



IN DEBT, OWED A DEBT:

**HOW THE PUBLIC SERVICE
LOAN FORGIVENESS PROGRAM
IS SHORTCHANGING NEW YORK
BORROWERS**



K I R S T E N
GILLIBRAND
UNITED STATES SENATOR FOR **NEW YORK**

SUMMARY

The Public Service Loan Forgiveness Program (PSLF) has not lived up to its original intent of providing debt relief to individuals who pursue service-oriented careers. In its 14 years of existence, it has forced borrowers to navigate a complex and often unclear set of rules and requirements, ultimately extending loan forgiveness to a tiny fraction of applicants to date.

PSLF's shortcomings are particularly apparent in New York, which has one of the largest populations of federal, state, and local government employees in the U.S. Data provided by the Department of Education reveals the following:

- **1 out of every 14 PSLF participants denied loan forgiveness lives in New York.**
- **Only 1.2% of PSLF participants in New York have had their loans forgiven.**
- **PSLF participants in New York still owe more than \$8 billion, representing nearly 10% of all outstanding federal student debt in the state.**

Addressing these failings and ensuring that public servants get the proper appreciation they are due requires urgent action. While the Biden administration is making temporary fixes to PSLF and using its own regulatory authority to move forward with further much-needed changes, Congress must also move quickly to reform PSLF through passage of the *What You Can Do for Your Country Act*, which will offer relief to thousands of New York borrowers and make loan forgiveness more robust and easier to access for thousands more nationwide.

BACKGROUND

The Public Service Loan Forgiveness Program (PSLF) was passed as a promise to our nation's young people: earn your degree, serve your community for 10 years, and stay on top of your loan payments, and the government will forgive the remainder of your student debt. The aim was to encourage students to enter into and remain in “professions of national need” – firefighting, public defense, law enforcement, and so on – whose lower salaries can often translate into higher debt burdens.¹ When PSLF was first authorized in 2007, the Government Accountability Office estimated that roughly 50,000 borrowers would ultimately qualify for loan forgiveness every year.²

Unfortunately, the program has not worked nearly as well as Congress had intended. Borrowers first became eligible for forgiveness under PSLF on October 1, 2017, exactly 10 years after it was implemented.³ In theory, that was the date that individuals who had been employed by government entities or non-profits for the previous 10 years and had made 120 monthly payments on their student loans would start having their outstanding debt wiped out. However, by April 2018, only 55 borrowers out of 1.17 million total PSLF applicants actually had their loans discharged.⁴ Confusing restrictions on the qualifying types of loans, repayment methods, and occupations, as well as missteps on the part of loan servicers, had created a situation where less than 1% of borrowers were indeed afforded the forgiveness they were promised.⁵

1 H.R. 2669, H. Rept. 110-210, [6/25/07](#)

2 The Chronicle of Higher Education, [11/16/07](#)

3 “The Public Service Loan Forgiveness Program: Selected Issues,” Congressional Research Service, [10/29/18](#)

4 “Public Service Loan Forgiveness: Education Needs To Provide Better Information For The Loan Servicer And Borrowers,” Government Accountability Office, [9/5/18](#)

5 New York Times, [7/24/19](#)

To address this problem in part, Congress created the Temporary Expanded Public Service Loan Forgiveness Program (TEPSLF) in March 2018. TEPSLF increased the number of repayment plans that qualified for forgiveness under PSLF, intending to help extend eligibility to more borrowers on a first-come, first-served basis.⁶ By May 2019, however, TEPSLF had a rejection rate nearly as high as that of the original program. Out of more than 54,000 applicants, only 661 had their loans discharged in the first year of TEPSLF’s operation – just 1.2%.⁷

The state of PSLF and TEPSLF has not improved much since then. As of April 30, 2021, just 8,429 individuals had their student loans discharged under either program – a figure that is still less than 1% of the total number of PSLF participants, which now stands at 1.25 million. The average PSLF borrower with outstanding loans is just over \$99,000 in debt.⁸

Nationwide PSLF Data as of April 30, 2021

Loans Outstanding		
	# Of Borrowers	Amount
Cumulative PSLF borrowers with eligible employment and outstanding loan balances	1,250,373	\$123,827,375,682
Loans Forgiven		
	# Of Borrowers	Amount
PSLF discharges	5,467	\$452,691,032
TEPSLF discharges	2,962	\$129,970,490
Total (PSLF and TEPSLF discharges)	8,429	\$582,661,522

Source: Federal Student Aid

Fourteen years after its establishment, PSLF is still plagued with bureaucratic hurdles, puzzling restrictions, and careless errors by loan servicers.⁹ On top of that, the Department of Education is reportedly facing a backlog of tens of thousands of PSLF applications, leaving borrowers in the dark for months at a time as they await decisions on whether their loans will be forgiven.¹⁰ Despite the noble intentions behind PSLF, it is a simple fact that people who have devoted their lives to bettering their communities are overwhelmingly being denied the relief they are owed.

