United States Government Accountability Office

Report to the Chairman of the Committee on Education and Labor, House of Representatives

March 2022

FEDERAL STUDENT AID

Education Needs to Take Steps to Ensure Eligible Loans Receive Income-Driven Repayment Forgiveness

GAO-22-103720

GAO Highlights

Highlights of GAO-22-103720, a report to the Chairman of the Committee on Education and Labor, House of Representatives

Why GAO Did This Study

About half of the more than $1 trillion in outstanding federal student Direct Loans are being repaid by borrowers using IDR plans. Some borrowers in IDR plans are now potentially eligible for forgiveness of their remaining loan balances after 20 or 25 years of payments. GAO was asked to review IDR forgiveness.

This report examines (1) how many loans have received IDR forgiveness and the extent to which Education ensures eligible loans receive forgiveness, and (2) the extent to which Education provides key information about IDR forgiveness to borrowers in IDR plans.

GAO analyzed Education data on IDR loans that had been in repayment long enough to be potentially eligible for IDR forgiveness as of September 1, 2020, and data on loans forgiven as of June 1, 2021, the most recent data available. In addition, GAO interviewed Education and loan servicer officials, and reviewed documents from all nine servicers operating in 2020, Education requirements, and relevant federal laws and regulations.

What GAO Recommends

GAO is making five recommendations to Education, including that Education take steps to identify and address payment tracking errors, and ensure borrowers receive additional information about requirements for forgiveness and counts of qualifying payments. Education agreed with GAO's recommendations.

View GAO-22-103720. For more information, contact Melissa Emrey-Arras at (617) 788-0534 or emreyarrasm@gao.gov.

March 2022

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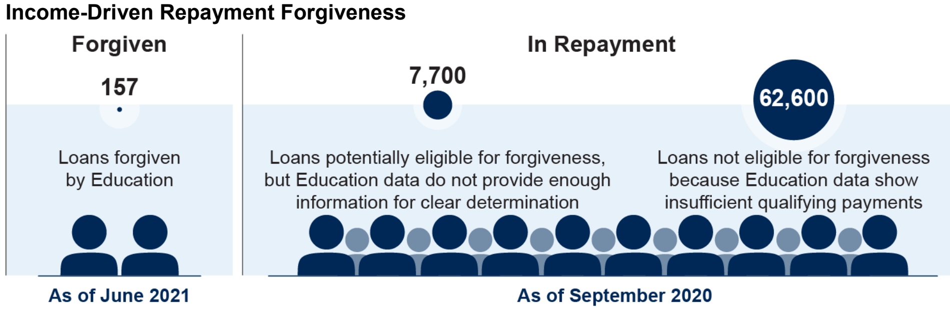
Education Needs to Take Steps to Ensure Eligible Loans Receive Income-Driven Repayment Forgiveness

What GAO Found

The Department of Education approved forgiveness for a total of 157 loans under Income-Driven Repayment (IDR) plans as of June 1, 2021, but has not taken the steps necessary to ensure that all eligible loans receive IDR forgiveness. IDR plans generally lower monthly payment amounts and extend repayment to 20 or 25 years of qualifying payments, after which borrowers become eligible for forgiveness of their remaining loan balances without needing to apply. However, GAO found that about 7,700 loans in repayment (about 11 percent of loans analyzed) could be potentially eligible for IDR forgiveness. Education's repayment data do not provide enough information to definitively determine why these loans—totaling about $49 million in outstanding debt—had not been forgiven as of September 1, 2020 (see figure). Education officials said data limitations make it difficult to track some qualifying payments and older loans are at higher risk for payment tracking errors. Until Education takes steps to address such errors, some borrowers may not receive the IDR forgiveness they are entitled. This risk will increase as Education data show loans potentially eligible for IDR forgiveness will climb to about 1.5 million loans by 2030.

Selected Outcomes for Loans in Repayment Long Enough to be Potentially Eligible for Income-Driven Repayment Forgiveness



Source: GAO analysis of Department of Education data. | GAO-22-103720

GAO identified gaps in the information Education and its loan servicers provide to borrowers about IDR forgiveness.

- Education does not provide information about the requirements for receiving IDR forgiveness, including what counts as a qualifying payment toward forgiveness, in key communications to IDR borrowers. Borrowers who do not receive this information may be unaware that months in forbearance and most types of deferment generally do not count. Additional information would help borrowers understand requirements for forgiveness.
- Education and its servicers told GAO they do not provide regular updates to borrowers in IDR plans on the counts of qualifying payments made toward forgiveness unless borrowers request them. They also do not notify all borrowers about options to request and verify these counts. Providing this information is especially important given the risk of payment tracking errors.

Unless Education ensures borrowers are better informed about forgiveness requirements and qualifying payment counts, IDR borrowers may make uninformed decisions and be unable to correct inaccurate counts, potentially delaying forgiveness.

Contents

Abbreviations

Direct Loan	William D. Ford Federal Direct Loan
Education	Department of Education
FFEL	Federal Family Education Loan
IDR	Income-Driven Repayment
NSLDS	National Student Loan Data System

441 G St. N.W.
Washington, DC 20548

March 21, 2022

The Honorable Robert C. “Bobby” Scott
Chairman
Committee on Education and Labor
House of Representatives

Dear Mr. Chairman:

Repaying federal student loans can be challenging for borrowers, particularly those with lower incomes. As of September 2021, about half of the approximately $1 trillion in outstanding William D. Ford Federal Direct Loans (Direct Loan) was being repaid by borrowers using Income-Driven Repayment (IDR) plans that are designed to make payments more affordable. IDR plans base monthly payment amounts on a borrower’s income and family size, extend repayment periods from the standard 10 years to 20 or 25 years, and forgive any loan balances remaining at the end of the repayment period. Since loan payments made as early as 1994 may count toward IDR forgiveness, some loans are now eligible to have their remaining balances forgiven.[1]

Borrowers qualify for IDR forgiveness by accruing 20 or 25 years of qualifying payments, which can include scheduled monthly payments as low as $0.[2] The Department of Education and its contracted loan servicers are responsible for tracking progress toward IDR forgiveness and Education is responsible for providing forgiveness when it is due. However, little is known about how Education ensures that eligible loans receive IDR forgiveness. You asked us to review Education’s administration of IDR loan forgiveness.

This report examines (1) how many loans have received IDR forgiveness and the extent to which Education ensures eligible loans receive forgiveness, and (2) the extent to which Education provides key

[1]The Department of Education implemented the first IDR plan in 1994 and since that time has introduced additional IDR plans, some of which also allow for certain payments made as early as 1994 to qualify toward IDR forgiveness.

[2]The repayment period for IDR plans is up to 20 or 25 years, depending on the plan. Scheduled monthly payments for borrowers enrolled in IDR plans are calculated based on borrower income and family size and can be as low as $0 for some borrowers. Scheduled monthly payments of $0 count as qualifying payments towards forgiveness on IDR plans.

information about IDR loan forgiveness to borrowers enrolled in IDR plans.

To address the first objective, we analyzed data from Education's National Student Loan Data System (NSLDS) to identify the status and characteristics of Direct Loans in IDR plans that had been in repayment long enough to potentially be eligible for IDR forgiveness as of September 1, 2020, the most recent data at the time of our analysis.[3] For loans within this population that were in repayment as of September 1, 2020, we also analyzed loan history information to gain insights about why the loans had not received forgiveness. Specifically, we used available loan history data to calculate how many months the loans spent in statuses that do not count toward IDR forgiveness, including forbearance prior to March 2020, default, delinquency, or deferments other than economic hardship deferments.[4] We also obtained updated data from Education about the loans that had been approved for IDR forgiveness as of June 1, 2021, including the date the loans were forgiven and the amount forgiven.[5] In addition, we analyzed NSLDS data to identify IDR loans that had been in repayment long enough to potentially become eligible for IDR forgiveness between September 1, 2020 and September 1, 2030.

[3]We used the date the loan first entered statutory repayment to identify loans that had been in repayment long enough to potentially be eligible for IDR forgiveness. Our analysis did not include loans under the Federal Family Education Loan (FFEL) program because these loans have different requirements for IDR forgiveness and would not be eligible during the period of our analysis.

[4]In response to the COVID-19 pandemic, on March 27, 2020, the CARES Act was enacted, which suspended federal student loan payments due, interest accrual, and involuntary collections for most student loans through September 30, 2020, and provided that these months without payments also count as qualifying payments for the purpose of federal student loan rehabilitation and forgiveness programs, including IDR forgiveness. Pub. L. No. 116-136, § 3513, 134 Stat. 281, 404-05 (2020). Education implemented this COVID-19 emergency relief for federal student loans retroactively to March 13, 2020, the date COVID-19 was declared a national emergency. This relief has been extended several times through administrative actions, and has most recently been extended until May 1, 2022.

[5]We obtained updated data from Education to provide a more current snapshot on the number of loans approved for IDR forgiveness and to account for potential lags between when IDR forgiveness is approved and when it is recorded in NSLDS. We adjusted our analysis to account for additional loans that received IDR forgiveness since we received the original dataset from Education. Specifically, we ensured that all loans that received forgiveness through June 1, 2021, were included in the total number of loans approved for IDR forgiveness and these loans are not captured in any other category.

We assessed the reliability of Education's data by reviewing related documents, interviewing knowledgeable officials responsible for each dataset, and performing electronic tests on specific data elements. On the basis of our reliability assessment results, we determined that the Education data we used in our analysis were sufficiently reliable for our purposes of reporting the numbers and characteristics of IDR loans that have been in repayment long enough to be potentially eligible for IDR forgiveness by September 1, 2030.

To address our second objective, we obtained examples of communication documents provided to borrowers at multiple stages of IDR repayment from all nine servicers operating in 2020.[6] For each of these example communications, we determined the extent to which they included key information about IDR forgiveness requirements, such as the repayment terms and what qualifies as a payment toward IDR forgiveness.

