of any remaining loan balances. While the Department of the Treasury estimated that 51 percent of Direct Loan borrowers were eligible for Income-Based Repayment as of September 2012, the most recent available estimate, Education data show 13 percent were participating as of September 2014. An additional 2 percent were in Pay As You Earn. Moreover, Education has reported ongoing concerns regarding borrowers' awareness of these plans. Although Education has a strategic goal to provide superior information and service to borrowers, the agency has not consistently notified borrowers who have entered repayment about the plans. As a result, borrowers who could benefit from the plans may miss the chance to lower their payments and reduce the risk of defaulting on their loans.

Repayment Plan Participation of Direct Loan Borrowers in Active Repayment, September 2014



Source: GAO review of summary data from the Department of Education's National Student Loan Data System. | GAO-15-663

Few borrowers who may be employed in public service have had their employment and loans certified for the Public Service Loan Forgiveness program, and Education has not assessed its efforts to increase borrower awareness. Beginning in 2017, the program is to forgive remaining Direct Loan balances of eligible borrowers employed in public service for at least 10 years. As of September 2014, Education's loan servicer for the program had certified employment and loans for fewer than 150,000 borrowers; however, borrowers may wait until 2017 to request certification. While the number of borrowers eligible for the program is unknown, if borrowers are employed in public service at a rate comparable to the U.S. workforce, about 4 million may be employed in public service. It is unclear whether borrowers who may be eligible for the program are aware of it. Although Education has a strategic goal to provide superior information and service to borrowers and provides information about Public Service Loan Forgiveness through its website and other means, it has not notified all borrowers in repayment about the program. In addition, Education has not examined borrower awareness of the program to determine how well its efforts are working. Borrowers who have not been notified about Public Service Loan Forgiveness may not benefit from the program when it becomes available in 2017, potentially forgoing thousands of dollars in loan forgiveness.