HOW NEW YORKERS HAVE FARED UNDER PSLF

Jacqueline Dombroff is a public defender in New York City. She grew up in a low-income household and felt compelled to serve low-income New Yorkers herself, and she believed the cost of her legal education would be made possible with the promise of loan forgiveness through PSLF. Unfortunately, her experience with the program ended up being a “nightmare.”

6 “The Public Service Loan Forgiveness Program: Selected Issues,” Congressional Research Service, [10/29/18](#)

7 “Public Service Loan Forgiveness: Improving The Temporary Expanded Process Could Help Reduce Borrower Confusion,” Government Accountability Office, [9/5/19](#)

8 April 2021 PSLF Report, Federal Student Aid, [April 2021](#)

9 “Broken Promises: The Untold Failures of ACS Servicing,” American Federation of Teachers and Student Borrower Protection Center, [October 2020](#)

10 Forbes, [3/11/21](#)

It took over a year and a half to consolidate her loans so that they would all qualify for PSLF, forcing her to miss out on credit for 18 months of payments. She is now over \$190,000 in debt, extremely anxious that her loans will never actually be forgiven, and even considering leaving public service for the private sector so that she can tackle her debt faster.^{11,12}

Nathaniel LaGarry is a career public servant and now executive director of a non-profit housing facility for the elderly and disabled in St. Lawrence County, NY. He began having his student loan payments qualify for PSLF in December 2010, but when he sought forgiveness in December 2020, he was rejected. He reapplied and was rejected again. He was told by his current loan servicer that because his loans had been managed for two years by ACS Education Services, which has since stopped processing student loans, they had no information on whether he had maintained eligibility during that time period. LaGarry has been unable to reach ACS to obtain this information. His forgiveness date has been pushed back to March 2023, despite him having already fulfilled all of the requirements.¹³

These stories are just a few among many across New York State. In August 2021, the Department of Education provided the office of Senator Gillibrand with data on the outcomes of PSLF and TEPSLF for New York borrowers. An analysis of the numbers revealed that New Yorkers have not been spared from the dysfunction of PSLF, and that in fact, by some metrics, they are served even worse by the program than borrowers in other states. Below are the office's key findings.

1 OUT OF EVERY 14 PSLF PARTICIPANTS DENIED LOAN FORGIVENESS LIVES IN NEW YORK.

New Yorkers have an admirable inclination toward public service. In 2020, there were more than 1 million federal, state, and local government jobs based in New York – the third most of any state.^{14,15} It therefore follows that there would be a significant contingent of New Yorkers among PSLF enrollees.

Regrettably, this also means that New Yorkers are overrepresented among the public service workers with outstanding student debt. Out of the 1.25 million borrowers nationally who have had their employment certified as eligible for PSLF but have not yet received forgiveness, 89,800 – roughly 1 in 14 – live in New York State. This is disproportionate to New York's share of the overall U.S. population, which stands at about 1 in 16,¹⁶ as well as its share of student loan borrowers broadly, which is about 1 in 18.^{17,18}

PSLF participants with outstanding loan balances in all other states vs. New York



Sources: Department of Education data; Federal Student Aid

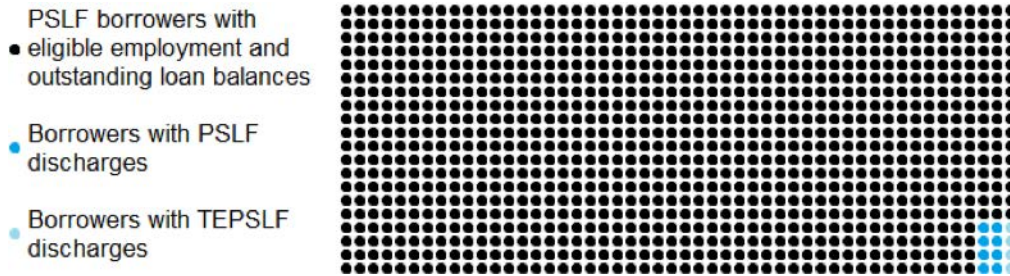
ONLY 1.2% OF PSLF PARTICIPANTS IN NEW YORK HAVE HAD THEIR LOANS FORGIVEN.