For both objectives, we reviewed Education documents such as summaries of requirements for student loan servicers, procedures for processing data, and monitoring reports. We also interviewed Education officials from Federal Student Aid, the office responsible for developing policies and procedures for administering IDR plans and overseeing how loan servicers implement them. In addition, we conducted semi-structured interviews with officials at four servicers and collected and analyzed written responses and documentation from all nine servicers that were servicing Direct Loans in 2020 about their procedures for tracking qualifying payments, obtaining and verifying the accuracy of related data from previous servicers, and communicating with borrowers.[7] We evaluated the information we obtained using criteria from Education's Federal Student Aid Fiscal Year 2020-2024 strategic plan and federal

[6]The four largest servicers as of 2020 were Great Lakes, Navient, Nelnet, and the Pennsylvania Higher Education Assistance Agency. The remaining five loan servicers were CornerStone, EdFinancial, Granite State, Missouri Higher Education Loan Authority, and Oklahoma Student Loan Authority Servicing. However, CornerStone's contract with Education ended in October 2020 and Navient's contract was transferred to a new servicer in October 2021. The contracts for Granite State and the Pennsylvania Higher Education Assistance Agency are expected to end in March 2022 and December 2022, respectively.

[7]When reporting on these written responses from the nine servicers, we use the term "several" when describing cases in which three to six servicers provided similar responses.

internal control standards.[8] We also reviewed relevant federal laws and regulations. For more information about our objectives, scope, and methodology, see appendix I.

We conducted this performance audit from August 2019 to March 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Direct Loan program provides financial assistance to students and their parents to help pay for postsecondary education. A variety of repayment plans are available to eligible Direct Loan borrowers, including Standard, Graduated, Extended, and several IDR plans. Borrowers are automatically enrolled in the Standard plan if they do not choose another option and they generally make fixed monthly payments over a period of 10 years.[9] However, borrowers can generally change repayment plans at any time. IDR plans can ease the repayment burden by setting monthly loan payments based on a borrower's income and family size and extending the repayment period up to 20 or 25 years, depending on the plan. Unlike Standard, Graduated, and Extended repayment plans, which require the loan to be repaid in full, IDR plans offer forgiveness of the loan's balance at the end of the repayment period and monthly payments may be as low as $0 for some borrowers.

There are currently five IDR plans for federal student loans, which vary in terms of eligibility requirements, how monthly payments are calculated,

[8]U.S. Department of Education, Federal Student Aid, *Federal Student Aid: Strategic Plan, Fiscal Years 2020-2024,* (Washington D.C.: December 2020) and GAO, *Standards for Internal Control in the Federal Government,* GAO-14-704G (Washington D.C.: September 2014). Specifically, we used standards related to managing risk and using quality information for the first objective and communication for the second objective.

[9]Terms for other repayment plans vary, depending on the type of loan and when the loan entered repayment. Under the Graduated plan, for loans entering repayment on or after July 1, 2006, borrowers have a fixed repayment term of up to 10 years (or 10 to 30 years for Consolidation loans) and monthly payments gradually increase over time. Under the Extended plan, for loans entering repayment on or after July 1, 2006, borrowers' terms are fixed at 25 years or less. Monthly payments under this plan may be fixed or graduated, and borrowers must have more than $30,000 in loans to qualify. Monthly payment amounts under the Standard, Graduated, and Extended repayment plans are not based on income.

and the required number of qualifying payments borrowers must make before any remaining loan balances may be forgiven (see table 1). Generally, outstanding student loan balances forgiven through IDR forgiveness are subject to federal taxation. However, the American Rescue Plan Act of 2021 enacted in March 2021 temporarily excluded most student loan forgiveness, including IDR forgiveness, received in 2021 through 2025 from gross income for purposes of federal taxation.[10]

Table 1: Types of Income-Driven Repayment (IDR) Plans for Federal Student Loans

IDR Plan	Eligibility[a]	Monthly payment amount[f]	Repayment period before potential loan forgiveness (in years)	Earliest possible forgiveness date for Direct Loans
Income-Contingent Repayment	All Direct Loan borrowers	Generally 20 percent of borrower's discretionary income[g]	25	July 2019
Income-Based Repayment	Income-eligible[b] borrowers who received Direct Loan or Federal Family Education Loan (FFEL) before July 1, 2014[c]	15 percent of borrower's discretionary income[h]	25	July 2019
New Income-Based Repayment	Income-eligible[b] borrowers who received Direct Loans on or after July 1, 2014[d]	10 percent of borrower's discretionary income[h]	20	July 2034
Pay As You Earn	Income-eligible[b] borrowers who received Direct Loans on or after October 1, 2007[e]	10 percent of borrower's discretionary income[h]	20	October 2027
Revised Pay As You Earn	All Direct Loan borrowers	10 percent of borrower's discretionary income	20 (if all loans being repaid were received for undergraduate study) 25 (if any loans being repaid were received for graduate or professional study)	December 2015 (undergraduate) July 2019 (graduate)

Source: GAO analysis of U.S. Department of Education information. | GAO-22-103720

[a]Defaulted loans are ineligible for IDR plans unless a borrower rehabilitated the loan and re-enters a qualifying repayment status. In general, default occurs when a borrower reaches 270 days of delinquency (failure to make a payment when due). In addition, PLUS loans made to parents of dependent undergraduates (Parent PLUS loans) are ineligible for IDR plans; however, Parent PLUS borrowers who consolidated their loans on or after July 1, 2006, are eligible for the Income-Contingent Repayment plan.

[b]Borrowers are eligible if their Standard 10-year repayment amount exceeds their repayment amount under the plan.

[c]Income-Based Repayment is the only IDR plan for which a FFEL loan may be eligible without first being consolidated into a Direct Consolidation Loan. For FFEL loans in Income-Based Repayment plans, the first allowable date for making a qualifying payment was July 1, 2009. Therefore, the first possible date for a FFEL loan to be granted IDR forgiveness would be 2034.

[10]Pub. L. No. 117-2, § 9675, 135 Stat. 4, 185-86.

[d]The New Income-Based Repayment plan is only available to new borrowers on or after July 1, 2014. For this plan, new borrowers are defined as individuals who had no outstanding federal student loan balance when they received a Direct Loan on or after July 1, 2014. Borrowers who do not meet this definition may be eligible for the Income-Based Repayment plan, but not the New Income-Based Repayment plan.

[e]The Pay As You Earn plan is only available to borrowers who (1) are new borrowers on or after October 1, 2007, defined as individuals who had no outstanding federal student loan balance when they received a Direct or FFEL loan on or after October 1, 2007; and (2) received a disbursement of a Direct Loan on or after October 1, 2011.

[f]Monthly payments for IDR plans are generally set as a proportion of the borrower's discretionary income, which Education defines as adjusted gross income that exceeds 100 percent of the applicable federal poverty guideline for the Income-Contingent Repayment plan, and 150 percent of the applicable guideline for all other IDR plans. Poverty guidelines are published annually by the Department of Health and Human Services and vary based on geographic location and family size. Adjusted gross income is the adjusted gross income as reported to the Internal Revenue Service, and consists of gross income, including income from employment, unemployment compensation, dividends, interest, tips, and alimony received, minus certain deductions, such as certain retirement contributions, and moving and education expenses. For most plans, except Revised Pay As You Earn, when determining payment amounts, spousal income is considered only for borrowers who jointly file a federal tax return with their spouse.

[g]Borrowers pay the lesser of (a) 20 percent of discretionary income, or (b) the amount the borrower would pay over 12 years with fixed payments multiplied by an income percentage factor that is set and annually adjusted by Education.

[h]Monthly payment amounts are capped at less than or equal to the monthly payment amount under the Standard 10-year repayment plan.

In certain scenarios, borrowers may change from one IDR plan to another during the life of their loan. For example, Education reported that some borrowers have changed from the Income-Contingent Repayment plan that requires 25 years of qualifying payments to the newer Revised Pay As You Earn plan. That plan requires 20 years of qualifying payments for borrowers with only undergraduate loans, and it may lower monthly payment amounts.

Qualifying Payments toward IDR Forgiveness

Monthly payments made under any of the IDR plans or the 10-year Standard repayment plan generally count as qualifying payments toward forgiveness, as do months in which a borrower has been granted an economic hardship deferment on eligible loans.[11] This includes periods when the loan's scheduled monthly IDR plan payment is $0. In addition, under the CARES Act and related administrative actions due to the COVID-19 pandemic, most student loans were placed in forbearance

[11]Eligible borrowers may temporarily postpone loan payments through deferment. Several different types of deferment are available to borrowers, each with its own eligibility criteria. Borrowers may qualify for an economic hardship deferment if they meet certain eligibility requirements such as having income below a certain level or qualifying for other means-tested benefits such as Temporary Assistance for Needy Families. Payments made under Graduated or Extended repayment plans may qualify if the required payment amount is at least as high as the loan payment would have been under the Standard repayment plan.

beginning March 13, 2020, with a planned end date of May 1, 2022. Unlike other periods of forbearance, interest does not accrue on the loans, and the months without payments count as qualifying payments toward IDR forgiveness.[12]

The actual length of a loan's repayment period and the timing of forgiveness can vary based on the requirements of the specific IDR plan and the circumstances and repayment history of the borrower (see fig. 1). Loans in IDR plans may complete repayment before they are eligible for forgiveness if, for example, their scheduled monthly payments are high enough to repay the total balance earlier. It may also take longer than 20 to 25 years for a loan to be eligible for forgiveness if the loan spends any months in delinquency or is in the following statuses that do not generally count as qualifying payments:

