



February 2015

HIGHER EDUCATION

Better Management of Federal Grant and Loan Forgiveness Programs for Teachers Needed to Improve Participant Outcomes

Accessible Version

GAO Highlights

Highlights of [GAO-15-314](#), a report to congressional requesters

Why GAO Did This Study

Education estimates 430,000 new teachers will be needed by 2020. It administers three programs that may help attract and retain qualified teachers by helping them finance their education. However, little is known about the efficacy of these programs. GAO was asked to examine the TEACH Grant and two loan forgiveness programs.

This report examines (1) the number of current and potential participants in the three teacher aid programs and the extent to which TEACH Grant recipients satisfy grant requirements; (2) what selected schools, teachers, and students identified as benefits and challenges of program participation; and (3) the extent to which Education has taken steps to effectively manage and evaluate these programs. GAO reviewed applicable federal laws, regulations, and documents; analyzed participation data for the past decade; and interviewed stakeholders including agency officials, loan servicers, and students. GAO also held eight non-generalizable focus groups with officials from 58 colleges representing a range of sizes. GAO also reviewed Ombudsman data covering the former and current TEACH Grant servicers from October 2011 to March 2014.

What GAO Recommends

GAO recommends, among other things, that Education assess TEACH Grant participants' failure to meet grant requirements, examine why erroneous TEACH grant-to-loan conversions occurred, disseminate information on the TEACH grant-to-loan dispute process, and establish program performance measures. Education agreed with GAO's recommendations.

View [GAO-15-314](#). For more information, contact Jacqueline M. Nowicki, (617) 788-0580, nowickij@gao.gov.

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Better Management of Federal Grant and Loan Forgiveness Programs for Teachers Needed to Improve Participant Outcomes

What GAO Found

More than 410,000 students and teachers have participated in financial aid programs for teachers over the past decade, though GAO estimates 0.8 and 19 percent of the potentially eligible population participates in the Stafford Teacher Loan Forgiveness and Teacher Education Assistance for College and Higher Education (TEACH) Grant programs, respectively. GAO did not develop an estimate for Perkins Loan Teacher Cancellation because U.S. Department of Education (Education) budget documents indicate that federal funds for cancellations were last appropriated in fiscal year 2009. About 36,000 of the TEACH Grant's more than 112,000 recipients have not fulfilled grant requirements, according to GAO's analysis of servicer data, and have had their grants converted to loans, known as grant-to-loan conversions, as required by regulation. Education has a stated goal to take a data-driven approach to better understand its customers, but does not collect information on why recipients do not meet requirements. Absent this data, Education is hindered in taking steps to reduce grant-to-loan conversions and improve participant outcomes.

Key benefits of the TEACH Grant and the two loan forgiveness programs are helping to recruit needed teachers and helping teachers pay for their education, while key challenges include participants' lack of knowledge about the programs' requirements, according to GAO's focus groups with college officials and interviews with other stakeholders. Regarding challenges, college officials said TEACH recipients may have difficulty finding and keeping an eligible teaching position and that annual certification requirements are confusing. GAO's review of data from Education's Federal Student Aid Ombudsman corroborates these challenges: 64 percent of the 212 requests for TEACH assistance from October 2011 through March 2014 cited problems submitting certification paperwork. Further, some college administrators said a key reason their schools do not participate in the program is the grant-to-loan conversion issue.

Education tracks participation in all three programs, but lacks clear, consistent guidance to help recipients understand the TEACH grant-to-loan conversion dispute process. As of September 2014, GAO's analysis of TEACH servicer data shows that 2,252 grants were erroneously converted to loans. Education officials said they now monitor the servicer more closely and plan to review all of the nearly 36,000 of the program's grant-to-loan conversions, but the agency has not systemically reviewed the cause of the errors. Federal internal control standards emphasize ongoing monitoring and absent a review, Education lacks reasonable assurance that it has taken steps to minimize future erroneous conversions. Education established a dispute process to address concerns about TEACH grants converted to loans in error; however, GAO found that Education and the servicer provide incomplete and inconsistent information to recipients about the availability of and criteria for disputing conversions. This is inconsistent with federal internal control standards that highlight effective external communication. Absent clear and complete information, recipients are unlikely to understand the dispute process. Education also has not established performance measures for the three programs nor used available data to systematically evaluate them. Managing for results includes setting meaningful performance goals and measuring progress toward them. Absent those, Education is unlikely to be able to use data to improve program administration and participant outcomes.