As of August 2021, just 1,099 borrowers in New York had had their loans discharged through the Public Service Loan Forgiveness Program – 771 through PSLF and 328 more through TEPSLF. This compares to the abovementioned 89,800 New York borrowers who have had their employment eligibility certified for PSLF but have not yet received forgiveness. In other words, only 1.2% of all New Yorkers who have made progress toward acquiring PSLF loan forgiveness have actually had their debts discharged.

11 Jacqueline Dombroff Remarks at a Student Borrower Protection Center Town Hall, [9/9/21](#)
12 Spectrum News, [10/6/21](#)
13 Nathaniel LaGarry Comment to the Department of Education, Regulations.gov, [7/28/21](#)
14 Federal Workforce Data, Office of Personnel Management, accessed [9/24/21](#)
15 2020 Annual Survey of Public Employment & Payroll, U.S. Census Bureau, [May 2021](#)
16 U.S. Census Bureau, [8/25/21](#)
17 Federal Student Loan Portfolio by Location, Federal Student Aid, [3/31/21](#)
18 Federal Student Aid Portfolio Summary, Federal Student Aid, [3/31/21](#)

Moreover, the vast majority of New York PSLF applicants are not even close to receiving forgiveness. Only 12,600, or 14%, have made at least half of the 120 payments that would qualify them to have their outstanding debt dismissed. That means that tens of thousands of public servants in New York could continue to be in loan forgiveness limbo for many years to come.

New York PSLF Data as of August 31, 2021



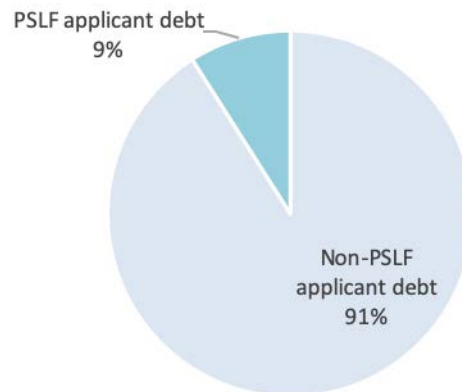
Source: Department of Education data

PSLF PARTICIPANTS IN NEW YORK STILL OWE MORE THAN \$8 BILLION, REPRESENTING NEARLY 10% OF ALL OUTSTANDING FEDERAL STUDENT DEBT IN THE STATE.

As of March 2021, New Yorkers’ total federal student loan debt portfolio stood at \$91.9 billion.¹⁹ Of that, \$8.3 billion – nearly one-tenth – is held by PSLF borrowers with eligible employment who are awaiting forgiveness. (By contrast, New York borrowers have had just \$91.4 million successfully forgiven through PSLF – 1.1% of the total balance among all PSLF applicants in the state.)

The \$8.3 billion in outstanding loans also represents roughly 6.7% of the total \$123.8 billion debt balance for PSLF borrowers across the U.S. Once again, this is an outsized share for New Yorkers, who hold about 5.8% of all student debt generally.^{20,21}

Debt Held by New York Student Loan Borrowers



Sources: Department of Education data; Federal Student Aid

19 Federal Student Loan Portfolio by Location, Federal Student Aid, [3/31/21](#)
 20 Federal Student Loan Portfolio by Location, Federal Student Aid, [3/31/21](#)
 21 Federal Student Aid Portfolio Summary, Federal Student Aid, [3/31/21](#)

HOW CONGRESS CAN HELP – THE *WHAT YOU CAN DO FOR YOUR COUNTRY ACT*

PASSING THE *WHAT YOU CAN DO FOR YOUR COUNTRY ACT* WOULD MAKE PSLF FAR MORE GENEROUS AND MORE ACCESSIBLE.

In October 2021, the Biden administration announced a set of actions that it is taking to restore the promise of PSLF. The Department of Education will use its executive authority to make a number of critical fixes to the program on a temporary basis, including: counting all prior payments made by student borrowers toward PSLF, regardless of loan type or repayment plan; reviewing eligibility for previously denied applications; giving credit for payments denied for technical errors; and simplifying the application process. Program participants will be able to take advantage of these changes through October 31, 2022. In the long term, the department plans to use the rulemaking process to simplify the requirements around PSLF eligibility.