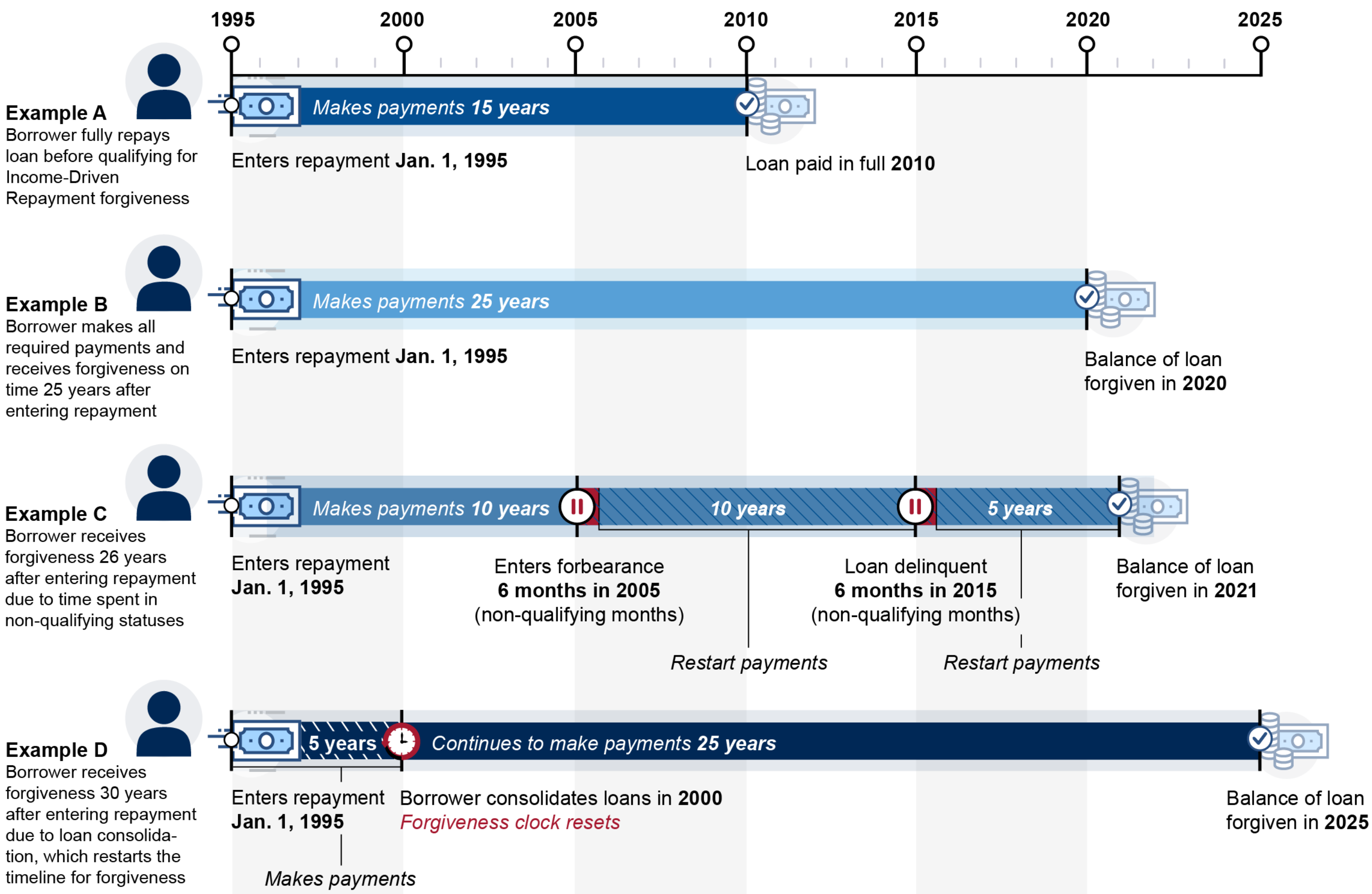
- payments made in a non-qualifying repayment plan,
- deferment other than economic hardship deferment,
- forbearance, or
- default.[13]

In addition, loans that are consolidated must restart the process of accruing qualifying months toward IDR forgiveness.

[12]On March 27, 2020, the CARES Act was enacted, which suspended student loan payments due, interest accrual, and involuntary collections for most federal student loans through September 30, 2020, and provided that these months without payments also count as qualifying payments for the purpose of federal student loan rehabilitation and forgiveness programs, including IDR forgiveness. Pub. L. No. 116-136, § 3513, 134 Stat. at 404-05. Education implemented this COVID-19 emergency relief for federal student loans retroactively to March 13, 2020, the date COVID-19 was declared a national emergency. This relief been extended several times through administrative actions, and has most recently been extended until May 1, 2022.

[13]Eligible borrowers can temporarily postpone or reduce loan payments through forbearance. With the exception of COVID-19-related forbearance, interest on the loan generally continues to accrue during forbearance. In general, default occurs when a borrower reaches 270 days of delinquency (failure to make a payment when due).

Figure 1: Examples of Length of Time in Repayment for Hypothetical Student Loan Borrowers on Income-Driven Repayment Plans with a 25-year Repayment Period



Source: GAO analysis of requirements for federal student loan repayment and forgiveness under Income-Driven Repayment plans. | GAO-22-103720

Note: These examples all assume that the borrower was enrolled in an Income-Driven Repayment plan that required 25 years of qualifying payments in order to receive IDR forgiveness.

Role of Education and Loan Servicers in IDR Forgiveness

Education administers the Direct Loan program and contracts with private loan servicers to handle billing and other tasks, and to communicate with borrowers about repayment plans, required monthly payments, and the impact of various loan repayment decisions.

Unlike some other types of student loan forgiveness, borrowers do not have to apply for IDR forgiveness. Education and servicers are responsible for identifying borrowers on IDR plans who have made sufficient qualifying payments to receive IDR forgiveness. Education requires servicers to identify loans before they are within 6 months of being eligible for IDR forgiveness, submit those loans to Education for final review, and notify borrowers when loans are on track to receive forgiveness in 6 months.

Until 2009, a single contractor serviced all Direct Loans. Starting in 2009, Education began awarding contracts to additional servicers. According to Education officials, the agency started transferring Direct Loans from the original servicer to other servicers in October 2011 and had completed all such transfers by November 2013.[14]

Education is in the process of designing a new system for processing loans and communicating with borrowers, called the “Next Gen servicing solution.” According to Education, the role of servicers is expected to change under Next Gen. Education also awarded new contracts related to Next Gen that will result in some changes to the companies servicing Direct Loans.

[14]The four largest servicers as of 2020 were Great Lakes, Navient, Nelnet, and the Pennsylvania Higher Education Assistance Agency. The remaining five loan servicers were CornerStone, EdFinancial, Granite State, Missouri Higher Education Loan Authority, and Oklahoma Student Loan Authority Servicing. However, CornerStone’s contract with Education ended in October 2020 and Navient’s contract was transferred to a new servicer in October 2021. The contracts for Granite State and the Pennsylvania Higher Education Assistance Agency are expected to end in March 2022 and December 2022, respectively.

Few Loans Have Received IDR Forgiveness and Education's Procedures Risk Delayed or Missed Forgiveness

Education Approved 157 Loans for IDR Forgiveness by June 2021 and Thousands More Could be Potentially Eligible

Education approved IDR forgiveness for 157 loans under IDR plans as of June 1, 2021, the most recent data available at the time of our review. These loans were held by 132 borrowers who collectively received forgiveness of about $4.4 million in loan balances, an average of about $34,000 per borrower.

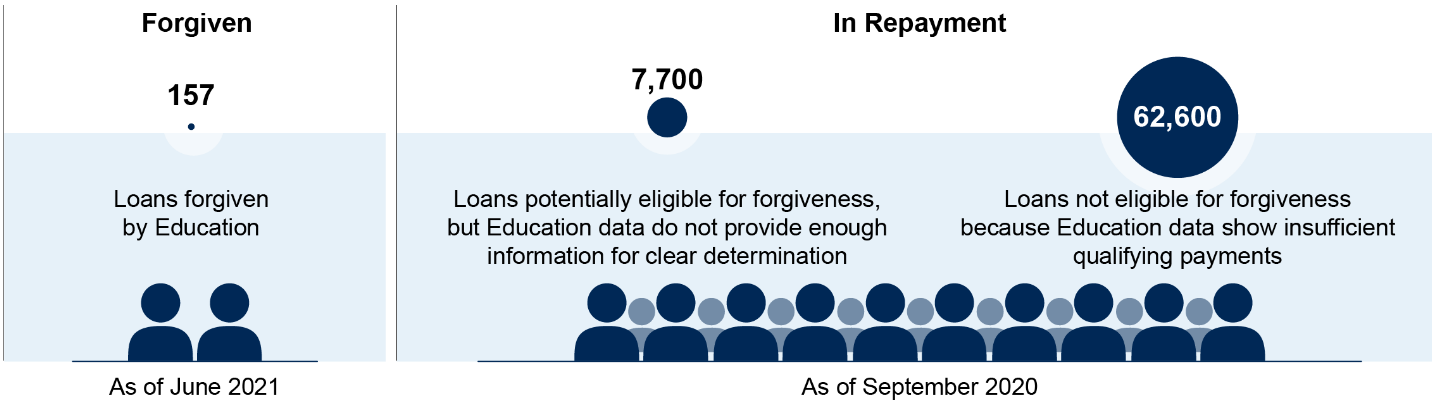
However, Education's data do not provide enough information to definitively determine why thousands of additional loans were not forgiven. We found that about 7,700 loans (approximately 11 percent of loans analyzed) potentially had enough qualifying payments to qualify for forgiveness as of September 1, 2020, after subtracting months in non-qualifying statuses, such as delinquency, default, certain deferments, and forbearance (see fig. 2).[15] The approximately 7,700 loans were held by about 3,000 borrowers and had about $49 million in outstanding principal and interest, an average of about $16,000 per borrower.[16] Almost all of them were undergraduate loans being repaid on the Revised Pay As You Earn plan. In contrast, we found that about 62,600 loans spent too many months in non-qualifying statuses to have qualified for forgiveness,

[15]We analyzed NSLDS data for the 70,300 loans that entered repayment between July 1, 1994 and September 1, 2000, and were on IDR plans at the time of our analysis. This is the time period during which loans would have needed to enter repayment to potentially qualify for IDR forgiveness as of September 1, 2020, the date of the most recent data available at the time of our analysis.