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Abbreviations

B&B	Baccalaureate and Beyond Longitudinal Study
CFPB	Consumer Financial Protection Bureau
Education	U.S. Department of Education
FSA	Federal Student Aid
IBR	Income-Based Repayment
IPEDS	Integrated Postsecondary Education Data System
NSLDS	National Student Loan Data System
PSLF	Public Service Loan Forgiveness
SASS	School and Staffing Survey
TEACH	Teacher Education Assistance for College and Higher Education

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February 24, 2015

The Honorable Thomas R. Carper
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Michael F. Bennet
United States Senate

The Honorable Christopher A. Coons
United States Senate

The Honorable Mark R. Warner
United States Senate

The U.S. Department of Education (Education) estimates the United States will need about 430,000 new elementary and secondary teachers by 2020, particularly in high-need subject areas such as mathematics, science, and special education. Education administers three programs that may help attract and retain qualified teachers, particularly in low-income schools, where teacher turnover can be nearly 50 percent higher than in other schools, by helping prospective and current teachers finance college and graduate school.¹ The Teacher Education Assistance for College and Higher Education (TEACH) Grant program, established by the College Cost Reduction and Access Act,² is available to help pay for the cost of education for undergraduate and graduate students pursuing a teaching career in high-need subjects at low-income schools.³ After graduation, teachers with Stafford or Perkins loans also may be eligible for loan forgiveness programs if they meet certain requirements, such as teaching for a certain number of years in a high-need subject or in a low-

¹Ingersoll, R. M., "Teacher Turnover and Teacher Shortages: An Organizational Analysis," *American Educational Research Journal*, vol. 38, no. 499-534 (2001).

²Pub. L. No. 110-84, § 104, 121 Stat. 784, 786 (2007).

³20 U.S.C. § 1070g et seq.

income school.⁴ However, as little is known about participation in and the efficacy of these programs, you asked GAO to review them. This report addresses the following questions:

1. How many students and teachers are potentially eligible for and participate in the three teacher aid programs, and for the TEACH Grant program, to what extent are recipients satisfying grant requirements?
2. What have selected schools, teachers, and students identified as the benefits of and challenges with program participation?
3. To what extent has Education taken steps to effectively manage and evaluate these programs?

To assess participation in the TEACH Grant, Stafford Teacher Loan Forgiveness, and Perkins Loan Teacher Cancellation programs, we reviewed data from the National Student Loan Data System (NSLDS) from the last decade for the Stafford forgiveness and Perkins cancellation programs, and from school year 2008-2009 for the TEACH Grant—the year in which Education first awarded the grants.⁵ To determine the extent to which recipients were satisfying grant requirements, we assessed participation data from the TEACH Grant servicer, also beginning with school year 2008-2009 for the same reason.⁶ These data included information on the status of TEACH grant recipients such as the number of recipients still in school and those that started the service period. For those in the service period, we reviewed the number of recipients who have satisfied the grant requirements, those who had their grant converted to a loan, and those who were teaching or had certified intent to teach. We compared this and other information about the

⁴The Stafford loan program is the largest source of federal financial aid available to postsecondary students and provides both need-based and non need-based aid to undergraduate and graduate students. Perkins loans are need-based fixed-rate loans for both undergraduate and graduate students with priority given to those with exceptional financial need. Perkins loans are made directly by schools using funds contributed by the federal government and participating institutions of higher education.

⁵Education's NSLDS is a comprehensive national database of student loans, borrowers, and other information. Education contracts with a loan servicer to administer much of the TEACH Grant program.

⁶The current TEACH Grant servicer services most active TEACH grants and grant-to-loan conversions awarded since school year 2008-2009.

TEACH Grant program to Education's departmental and Federal Student Aid (FSA) specific strategic planning documents, which outline goals and objectives both for federal financial aid programs and teacher recruitment and retention. We developed estimates for the population potentially eligible for the TEACH Grant and Stafford Teacher Loan Forgiveness programs⁷ by analyzing data from Education's Integrated Postsecondary Education Data System (IPEDS)⁸ for the 2012-2013 school year and the Schools and Staffing Survey (SASS) for the 2011-2012 school year, the most recent years the data were available.⁹ We determined that NSLDS, TEACH Grant servicer, IPEDS, and SASS data are sufficiently reliable for the purposes of this report by testing it for accuracy and completeness, reviewing documentation about systems used to produce the data, and interviewing agency officials.

To describe program benefits and challenges as identified by stakeholders, we conducted eight focus groups with college officials from 58 colleges and universities—four with officials from institutions that offered the TEACH Grant program and four with officials from institutions that did not offer the program. We included college administrators from institutions that do and do not offer the TEACH Grant program, to gather a range of perspectives about how well these programs are working and why institutions chose not to participate.¹⁰ We also conducted in-depth interviews with officials at four colleges participating in the TEACH Grant program, and individuals enrolled in or recently graduated from teacher training programs from 21 public and private colleges—over half of which

⁷We did not develop estimates for the Perkins Loan Teacher Cancellation program because, according to federal budget documents, Congress last appropriated funds for Perkins loan cancellations in 2009.

⁸Education's IPEDS is a system of interrelated surveys conducted annually to gather information from each college, university, and technical or vocational institution that participates in federal student aid programs.