These moves are a very promising step, with the Department of Education estimating that 22,000 borrowers will be immediately eligible to have their loans canceled²² – including nearly 1,400 in New York, according to additional data provided to the office of Senator Gillibrand. However, even more can be done to fulfill PSLF’s promise to young people in New York and throughout the U.S. The *What You Can Do for Your Country Act* – legislation that was endorsed by President Biden during the 2020 campaign²³ – would greatly expand access to the program, ensuring that it is actually rewarding our public servants with the loan forgiveness that they have earned and deserve. Specifically, it would:

- **Reduce confusion surrounding PSLF eligibility – and expand eligibility – by permanently allowing all types of federal loans and repayment plans to qualify.** The bill would allow borrowers with both Direct Loans and loans in the Federal Family Education Loan (FFEL) program to qualify for forgiveness. Under current law, borrowers who took out federally-backed FFEL loans have been deemed ineligible for PSLF. This bill would also allow borrowers to consolidate their loans without losing credit toward forgiveness.
- **Provide borrowers with a partial forgiveness benefit after five years of public service.** Instead of making PSLF borrowers wait a full 10 years to receive full forgiveness, applicants could have half of their loans forgiven at the five-year mark, with the remaining balance being forgiven at the end of 10 years. This would allow borrowers to contribute a shorter, but still meaningful, period of public service and still receive a benefit from giving back.
- **Ensure that the Department of Education provides public servants with clearer information and guidance on the program.** Under the bill, the Department of Education would be required to give borrowers better up-front information about whether they qualify, how many payments are counted and why, and what they can do to dispute any issue with how their progress is determined.

22 U.S. Department of Education, [10/6/21](#)

23 Biden for President, accessed [9/24/21](#)

MORE THAN 12,000 BORROWERS IN NEW YORK WOULD HAVE HALF OF THEIR LOANS FORGIVEN UNDER THE *WHAT YOU CAN DO FOR YOUR COUNTRY ACT*, AND TENS OF THOUSANDS MORE ACROSS THE COUNTRY WOULD BE VAULTED AHEAD IN THEIR PROGRESS TOWARD OBTAINING FORGIVENESS.

The benefits of the *What You Can Do for Your Country Act* for borrowers are numerous and quantifiable. For example, as was mentioned above, there are 12,600 New York borrowers who have made at least 60 qualifying PSLF payments but have not yet had their debt discharged. Under this bill, they would get credit for those five years of service, and half of their loans would be forgiven.

The bill's provision extending PSLF eligibility to all types of federal loans would also benefit tens of thousands of borrowers across the country. The Department of Education recently reported that around 60% of PSLF borrowers with outstanding debt have or had loans in the FFEL program, which remain ineligible for forgiveness under the Biden administration's changes unless consolidated into Direct Loans by October 2022.²⁴ The *What You Can Do for Your Country Act* would permanently qualify FFEL loans for PSLF, allowing borrowers to count both past and future payments on those loans toward their 10-year total.

CONCLUSION

The Public Service Loan Forgiveness program, while well-intentioned, is deeply flawed. Borrowers across the country are being left behind by its complicated rules, strict eligibility requirements, and broad potential for administrative errors. New Yorkers have been hit particularly hard, representing an outsized share of the borrowers denied PSLF and carrying more than \$8 billion in unforgiven debt. If PSLF's original goals were to reward and incentivize public service, its dismal outcomes thus far don't appear to be accomplishing either.

As the Biden administration begins the process of fixing PSLF, Congress must follow suit to reshape the program into one that is truly effective. We must pass the *What You Can Do for Your Country Act* in order to permanently expand and streamline loan forgiveness for those who have earned it, paying existing borrowers back for their years of commitment and giving young people considering a career in public service one more compelling reason to believe that it's worth it.