[16]This average represents the average loan balance per borrower among these approximately 7,700 loans. Borrowers who had loans in this category may also have additional loans that are not included in these average loan balances, such as loans that have not been in repayment long enough to potentially qualify for forgiveness.

including about 2,700 loans that were in default at the time of our analysis.[17]

Figure 2: Selected Outcomes for Loans in Repayment Long Enough to be Potentially Eligible for Income-Driven Repayment Forgiveness



Source: GAO analysis of Department of Education data. | GAO-22-103720

Note: GAO identified about 70,300 loans that had been in repayment long enough to potentially qualify for forgiveness as of September 1, 2020. Of these, GAO found that about 62,600 loans spent too many months in non-qualifying statuses to have qualified for forgiveness, including about 2,700 loans that were in default at the time of GAO's analysis. In addition to the approximately 70,300 loans still in repayment, GAO identified about 111,500 additional loans that had been paid in full or closed for other reasons since 2014. Education's National Student Loan Data System started tracking loans closed in IDR plans in 2014, so any loan in an IDR plan that was closed prior to 2014 would not be included in the approximately 111,500 loans. Additional details on the datasets and methodologies underlying GAO's analyses can be found in appendix I.

Given gaps in Education's data, we were not able to determine whether any of the 7,700 loans we identified are eligible for IDR forgiveness. According to Education officials, prior to 2014, NSLDS did not contain complete and reliable data on delinquencies or information on repayment plans, which is needed to determine whether a loan is on a plan that could qualify for IDR forgiveness. Education took steps to address these data limitations starting in 2014; however, the changes do not retroactively apply to older data according to Education officials. Further, while NSLDS also includes cumulative counts of qualifying payments toward IDR forgiveness, officials advised against using them in our

[17]In addition to the approximately 70,300 loans still in repayment, we identified about 111,500 additional loans that had been paid in full or closed for other reasons since 2014. Education's NSLDS data started tracking loans closed in IDR plans in 2014, so any loan in an IDR plan that was closed prior to 2014 would not be included in the approximately 111,500 loans. Additional details on the datasets and methodologies underlying our analyses can be found in appendix I.

analysis because they are not sufficiently accurate to determine when a loan is eligible for forgiveness. These data limitations make it difficult for Education and loan servicers to systematically track the number of qualifying payments made by borrowers, raising the risk that some of the approximately 7,700 loans we identified were eligible for but did not receive forgiveness as of September 1, 2020.

Education Risks Missing Some Loans Eligible for IDR Forgiveness Because It Does Not Have Adequate Procedures to Catch Payment Tracking Errors

Weaknesses in Education's procedures for tracking qualifying payments may lead to inaccurate counts of borrowers' progress toward IDR forgiveness. Education requires servicers to maintain cumulative counts of qualifying payments once a borrower enrolls in an IDR plan, including any qualifying payments made when loans were assigned to other servicers. These counts are a key way servicers track borrowers' progress toward IDR forgiveness. However, some older qualifying payments—particularly those made prior to 2014—may not be accurately recorded according to Education documents we reviewed and Education officials we interviewed. During this time period, Education did not ensure that the original Direct Loan servicer accurately counted all qualifying payments by borrowers. In particular, a 2016 Education monitoring report found that months when loans were in an economic hardship deferment or when the approved monthly payment was $0 may not have been consistently counted as qualifying payments. Several servicers also said some counts they received from the original servicer were missing economic hardship deferments or other types of qualifying payments.

Education has been aware for several years that older qualifying payment counts may be inaccurate, as described by officials and documented in a study initiated in 2015, a 2016 monitoring report, and 2017 email communications between three servicers and Education. Education officials identified some steps the agency has taken to improve counts of more recent qualifying payments. The changes for newer qualifying payments included improved data collection starting in 2014, such as more reliable information on approved $0 payments on IDR plans. In 2018, Education also improved qualifying payment counters and provided instructions for counting economic hardship deferments and other qualifying payments. Education took additional steps in 2020 to standardize the information loan servicers provide at the time of transfer in response to a recommendation we made in 2018.[18] However, Education officials said these changes did not resolve data quality issues for older payments.

Despite the known issues with older qualifying payments, Education advises servicers to consider previous servicers' counts as accurate. Education does not require current servicers to verify the counts unless borrowers request that they do so, according to Education officials we interviewed and guidance documents we reviewed. However, if those counts have not been accurately tracked, servicers may not identify a loan when it is eligible for IDR forgiveness. Education also does not provide servicers with procedures for how to verify the counts when requested by borrowers, although Education documents from 2016 and 2017 acknowledged that verifying older counts can be difficult. For example, a 2017 Education document summarizing challenges with counting qualifying payments noted that the process involves making assumptions based on limited information and may result in inconsistencies across servicers. The absence of verification procedures is contrary to federal internal control standards that state agencies should use quality information and communicate it to those who need it, in a form that enables them to carry out their responsibilities.[19] Without consistent procedures for how to verify counts, some inaccuracies in the qualifying payment counts may not be identified and corrected.

We also found that Education's procedures for approving loans for IDR forgiveness do not ensure that older counts of qualifying payments at higher risk of being inaccurate are identified and addressed when needed. Education officials said that servicers are generally required to submit documentation to the agency for review and approval when they identify a loan at about 6 months from IDR forgiveness. Education officials said that before submitting loan history information, servicers must verify the accuracy of qualifying payment counts for the period when

[18]In 2018, we found that Education had not ensured the Public Service Loan Forgiveness servicer received consistent information on borrowers' prior loan payments from other servicers, increasing the risk of inaccurate qualifying payment counts. We recommended that Education standardize the information that other servicers provide to the Public Service Loan Forgiveness servicer. In response to this recommendation, Education made changes in 2020 to standardize the loan payment data provided at the time of transfer for borrowers seeking Public Service Loan Forgiveness. Officials said these changes would also benefit borrowers seeking IDR forgiveness. GAO, *Public Service Loan Forgiveness: Education Needs to Provide Better Information for the Loan Servicer and Borrowers.* GAO-18-547 (Washington D.C.: September 2018).

[19]GAO-14-704G.

they were servicing the loan, but are not required to verify older counts from previous servicers. The officials also said Education's final review is less detailed for these older qualifying payments than for newer qualifying payments, and acknowledged that some errors in qualifying payment counts by previous servicers may not be identified.

According to Education officials, from November 2015 through March 2017, the agency drafted requirements for servicers to address the accuracy concerns with older qualifying payments, but ultimately decided not to implement the draft requirements. Officials said the requirements were not implemented due to the cost and complexity involved in manually reviewing the underlying documents for every IDR plan loan in order to ensure accurate counts of qualifying payments. Education officials estimated that the manual review process to verify qualifying payment counts would have taken 8 to 10 hours per loan. However, other approaches exist that Education could consider incorporating into its procedures to target loans at higher risk of inaccurate payment counts without the need to manually review every IDR loan. For example, as previously discussed, our analysis found that Education's data could not fully explain why about 11 percent of loans (about 7,700 of 70,300) that had been in repayment long enough to potentially qualify for IDR forgiveness had not been forgiven as of September 2020. In contrast, the data clearly showed that the remaining loans (approximately 89 percent of the loans reviewed) spent too much time in non-qualifying statuses to be eligible for forgiveness. Education could use this type of approach to identify the smaller group of higher-risk loans for review. Education could also consider other administrative actions, such as implementing certain decision rules about how to address months in which qualifying payments may not have been counted.

Education officials told us they plan to revisit the procedures for IDR forgiveness when Education implements its planned Next Gen servicing system. However, officials did not have specific plans for how they would address inaccurate qualifying payment counts as of November 2021, and they estimated Next Gen will not be implemented until 2023 or later. Education's delay in addressing a known issue does not align with federal internal control standards that state agencies should use quality information and remediate identified deficiencies on a timely basis.[20] Education's approach is also contrary to its strategic objectives related to

[20]GAO-14-704G.

improving management of student loans and using data to make decisions.[21]

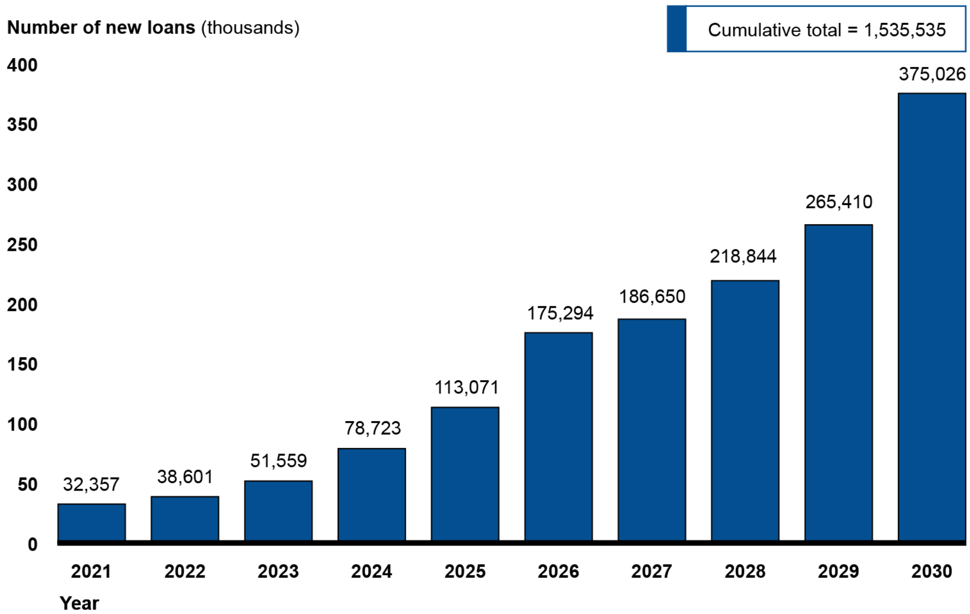
Without procedures to identify loans at higher risk of having inaccurate qualifying payment counts and steps to address any inaccuracies, Education lacks reasonable assurance that eligible loans receive timely IDR forgiveness. The lack of such procedures raises the risk that some borrowers may experience delays in receiving forgiveness or not receive the loan forgiveness to which they are entitled under the program. While Education reimburses borrowers for any loan payments made beyond the date forgiveness was due, such delays could negatively affect borrowers, especially those with lower incomes. In addition, if inaccuracies in qualifying payment counts are not identified and addressed during the final review, an eligible borrower may pay more than required.