⁹Education's SASS, conducted every four years, is a system of questionnaires administered to teachers, principals, and school administrators that provide descriptive data on elementary and secondary education in the United States. Because this is a probability sample, estimates based on this survey are subject to sampling error. Unless otherwise noted, percentage estimates based on this survey have 95 percent confidence intervals within +/-5 percentage points of the estimate itself.

¹⁰The focus groups were further stratified by the type of college administrator we interviewed: four of the focus groups included representatives from colleges of education and four included financial aid administrators.

offered the TEACH Grant program. We selected these schools and individuals to seek more in-depth information from administrators and potential participants about program awareness, benefits and challenges, if applicable, and further insight on why some schools and individuals chose not to participate. We also interviewed officials from seven higher education associations and organizations, and the two largest teacher unions on the benefits and challenges of these programs. We selected higher education associations and organizations representing a range of public and private degree granting institutions and organizations that represent colleges of education and financial aid administrators. While information obtained from our focus groups and interviews are not generalizable, they provide valuable insights from college administrators, students, and teachers about these programs. Additionally, we used data from Education's 2012 Baccalaureate and Beyond (B&B) Longitudinal Study (follow-up to the 2008 survey)—the most recent available—to develop simulations of a typical teacher's loan repayment and forgiveness options using average income and debt levels, and to highlight the challenges teachers face when making a range of choices about participating in and the interaction among various loan forgiveness programs.¹¹ We also analyzed complaint data from Education's FSA Ombudsman from the last three years—October 2011 through March 2014—to learn more about challenges participants face and steps the agency takes to resolve them. We requested data covering this time period because it spanned both servicers that managed the TEACH Grant program.¹² For the loan forgiveness programs, we reviewed a simple random sample of 100 customer requests out of a possible 825 such requests the Ombudsman received during this time period. The loan forgiveness sample is generalizable to the population of requests. We determined that B&B and FSA Ombudsman data are sufficiently reliable for the purposes of this report. For B&B data, we reviewed documentation about systems used to produce the data and tested it for accuracy and

¹¹Education's B&B Longitudinal Study examines students' education and work experiences after they complete a bachelor's degree, with a special emphasis on the experiences of new elementary and secondary teachers. Because this is a probability sample, estimates based on this survey are subject to sampling error. Unless otherwise noted, percentage estimates based on this survey have 95 percent confidence intervals within +/- 5 percentage points of the estimate itself. These simulations are intended for illustrative purposes only, as they do not incorporate the experiences of individual borrowers.

¹²The current TEACH Grant servicer began servicing the program in July 2013. Prior to that, the program was administered by a different servicer.

completeness. For FSA Ombudsman data, we interviewed agency officials and reviewed documentation about systems used to produce the data.

To assess the extent to which Education has taken steps to effectively manage and evaluate these programs, we reviewed agency planning and guidance documents; servicer monitoring documents; and information provided to prospective and current participants; and compared them to federal internal control standards,¹³ GAO's prior work on performance measurement and evaluation leading practices, and Education's departmental and FSA specific strategic planning documents.¹⁴ To inform all of our objectives, we reviewed relevant federal laws, regulations, and documents, and interviewed officials with Education's Office of Postsecondary Education; Office of Planning, Evaluation, and Policy Development; Budget Service Office, and FSA. We also interviewed officials from contracted loan servicing companies that administer aspects of the TEACH Grant and the Stafford and Perkins loan programs.

We conducted this performance audit from November 2013 to February 2015 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.

¹³GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

¹⁴GAO, *Performance Measurement and Evaluation: Definitions and Relationships*, [GAO-11-646SP](#) (Washington, DC: May 2011); *Designing Evaluations: 2012 Revisions*, [GAO-12-208G](#) (Washington, DC: January 2012); and *Managing for Results: Executive Branch Should more Fully Implement the GPRA Modernization Act to Address Pressing Governance Challenges*, [GAO-13-518](#) (Washington, D.C.: June 2013).

Background

Education administers three programs—the TEACH Grant, Stafford Teacher Loan Forgiveness, and Perkins Loan Teacher Cancellation—that may help attract and retain high-quality teachers in high-need schools and subjects by helping teachers pay for school.

TEACH Grant. Individual colleges and universities elect whether to participate in the program and choose the grade levels and education programs in which students may receive the grant. Students participating in the TEACH Grant program may generally receive up to \$4,000 a year¹⁵ while in school and must fulfill teaching service requirements after graduation or the grant converts to an unsubsidized Direct Loan.¹⁶

Stafford Teacher Loan Forgiveness. Teachers who teach for 5 consecutive years in a low-income school can receive up to \$5,000 in loan forgiveness or up to \$17,500 if also teaching in certain subjects.¹⁷

Perkins Loan Teacher Cancellation. Eligible teachers can have up to 100 percent of their Perkins loans cancelled over the course of 5 years of qualifying service.¹⁸ The maximum annual amount a student can borrow under the Perkins loan program is generally \$5,500 for undergraduates and \$8,000 for graduate and professional students.¹⁹

Table 1 describes program eligibility, service requirements, benefit amounts, and participating schools for these three programs, which are the subject of our review.