24 U.S. Department of Education, [10/6/21](#)

APPENDIX

TABLE A

**PSLF borrowers with outstanding loans by state,
Department of Education data, as of July 31, 2021**

State	# Of Borrowers	Total Balance	State	# Of Borrowers	Total Balance
Alabama	18,756	\$1,702,917,320	Nebraska	8,225	\$651,717,235
Alaska	2,603	\$235,509,737	Nevada	7,596	\$696,819,619
Arizona	24,410	\$2,202,215,368	New Hampshire	5,996	\$511,444,398
Arkansas	11,130	\$913,221,104	New Jersey	29,616	\$2,653,776,809
California	109,546	\$10,890,701,938	New Mexico	7,782	\$651,566,542
Colorado	26,521	\$2,367,186,813	New York	89,764	\$8,304,577,073
Connecticut	12,803	\$1,196,605,040	North Carolina	40,566	\$3,637,017,379
Delaware	3,774	\$357,746,063	North Dakota	2,731	\$202,699,459
District of Columbia	8,441	\$937,974,187	Ohio	61,076	\$5,239,366,932
Florida	79,561	\$7,446,597,204	Oklahoma	12,194	\$977,274,662
Georgia	50,710	\$4,985,700,326	Oregon	22,480	\$1,968,387,143
Hawaii	4,353	\$402,237,713	Pennsylvania	58,896	\$5,416,935,361
Idaho	7,779	\$600,306,236	Puerto Rico	6,117	\$355,824,061
Illinois	47,051	\$4,434,069,292	Rhode Island	3,735	\$355,264,774
Indiana	26,029	\$2,125,847,835	South Carolina	24,070	\$2,213,677,127
Iowa	13,662	\$990,787,764	South Dakota	4,658	\$339,380,417
Kansas	12,127	\$921,430,324	Tennessee	24,567	\$2,212,938,412
Kentucky	18,272	\$1,444,187,822	Texas	82,287	\$6,950,755,359
Louisiana	15,659	\$1,452,734,816	Utah	9,160	\$817,706,778
Maine	6,658	\$547,091,662	Vermont	3,867	\$358,808,546
Maryland	33,327	\$3,354,930,608	Virginia	38,737	\$3,508,684,996
Massachusetts	27,295	\$2,561,992,483	Washington	27,652	\$2,499,494,032
Michigan	44,773	\$3,900,744,995	West Virginia	7,510	\$562,086,159
Minnesota	28,735	\$2,346,580,127	Wisconsin	24,796	\$1,993,968,803
Mississippi	12,733	\$1,173,790,968	Wyoming	1,866	\$145,218,233
Missouri	29,304	\$2,415,927,182	Other	3,076	\$279,000,533
Montana	5,660	\$422,568,903	Unknown	15	\$1,670,813

TABLE B**Borrowers reaching the PSLF forgiveness threshold after October 2021 program changes, Department of Education data**

State	# Of Borrowers	Outstanding Balance (millions)	State	# Of Borrowers	Outstanding Balance (millions)
Alabama	330	\$24.15	Nevada	140	\$10.48
Alaska	50	\$4.02	New Hampshire	110	\$8.12
Arizona	390	\$31.38	New Jersey	430	\$36.05
Arkansas	250	\$16.76	New Mexico	130	\$8.03
California	1,470	\$130.35	New York	1,380	\$113.46
Colorado	380	\$33.04	North Carolina	540	\$42.21
Connecticut	200	\$16.12	North Dakota	40	\$3.03
Delaware	60	\$5.23	Ohio	1,220	\$87.94
District of Columbia	90	\$11.04	Oklahoma	240	\$16.31
Florida	1,860	\$159.95	Oregon	330	\$26.70
Georgia	790	\$72.18	Pennsylvania	1,100	\$85.17
Hawaii	80	\$6.69	Puerto Rico	140	\$6.15
Idaho	130	\$9.13	Rhode Island	50	\$4.62
Illinois	620	\$53.53	South Carolina	690	\$59.40
Indiana	430	\$32.38	South Dakota	90	\$4.48
Iowa	250	\$15.81	Tennessee	490	\$36.84
Kansas	270	\$17.58	Texas	1,300	\$95.74
Kentucky	250	\$16.18	Utah	170	\$11.82
Louisiana	360	\$26.45	Vermont	70	\$5.76
Maine	110	\$7.96	Virginia	580	\$51.90
Maryland	440	\$42.81	Washington	450	\$38.70
Massachusetts	410	\$33.41	West Virginia	120	\$7.45
Michigan	740	\$58.96	Wisconsin	470	\$31.31
Minnesota	470	\$30.24	Wyoming	30	\$1.52
Mississippi	230	\$18.90	Armed Forces Europe	30	\$2.42
Missouri	660	\$45.08	Armed Forces Pacific	20	\$2.40
Montana	140	\$7.82	All Other Locations*	10	\$1.60
Nebraska	180	\$13.90	Totals	21,990	\$1,740.68

**Note: All Other Locations includes territories with less than ten borrowers. Borrower counts are rounded to the nearest tenth. Totals may not equal the sum of the values due to rounding.*

TABLE C

Additional raw data provided by the Department of Education on New York PSLF participants as of August 31, 2021

Loans Outstanding		
	# Of Borrowers	
Borrowers in New York who have made 60 or more qualifying PSLF/TEPSLF payments and have outstanding loan balances	12,600	
Loans Forgiven		
	# Of Borrowers	Amount
PSLF discharges for New York borrowers	771	\$77,350,747
TEPSLF discharges for New York borrowers	328	\$14,098,372
Total (PSLF and TEPSLF discharges)	1,099	\$91,449,119



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