Absent action to identify and address inaccurate payment counts, an increasing number of loans may be at risk of delayed or missed IDR loan forgiveness.[22] By 2030, the number of loans in repayment long enough to be potentially eligible for IDR forgiveness will increase significantly to about 1.5 million loans held by about 600,000 borrowers, according to our analysis of Education data (see fig. 3).

[21]U.S. Department of Education, Federal Student Aid, *Federal Student Aid: Strategic Plan, Fiscal Years 2020-2024*.

[22]This substantial increase in potentially eligible loans between 2021 and 2030 is due in part to increases in the percentage of borrowers enrolled in IDR plans. Direct Loan borrowers' use of IDR plans has increased dramatically, with total outstanding loan debt being repaid under these plans growing almost 600 percent from June 2013 to June 2021.

Figure 3: Student Loans in Repayment Long Enough to Potentially Qualify for Income-Driven Repayment (IDR) Forgiveness, as of September 1 in 2021-2030



Source: GAO analysis of Department of Education data. | GAO-22-103720

Note: The loans in this population were enrolled in IDR plans as of September 1, 2020. The calculations identify when each loan would be potentially eligible for IDR forgiveness, based on the IDR plan in which the loan was enrolled as of September 1 of each year listed in the figure. Loans may or may not fully qualify on that date based on whether they have accrued enough qualifying payments.

Some of these loans will likely not become eligible for IDR forgiveness during this time period because they may be paid in full or may not have accrued enough qualifying payments. However, without modifications to the current procedures, there will be a continued risk of delayed IDR forgiveness for a growing number of borrowers.

Education's Key Communications with Borrowers Omit Important Information about IDR Loan Forgiveness

Key Communications with Borrowers Do Not Consistently Cover IDR Forgiveness Requirements

Although Education and its loan servicers communicate regularly with borrowers enrolled in IDR plans, we identified gaps in the information on IDR forgiveness they provide during repayment. It is important that Education provide IDR borrowers with information about the rules and requirements for receiving IDR forgiveness so borrowers understand how to qualify. However, in key communications, Education does not provide specific information on the requirements for IDR forgiveness, such as what counts as a qualifying payment, how certain borrower actions affect progress toward forgiveness, and how many years of payments are required to receive IDR forgiveness. Without this information, borrowers enrolled in IDR plans—whose loans comprised about half of all outstanding Direct Loan balances as of September 2021—may make uninformed decisions that could delay their progress toward forgiveness.

Education requires its loan servicers to communicate with all IDR borrowers when they enroll in an IDR plan, during repayment, and shortly before receiving forgiveness. However, servicers have some flexibility in the ways they communicate and in the information they provide about IDR forgiveness requirements. We obtained and reviewed recent examples of communications with IDR borrowers from all nine servicers in early 2021.[23] Based on our review of these examples, Education documents, and requirements for loan servicers compiled by Education, we identified the following gaps in information on IDR forgiveness provided to borrowers at key stages of repayment.

[23]We included all nine servicers operating in 2020 in our review. The contract for one of these nine servicers, Cornerstone, ended in October 2020. We reviewed examples of Cornerstone's communication with IDR borrowers prior to the contract's termination. Navient's contract was transferred to a new servicer in October 2021. The contracts for Granite State and the Pennsylvania Higher Education Assistance Agency are expected to end in March 2022 and December 2022, respectively.

- **IDR application and recertification**. All borrowers who wish to enroll in IDR plans must complete and sign an IDR application form and use that form to recertify each year.[24] The current form includes certain information on IDR forgiveness, such as how many years of payments are required. However, it does not include information on what counts as a qualifying payment or the impact that certain borrower actions such as loan consolidation could have on progress toward forgiveness. When a borrower consolidates student loans, the action restarts the clock toward IDR forgiveness and sets the count of qualifying payments to zero.
- **IDR approval.** Education officials cited the letter that loan servicers are required to send IDR borrowers when they are approved to participate in an IDR plan as a key source of information on IDR forgiveness. However, the example approval letters we reviewed from all nine servicers included little or no information on IDR forgiveness. For example, none of the letters described what counts as a qualifying payment toward IDR forgiveness.
- **Annual notifications.** Loan servicers are generally required to send IDR borrowers annual notifications, which are ongoing sources of information on monthly payment amounts and annual recertification requirements, according to Education.[25] Education does not require servicers to include any information on IDR forgiveness in these notifications, and the example annual notification letters to IDR borrowers we reviewed from the nine servicers did not include such

[24]As noted previously, in response to the COVID-19 pandemic, Education implemented student loan relief for borrowers under the CARES Act and administrative actions that, starting in March 2020, suspended student loan payments due, interest accrual, and involuntary collections for most federal student loans. According to Education, the Department continued to process new IDR applications and monthly payment recalculations based on changes in borrower income and family size during this period. However, Education suspended all IDR recertifications and stated that it will not require borrowers to recertify their income and family size during the first 6 months after repayment resumes.

[25]During the COVID-19 emergency relief period, loan servicers were not expected to send IDR borrowers annual notifications, according to Education officials. In addition, officials said the content of communications to borrowers about IDR recertification may change once Education implements the Fostering Undergraduate Talent by Unlocking Resources for Education Act (FUTURE Act), enacted in December 2019. Pub. L. No. 116-91, 133 Stat. 1189 (2019). Among other provisions, the Act authorizes the Internal Revenue Service to disclose certain tax and income information to Education for the administration of federal student aid programs, including IDR enrollment and recertification. Education officials said they were in the early stages of designing these changes and had not yet determined how the new processes would affect borrower communications.

information. For example, they did not include information on how many years of payments are required to receive forgiveness.

Education provides some information on the rules and requirements for IDR forgiveness to borrowers who seek it through its StudentAid.gov website and social media platforms, among other sources.[26] For example, Education's website describes how many years of payments are required to receive IDR forgiveness and notes that forgiveness may be taxable. Several loan servicers said they direct borrowers to Education's website, and all nine servicers said they provide some information about IDR forgiveness on their own websites and when borrowers contact them either to request information or to change their repayment status. However, borrowers who do not actively seek this information from Education and loan servicers may miss it.

Because of the gaps we identified in information provided to all IDR borrowers at key stages of repayment, IDR borrowers may not have the information about forgiveness needed to inform their repayment decisions. For example, borrowers who do not receive information on what counts as a qualifying payment toward IDR forgiveness may be unaware that months in forbearance or most types of deferment generally do not count.[27] Our analysis of Education data on borrowers with IDR loans that have been in repayment long enough to potentially qualify for forgiveness but have not received it suggests that having non-qualifying months is common. As of September 1, 2020, more than half of the approximately 70,300 loans we identified as potentially qualified had at least 7 years' worth of non-qualifying months, according to NSLDS data.

Education officials told us that the proposed Next Gen servicing system will include additional requirements for servicer communication with borrowers, including about IDR forgiveness rules and requirements. However, Education had not developed these changes as of November 2021, and because officials estimated that Next Gen will not be

[26]Education also provides information on IDR repayment and forgiveness through entrance and exit counseling, promissory notes signed by borrowers when their loans are disbursed, and other sources. However, our review focused on information provided to borrowers while they are enrolled in IDR plans.

[27]Exceptions include months in forbearance during the COVID-19 emergency relief period. These months count toward IDR forgiveness.

implemented until 2023 or later, these possible changes would not provide timely information for borrowers.

The communication gaps we identified do not align with objectives in Education's Federal Student Aid Fiscal Year 2020-2024 strategic plan to provide borrowers with information needed to make well-informed decisions toward successful repayment or loan forgiveness. They also are inconsistent with federal internal control standards stating that agencies should communicate information to those who need it.[28] Unless information on IDR forgiveness is included in key communications to borrowers, Education lacks reasonable assurance that all IDR borrowers will receive it. As a result, borrowers may make uninformed decisions that could delay their progress toward forgiveness.

Education and Its Loan Servicers Do Not Regularly Notify Borrowers about Their Progress toward IDR Forgiveness

Education does not provide borrowers in IDR plans with regular updates on their counts of qualifying payments toward IDR forgiveness. As a result, borrowers do not have this information unless they request it from loan servicers. All nine loan servicers said they do not send or otherwise provide updates unless requested by borrowers, and Education officials confirmed this practice meets Education's requirements for servicers.

We also found that Education does not notify IDR borrowers about the options to request their counts of qualifying payments toward IDR forgiveness and verification of those counts if needed. Education officials said that while servicers are not required to notify borrowers about these options, they are not prohibited from doing so. We sent inquiries to the eight servicers operating in 2021, and all of them confirmed that they do not notify all IDR borrowers about these options.[29]

Given the risk of inaccurate qualifying payment counts, it is particularly important that borrowers have the opportunity to regularly review the information and request verification so that corrections can be made if needed. Borrowers who do not receive updates on their counts of

[28]Department of Education, Federal Student Aid, *Federal Student Aid: Strategic Plan, Fiscal Years 2020-24,* and GAO-14-704G.

[29]We were not able to determine whether the remaining servicer, Cornerstone, provided such notifications to borrowers when we requested information from servicers in November 2021. Cornerstone's contract with Education ended in October 2020 and it ended operations in March 2021. One servicer reported that it provides a web-based message to IDR borrowers in one state about the option to request a summary of their progress towards forgiveness to meet a state regulation.

qualifying payments and are not notified about the options to request the counts and verification may be unaware of any errors in the information that Education uses to make decisions about IDR loan forgiveness. In addition, updates on progress may help borrowers make decisions about repayment. For example, borrowers who discover they are close to earning forgiveness but are in a non-qualifying status such as forbearance may decide to switch to a status under which their payments will qualify.[30]

Education officials told us it is possible that the proposed Next Gen servicing system may include additional requirements about how servicers provide counts of qualifying payments to borrowers. However, Education had not developed these changes or determined whether it would make them as of November 2021. In addition, because officials estimated that Next Gen will not be implemented until 2023 or later, any possible changes would not provide a timely solution for borrowers.

Education officials agreed it would be beneficial to provide borrowers with regular access to their counts of qualifying payments, including through its existing online loan portal available at StudentAid.gov, but described challenges to providing counts to all IDR borrowers given known data quality issues. Officials said ensuring the counts are accurate enough to release to borrowers would be time-consuming, particularly for older loans that were serviced by Education's original loan servicer for the Direct Loan program, due to the risks of inaccurate counts previously discussed. Officials acknowledged the possibility of releasing counts to borrowers through a phased approach in which the counts are provided to groups of borrowers as data quality allows. Given Education officials' concerns about the accuracy of payment counts for older loans, Education could start by providing regular updates on counts to borrowers with loans that were not serviced by Education's original loan servicer for the Direct Loan program. Education could then consider providing regular updates to other borrowers, such as those who previously had their counts verified by a servicer. Doing so would better ensure that IDR borrowers who do not request their counts receive information about their progress toward forgiveness and have the opportunity to correct any errors if necessary. In addition, providing this information would be consistent with other efforts by Education to provide borrowers with

[30]Generally, months spent in forbearance do not count as qualifying payments for IDR forgiveness. However, as noted previously, months spent in forbearance during the COVID-19 emergency relief period count as qualifying payments toward IDR forgiveness.

expanded information about progress toward forgiveness. For example, in response to a 2018 GAO recommendation, Education began providing detailed information about counts of qualifying payments to borrowers pursuing Public Service Loan Forgiveness.[31]

Education's practice of not providing borrowers with regular updates on their counts of qualifying payments toward IDR forgiveness or information about the options to request their counts and verification does not align with its strategic objectives to continuously improve and modernize the loan and repayment information available at any time to borrowers. This practice also is inconsistent with federal internal control standards stating that agencies should communicate information to those who need it.[32] Without taking steps to regularly provide IDR borrowers with information about their counts of qualifying payments toward IDR forgiveness and the options to request counts and verification, Education is missing opportunities to inform IDR borrowers about the status of their loans, correct any inaccurate counts, and provide timely forgiveness.

Conclusions

IDR plans offer the promise of forgiveness to eligible borrowers with remaining student loan debt after 20 or 25 years in repayment. However, Education has not taken the necessary steps to ensure that borrowers who make the required number of qualifying payments receive timely IDR forgiveness. Our analysis identified thousands of borrowers who could be at risk of delayed forgiveness due to potential payment tracking errors. While Education has taken steps to improve the data and procedures its contracted servicers use to track borrowers' progress toward loan forgiveness, these efforts have not addressed concerns about the quality of older counts of qualifying payments. Therefore, counts at highest risk of being inaccurate may not be identified and addressed. Taking steps to identify higher-risk loans and address any potential errors that could affect forgiveness would help provide reasonable assurance that eligible borrowers receive timely IDR loan forgiveness.

The many borrowers enrolled in IDR plans need information about IDR forgiveness requirements in order to make informed decisions throughout repayment, but Education does not ensure that borrowers receive this

[31]GAO-18-547. These borrowers can access their online accounts and view whether each of their prior loan payments has counted toward Public Service Loan Forgiveness, in addition to the reasons any payments did not count.

[32]Department of Education, Federal Student Aid, *Federal Student Aid: Strategic Plan, Fiscal Years 2020-24,* and GAO-14-704G.

information either by providing the information or directing servicers to do so. Key communications omit information about IDR forgiveness requirements, such as what counts as a qualifying payment. In addition, borrowers do not receive regular updates on their counts of qualifying payments toward forgiveness or notifications about the options to request their counts and verification of those counts, so that any inaccuracies can be identified and corrected. Given the risk of inaccurate qualifying payment counts, it is particularly important that borrowers know they have options to review the counts and to request the counts be verified, if needed. It is also important such verifications are performed using procedures to ensure consistency. Moreover, providing regular payment count updates as data quality allows is key to fully informing borrowers and identifying errors. Unless Education addresses these gaps, IDR borrowers may make uninformed decisions and be unable to seek correction of inaccurate counts, potentially delaying their progress toward IDR forgiveness.

Identifying and addressing payment tracking errors and improving the information provided to IDR borrowers will become particularly important as the number of loans potentially eligible for IDR forgiveness greatly increases and as Education transitions to the Next Gen servicing system, potentially shifting servicer roles and requirements. Although the planned transition provides opportunities to improve, implementing changes in the interim will better position Education to ensure all IDR borrowers receive timely IDR forgiveness.

Recommendations for Executive Action

We are making the following five recommendations to Education's Federal Student Aid office:

The Chief Operating Officer of Federal Student Aid should develop and implement procedures to identify loans that are at higher risk of having payment tracking errors for Income-Driven Repayment loan forgiveness, and take steps to ensure that eligible borrowers with such loans receive timely forgiveness. These steps could include procedures for verifying and correcting payment counts or other actions to address any potential errors that could affect forgiveness for these higher-risk loans. (Recommendation 1)

The Chief Operating Officer of Federal Student Aid should ensure additional information about IDR forgiveness rules and requirements, including what counts as a qualifying payment toward forgiveness, is included in key communications to borrowers enrolled in IDR plans.

Education could provide this information to borrowers or could direct servicers to provide it. (Recommendation 2)

The Chief Operating Officer of Federal Student Aid should ensure IDR borrowers are regularly notified about the option to request their counts of qualifying payments toward IDR forgiveness and the option to request verification of those counts if needed. Education could provide this information to borrowers or could direct servicers to provide it. (Recommendation 3)

The Chief Operating Officer of Federal Student Aid should develop and implement procedures for verifying counts of qualifying payments toward IDR forgiveness when requested by borrowers so that any inaccuracies can be corrected. (Recommendation 4)

The Chief Operating Officer of Federal Student Aid should ensure regular updates on counts of qualifying payments toward IDR forgiveness are provided to, at a minimum, IDR borrowers who did not have loans serviced by Education's original loan servicer for the Direct Loan program. (Recommendation 5)

Agency Comments and Our Evaluation

We provided a draft of this report to Education for its review and comment. In its comments, reproduced in appendix II, Education concurred with all five recommendations and identified steps it plans to take to implement them. Education also provided technical comments, which we addressed as appropriate. We also provided relevant report sections to the nine loan servicers included in our review for their technical comments. Loan servicers provided technical comments, which we addressed as appropriate.

In written comments, Education acknowledged challenges with tracking eligible payments toward IDR forgiveness, and stated that it recognized the importance of addressing this issue now as the number of loans in repayment long enough to qualify will grow over time. Education also noted that limitations with the oldest IDR plan play a role in explaining why many borrowers have not yet reached forgiveness. For example, Education stated that borrowers in this plan may have been more likely to repay their loans before qualifying for forgiveness, and data show that many of these borrowers spent significant time in deferment, forbearance, or both. We agree with Education that these factors are important to consider and that is why our analysis accounted for them. We believe Education's commitment to address payment tracking issues is an important step to ensuring all eligible borrowers receive the forgiveness to which they are entitled.

Education committed to taking multiple actions to implement the five recommendations. Education stated that it would develop and implement procedures to identify and correct inaccurate payment counts. To ensure that key communications to borrowers include additional information about IDR forgiveness rules and requirements, Education noted that it would update key documents and information sources. Education also said it will make clear on its website and in other communications how borrowers can request reviews of their payment counts both through their loan servicer and with the FSA Ombudsman. Education also said it would develop and implement procedures for verifying counts of qualifying payments toward IDR forgiveness. Finally, Education stated that it would enhance its web tools so all borrowers can view their IDR payment counts at their discretion throughout their repayment lifecycle.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Secretary of Education, and other interested parties. In addition, the report will be available at no charge on GAO's website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (617) 788-0534 or emreyarrasm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

Sincerely yours,

Melissa Emrey-Arras

Melissa Emrey-Arras, Director
Education, Workforce, and Income Security Issues

Appendix I: Objectives, Scope, and Methodology

Overview

Our review examines (1) how many loans have received Income-Driven Repayment (IDR) loan forgiveness and the extent to which the Department of Education ensures eligible loans receive forgiveness, and (2) the extent to which Education provides key information about IDR loan forgiveness to borrowers enrolled in IDR plans.

To determine how many loans have received IDR forgiveness, we analyzed data from Education's National Student Loan Data System (NSLDS) for loans and borrowers on IDR plans that had been in repayment long enough to potentially be eligible for IDR forgiveness as of September 1, 2020, and those who may be in repayment long enough to potentially become eligible for forgiveness between September 1, 2020 and September 1, 2030.[1] We also obtained updated data from Education about the loans that had been approved for IDR forgiveness as of June 1, 2021. We assessed the reliability of Education's data by reviewing related documents, interviewing knowledgeable officials responsible for each dataset, and performing electronic tests on specific data elements used in our analyses. On the basis of our reliability assessment results, we determined that the Education data we used in our analysis were sufficiently reliable for our purposes of reporting the numbers and characteristics of IDR loans that have been in repayment long enough to be potentially eligible for IDR forgiveness by September 1, 2030.

To address our second objective, we obtained examples of communication documents provided to borrowers at multiple stages of IDR repayment from all nine servicers operating in 2020.[2] For each of these example communications, we identified the extent to which they included key information about IDR forgiveness requirements, such as the repayment terms and what qualifies as a payment toward IDR forgiveness.

[1]We used the date the loan first entered statutory repayment to identify loans that had been in repayment long enough to potentially be eligible for IDR forgiveness.

[2]The four largest servicers as of 2020 were Great Lakes, Navient, Nelnet, and the Pennsylvania Higher Education Assistance Agency. The remaining five loan servicers were CornerStone, EdFinancial, Granite State, Missouri Higher Education Loan Authority, and Oklahoma Student Loan Authority Servicing. However, CornerStone's contract with Education ended in October 2020 and Navient's contract was transferred to a new servicer in October 2021. The contracts for Granite State and the Pennsylvania Higher Education Assistance Agency are expected to end in March 2022 and December 2022, respectively.

For both objectives, we reviewed Education documents such as summaries of requirements for student loan servicers, data quality control procedures, and monitoring reports. We also interviewed Education officials from Federal Student Aid, the office responsible for developing policies and procedures for administering IDR plans and overseeing how loan servicers implement them. In addition, we collected and analyzed written responses and documentation from all nine servicers that were operating in 2020 about their procedures for tracking qualifying payments, obtaining and verifying the accuracy of related data from previous servicers, and communicating with borrowers.[3]

We also conducted semi-structured interviews with officials at four of these servicers, including two larger servicers and two smaller servicers. We evaluated the information we obtained using criteria from Education's Federal Student Aid Fiscal Year 2020-2024 strategic plan and federal internal control standards related to managing risk and using quality information for the first objective and communication for the second objective.[4] We also reviewed relevant federal laws and regulations.

We conducted this performance audit from August 2019 to March 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Data Analysis

Population of Our NSLDS Analysis

Our NSLDS analysis is based on two datasets we received from Education on September 1, 2020. These data include all Direct Loans (including Direct Consolidation Loans and Direct PLUS loans) that were listed as being in an IDR plan and had been in repayment for long enough to be potentially eligible for IDR forgiveness by either September 1, 2020 (dataset 1), or after September 1, 2020, and on or before September 1, 2030 (dataset 2). The first dataset also included loans that were closed

[3]When reporting on these written responses from the nine servicers, we use the term "several" to describe cases in which three to six servicers provided similar responses.

[4]U.S. Department of Education, Federal Student Aid, *Federal Student Aid: Strategic Plan, Fiscal Years 2020-2024,* (Washington D.C.: December 2020) and GAO, *Standards for Internal Control in the Federal Government,* GAO-14-704G (Washington D.C.: September 2014).

between January 1, 2014 and September 1, 2020, and were listed as on an IDR plan at the time the loan was closed.

Our analysis of both datasets does not include loans with the following characteristics because necessary data were not available or the loans would not be potentially eligible for IDR forgiveness within the time frames of our analysis:

- Direct PLUS loans: No Direct PLUS loans, including loans made to parents of dependent undergraduate students (Parent PLUS),[5] would be potentially eligible within our analysis time frames and thus, we excluded them from our analysis.
- Federal Family Education Loans (FFEL): Income-Based Repayment is the only IDR plan for which FFEL loans are eligible without first being consolidated into a Direct Consolidation Loan. For FFEL loans in Income-Based Repayment plans, the first allowable date for making a qualifying payment was July 1, 2009. Therefore, the first possible date for a FFEL loan to be granted IDR forgiveness would be 2034, which is outside our analysis time frames.
- Loans on IDR plans that were closed prior to 2014: NSLDS did not include information on repayment plans prior to 2014. Therefore, IDR loans closed prior to 2014 were outside the scope of our analysis.
- Loans with repayment start dates prior to 1994: About 400 loans in the NSLDS data we obtained included repayment start dates prior to 1994. However, the Direct Loan program began in 1994 and therefore, loans could not have entered repayment before that year. Education officials stated that these dates were likely data entry errors and recommended that we exclude them from our analysis.

Analysis of Loans Potentially Eligible for IDR Forgiveness as of September 1, 2020

We identified loans that had been in repayment for at least the minimum time required to be potentially eligible for forgiveness under the loan's specific IDR repayment plan as of September 1, 2020. For example, a loan on the Income-Contingent Repayment plan may be potentially eligible for forgiveness as of July 1, 2020, if it first entered repayment on or before July 1, 1995. Because the count of qualifying payments toward IDR forgiveness restarts when loans are consolidated, we used the most

[5]Parent PLUS loans are ineligible for IDR plans; however, Parent PLUS borrowers that consolidated their loans on or after July 1, 2006, are eligible for the Income-Contingent Repayment plan.

recent loan consolidation date to determine when Direct Consolidation loans would be potentially eligible for forgiveness.

In the case of loans in the Revised Pay As You Earn plan, where the number of required qualifying payments varies by education level, we assigned the correct number of qualifying payments required for forgiveness eligibility based on the highest education level of the borrower. Specifically, if any of a borrower's loans were at the graduate level, we would count them as needing 25 years of (or 300 total) qualifying payments, whereas we would count a borrower who only had undergraduate loans as needing 20 years of (or 240 total) qualifying payments.[6] For most borrowers, we were able to identify the education level of the borrower's loans through an NSLDS variable that tracks education level. In cases where loans in Revised Pay As You Earn were missing information on the borrower's education level, we treated the borrower as a graduate level borrower to avoid overestimating the number of borrowers potentially eligible for forgiveness after 20 years under the plan.[7] Because of this, our analysis may understate the number of borrowers with loans potentially eligible for forgiveness as of September 1, 2020.

After we identified the subset of IDR loans that had been in repayment long enough to be potentially eligible for IDR forgiveness as of September 1, 2020, we categorized them into four groups:

1. Borrowers with loans that have been approved for IDR forgiveness
2. Borrowers with loans that have been closed since 2014 (due to repayment or for another reason)
3. Borrowers with loans that were still in repayment (including those in deferment, forbearance, or delinquency)

[6]For consolidated loans, we analyzed the education level of all underlying loans included in the consolidated loan.

[7]Based on this decision, we excluded from our analysis about 8,000 borrowers on the Revised Pay As You Earn plan with missing education-level data because they had not been in repayment long enough to complete the 25-year repayment period for graduate borrowers as of September 1, 2020. Since some of these 8,000 Revised Pay As You Earn borrowers may have only undergraduate loans, our analyses may understate the number of borrowers with loans potentially eligible for forgiveness as of September 1, 2020. We identified about 100 borrowers for whom education level was not available and who had loans in repayment long enough to be potentially eligible for forgiveness as of September 1, 2020, under the longer 25-year repayment period for graduate borrowers.

4. Borrowers with loans that were in default

We also obtained updated data from Education regarding loans approved for IDR forgiveness as of June 1, 2021, and adjusted our analysis to account for additional loans that received IDR forgiveness since we received the original dataset from Education. Specifically, we ensured that all loans that received forgiveness through June 1, 2021, were included in the total number of loans approved for IDR forgiveness and these loans are not captured in any other category.

We then conducted further analysis of the loans that were still in repayment as of September 1, 2020. For these loans, we subtracted the total number of months for which available data indicated a loan did not have a qualifying payment from the total number of months the loan has been in repayment. Specifically, we subtracted months in deferment (other than economic hardship deferment), forbearance (excluding months in forbearance after March 13, 2020, due to changes made in response to the COVID-19 pandemic), default, and delinquency (for 2014 on).[8]

After making these calculations, we identified the number of loans in the population for which the available data did or did not explain why the loan had not received IDR forgiveness as of September 1, 2020.

When conducting our analyses, we used available Education data on non-qualifying months, which are generally complete for all years in terms of length of time loans were in deferment, forbearance, and default, but only complete from 2014 on for length of time loans were in delinquency or in qualifying or non-qualifying repayment plans. Based on recommendations by Education officials, we do not count any delinquency or default that lasted less than 30 days as a non-qualifying

[8]On March 27, 2020, the CARES Act was enacted, which suspended student loan payments due, interest accrual, and involuntary collections for most student loans through September 30, 2020, and provided that these months without payments also count as qualifying payments for the purpose of federal student loan rehabilitation and forgiveness programs, including IDR forgiveness. Pub. L. No. 116-136, § 3513, 134 Stat. 281, 404-05 (2020). Education implemented this COVID-19 emergency relief for federal student loans retroactively to March 13, 2020, the date COVID-19 was declared a national emergency. This relief has been extended several times through administrative actions, and has most recently been extended until May 1, 2022. The American Rescue Plan Act of 2021 enacted in March 2021 excluded most student loan forgiveness, including IDR forgiveness, received in 2021 through 2025 from gross income for purposes of federal taxation. Pub. L. No. 117-2, § 9675, 135 Stat. 4, 185-86.

period. We also adjusted our analysis in consultation with Education to account for some of the missing delinquency data prior to 2014 for borrowers that ultimately defaulted.[9]

Education's NSLDS database includes two definitions of default: one at 270 days of delinquency and one at 360 days of delinquency. Education officials said that the specific data that we received on defaults using the 360-day definition may be less accurate for the purpose of identifying the number of months loans in IDR plans have spent in default. In consultation with Education, we determined that the default data using the 270-day definition was more appropriate for our analysis. Since both months in delinquency and months in default are non-qualifying statuses, using the 270-day definition does not change the number of months that a loan would be in non-qualifying statuses.

In calculating the number of months loans spent in non-qualifying statuses, in consultation with Education, we did not include months in forbearance, delinquency, or deferment (except in-school deferments) between March 13, 2020 and September 1, 2020 as a result of student loan relief provided under the CARES Act and administrative actions.[10] Specifically, student loans were generally moved into a special administrative forbearance category that, unlike other periods of forbearance, count as qualifying payment months toward IDR forgiveness.

We did not include NSLDS variables designed to count the number of qualifying payments borrowers made toward IDR forgiveness because the variables were not sufficiently reliable for the purposes of our review, according to Education data experts, as well as data and documents we reviewed. We also did not analyze demographic characteristics for borrowers with IDR loans due to limitations in the available NSLDS data. For example, NSLDS does not collect information about borrowers' race or ethnicity.

[9]Based on Education's recommendation, we adjusted our analysis to include 12 additional months in delinquency for loans that entered default prior to 2015 to account for potential months in delinquency leading up to default that were not captured in the NSLDS data prior to 2014.

[10]According to Education officials, in-school deferments between March 13, 2020 and September 2020 would be considered non-qualifying statuses and as such, we include them in our counts of non-qualifying months.

Analysis of Loans that May Be Potentially Eligible for IDR Forgiveness after September 1, 2020

In addition to analyzing loans that were potentially eligible for IDR forgiveness as of September 1, 2020, we also identified loans that will have been in repayment long enough to be potentially eligible for forgiveness in each of the next 10 years (until September 1, 2030). For example, if a loan in an undergraduate-level Revised Pay As You Earn plan entered repayment in 2001, our extended analysis would include that loan as one that will be potentially eligible in 2021. We did not analyze the number of non-qualifying months or other loan characteristics for these loans because doing so would require making assumptions about whether borrowers would make qualifying payments in future periods.

Appendix II: Comments from the Department of Education

February 14, 2022

Melissa Emrey-Arras
Director, Education, Workforce, and Income Security Issue
Government Accountability Office
441 G Street N.W.
Washington, D.C. 20548

Dear Ms. Emrey-Arras:

I write on behalf of the U.S. Department of Education (Department) to respond to the statements and recommendations made in the draft Government Accountability Office (GAO) report, *Federal Student Aid: Education Needs to Take Steps to Ensure Eligible Loans Receive Income-Driven Repayment Forgiveness* (GAO-22-103720). We appreciate the opportunity to respond.

In general, the Department acknowledges the challenges with tracking eligible payments toward Income Driven Repayment (IDR) forgiveness. This varied set of related programs stretches back many years and has long been a source of confusion and frustration for many borrowers. We are fully committed to improving the program and the borrower experience through administrative, operational, and ongoing regulatory work. We recognize that it is important to get payment counting correct now, as the number of loans that have been in repayment long enough to qualify for loan forgiveness will only grow over time. Accordingly, the Department will be instituting changes to how IDR payments are counted. These changes will ensure that affected Direct Loan (DL) borrowers get credit toward IDR forgiveness for all eligible months and that all DL borrowers can easily obtain a full and accurate count of their progress toward IDR forgiveness.

While the Department works on operational solutions to the issue of payment counting, some of the limitations of the oldest IDR plan play a role in explaining why many borrowers have not yet reached forgiveness. All existing IDR plans take either 20 or 25 years to attain forgiveness, meaning that only those borrowers who have been repaying since 2002 or earlier would be eligible for forgiveness at this time. For those borrowers, their only IDR option for many years was the Income Contingent Repayment (ICR) plan, which was limited in ways that adversely affected borrowers enrolled in the ICR plan.

The IDR plans most in use today were not available until 2009 (income-based repayment), 2013 (Pay as You Earn), or 2016 (Revised Pay as You Earn). Prior to the advent of those plans, the more restrictive terms of the ICR plan meant that fewer borrowers would receive forgiveness than under the newer IDR plans. An ICR plan requires borrowers to pay as much as 20 percent of their discretionary income, compared to the 10 percent requirement available to all borrowers today under the newer IDR plans. The higher payments under the ICR plan increase the chance that borrowers would pay off their loans before reaching the end of the 25-year repayment period that would qualify them for forgiveness. The ICR plan is also not available to the borrowers who have loans under the Federal Family Education Loan (FFEL) Program, which made up the majority of student loans each year until that program ended in 2010. That means FFEL borrowers would have had to consolidate into the Direct Loan Program to seek forgiveness under an ICR plan, which would reset their progress toward forgiveness back to the starting point. Borrowers who consolidated out of DL and into FFEL, meanwhile, would have lost the ability to qualify for forgiveness altogether. Finally, periods of deferment or forbearance (except for economic hardship forbearance) do not qualify toward forgiveness, and the data show that many borrowers with ICR loans spent significant time in deferment and/or forbearance. The Department continues to look at this issue as an area of concern but notes that it is separate from this report's questions about payment counting.

The following are GAO's recommendations from the report and FSA's responses:

Recommendation 1: The Chief Operating Officer of Federal Student Aid should develop and implement procedures to identify loans that are at higher risk of having payment tracking errors for Income-Driven Repayment loan forgiveness and take steps to ensure that eligible borrowers with such loans receive timely forgiveness. These steps could include procedures for verifying and correcting payment counts or other actions to address any potential errors that could affect forgiveness for these higher risk loans.

Response 1: The Department concurs with this recommendation. The Department acknowledges that the payment count data may not be accurate for some loans, and the potential inaccuracies are likely to increase when loans are transferred from one loan servicer to another. We are developing operational procedures to identify and correct inaccurate payment counts, and we will take steps to ensure that payment counts are correct, eligible loans are timely forgiven, and borrowers can more easily check their payment counts.

Recommendation 2: The Chief Operating Officer of Federal Student Aid should ensure additional information about IDR forgiveness rules and requirements, including what counts as a qualifying payment toward forgiveness, is included in key communications to borrowers enrolled in IDR plans. Education could provide this information to borrowers or could direct servicers to provide it.

Response 2: The Department concurs with this recommendation. The Department acknowledges that additional information about IDR forgiveness rules and requirements should be provided to borrowers. The Department will create an opportunity for borrowers to view their IDR payment counts whenever they choose to do so. We will also update communications to borrowers sent by the Department and our loan servicers, to ensure that borrowers are made aware of how they can check their progress toward forgiveness and to include adequate information about program rules and requirements. We will also review key documents and information sources such as the IDR application, approval, and annual notification forms, and online resources like StudentAid.gov to ensure they communicate information on these issues that is critical to borrowers.

In addition to improved communications, the Department as part of its ongoing rulemaking process will consider changing some of the requirements around what is considered a qualifying payment, particularly related to deferment and forbearance. Clarifying the regulations on how to treat qualifying payments could make it easier for borrowers to understand more clearly which payments will count and help them plan accordingly.

Recommendation 3: The Chief Operating Officer of Federal Student Aid should ensure IDR borrowers are regularly notified about the option to request their counts of qualifying payments toward IDR forgiveness and the option to request verification of those counts if needed. Education could provide this information to borrowers or could direct servicers to provide it.

Response 3: The Department concurs with this recommendation. As noted, we will enhance our online tools so borrowers can view their IDR payment counts at their discretion throughout their repayment lifecycle.

Recommendation 4: The Chief Operating Officer of Federal Student Aid should develop and implement procedures for verifying counts of qualifying payments toward IDR forgiveness when requested by borrowers so that any inaccuracies can be corrected.

Response 4: The Department concurs with this recommendation. Once again, we will enhance our self-service environment so our borrowers can view their IDR payment counts at their discretion throughout their repayment lifecycle. We will also develop and implement procedures to identify and correct payment counts for loans that are at greater risk of error. FSA will also make clear on our website and in other communications how borrowers can request reviews of their payment counts both through their loan servicer and with the FSA Ombudsman.

Recommendation 5: The Chief Operating Officer of Federal Student Aid should ensure regular updates on counts of qualifying payments toward IDR forgiveness are provided to, at a minimum, IDR borrowers who did not have loans serviced by Education's original loan servicer for the Direct Loan program.

Response 5: The Department concurs with this recommendation. We will enhance our web tools so all borrowers can view their IDR payment counts at their discretion throughout their repayment lifecycle. We are also developing operational procedures to identify and correct loans with inaccurate payment counts and to ensure that eligible loans are timely forgiven.

Once again, we thank you for the opportunity to respond to the recommendations outlined in this draft GAO report. We have committed to improving the experience for borrowers through administrative, operational, and other changes, and we believe that adopting these measures will benefit millions of borrowers and their families.

Sincerely,

Richard Cordray
Chief Operating Officer
Federal Student Aid

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Melissa Emrey-Arras, (617) 788-0534 or emreyarrasm@gao.gov

Staff Acknowledgments

In addition to the contact named above, Debra Prescott (Assistant Director), Barbara Steel (Analyst in Charge), Marissa Jones Friedman, and Michael Naretta made key contributions to this report. Additional assistance was provided by Susan Aschoff, Elizabeth Calderon, Pin-En Annie Chou, Gretel Clarke, Sarah Cornetto, Alison Grantham, Kirsten Lauber, Jeffrey G. Miller, John Mingus, Almeta Spencer, Curtia Taylor, Kathleen van Gelder, and Adam Wendel.

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