Teachers can also take advantage of a fourth program—the Public Service Loan Forgiveness (PSLF) program—which, because of its

¹⁵Undergraduate students may receive up to \$16,000 total, and graduate students can receive up to \$8,000 total.

¹⁶Additional student loan debt can affect borrowers differently depending on their circumstance. For example, some recipients whose TEACH grant converts to a loan may qualify for other loan forgiveness programs that could reduce their overall loan debt.

¹⁷20 U.S.C. §§ 1078-10, 1087j.

¹⁸20 U.S.C. § 1087ee.

¹⁹The maximum aggregate amount of unpaid principal is limited to \$27,500 for undergraduates who have completed two years of study, and \$60,000 for graduate students. These annual and aggregate limits can be exceeded by 20 percent in the case of certain study abroad programs.

program requirements, may have implications for teacher eligibility for and benefits under the Stafford Loan Forgiveness program. PSLF was enacted in 2007 and is meant to encourage individuals to enter and continue to work full-time in public service jobs, such as teaching, by offering loan forgiveness to qualified public service employees.²⁰

²⁰Qualifying public service employment can include full-time jobs in emergency management, government, military service, public safety, law enforcement, public health, public education, social work, public library sciences, and employment at a not-for-profit organization that has been designated as tax-exempt by the Internal Revenue Service (IRS) under section 501(c)(3) of the Internal Revenue Code. 20 U.S.C. § 1087e(m)(3)(B)(i).

Table 1: Selected Characteristics of Three Teacher Aid Programs

Programs	Teacher Education Assistance for College and Higher Education (TEACH) Grant	Stafford Teacher Loan Forgiveness	Perkins Loan Teacher Cancellation
Eligible Population	Undergraduate students pursuing coursework to become teachers and certain graduate students	Teachers in low-income schools	Teachers in low-income schools or certain subjects ^b
Selected Eligibility and Teaching Requirements	Be enrolled in a TEACH Grant-eligible program; cumulative grade point average of 3.25 or higher or a sufficient score on certain admissions tests; receive TEACH Grant-specific counseling; sign an Agreement to Serve; graduates teach for a total of 4 years out of 8 in a low-income school in a high-need subject area; eligible subjects include math, science, foreign language, bilingual education, English language acquisition, special education, reading specialist, or any other field documented as high need by the federal, state, or local educational agency, and approved by Education and listed in the Teacher Shortage Area Nationwide List (Teacher Shortage List) ^a	Teachers with eligible loans that teach consecutively full-time for 5 years in a low-income school; teacher receives additional benefits if also teaching certain subjects: special education (elementary and secondary), math and science (secondary)	Teachers with eligible loans that teach full-time in a low-income school; Head Start ^c teacher or early childhood educator; special education teacher; or teach the following subjects: math, science, foreign languages, bilingual education, or in any other field where the state educational agency determines there is a shortage of qualified teachers
Benefit Amounts	Undergraduates can receive up to \$16,000; graduate students can receive up to \$8,000	Up to \$5,000 of Stafford loan forgiven; up to \$17,500 (total) forgiven if also teaching in certain subjects	Undergraduates can generally receive up to \$5,500 annually; graduate students can generally receive up to \$8,000 annually. Borrowers can receive up to 100% of Perkins loan cancelled (over the course of 5 years) ^d 15% for the 1st/2nd years 20% for the 3rd/4th years 30% for the 5th year
Participating Schools	Approximately 800 colleges and universities opted to participate for school year 2013-2014. Participating college and universities have awarded over \$593 million since the first awards were made in school year 2008-2009.	All eligible institutions that enter into a participation agreement with Education can participate in the Stafford Loan program. In fiscal year 2014, Education provided almost \$100 billion to eligible students through subsidized and unsubsidized loans.	Approximately 1,500 colleges and universities opted to participate in the Perkins Loan program during school year 2013-2014. In fiscal year 2014, participating colleges and universities provided borrowers who demonstrated financial need with Perkins loans totaling approximately \$1.2 billion.

Source: GAO analysis of relevant federal laws and regulations governing the TEACH Grant and the loan forgiveness programs and U.S. Department of Education documentation. | GAO-15-314

^a Education and states use the annual Teacher Shortage List to highlight teaching fields where there is an inadequate supply of teachers.

^b Perkins borrowers are eligible for loan cancellation for certain other types of qualifying employment or service such as nursing, child and family services, law enforcement, and active duty military service, among others.

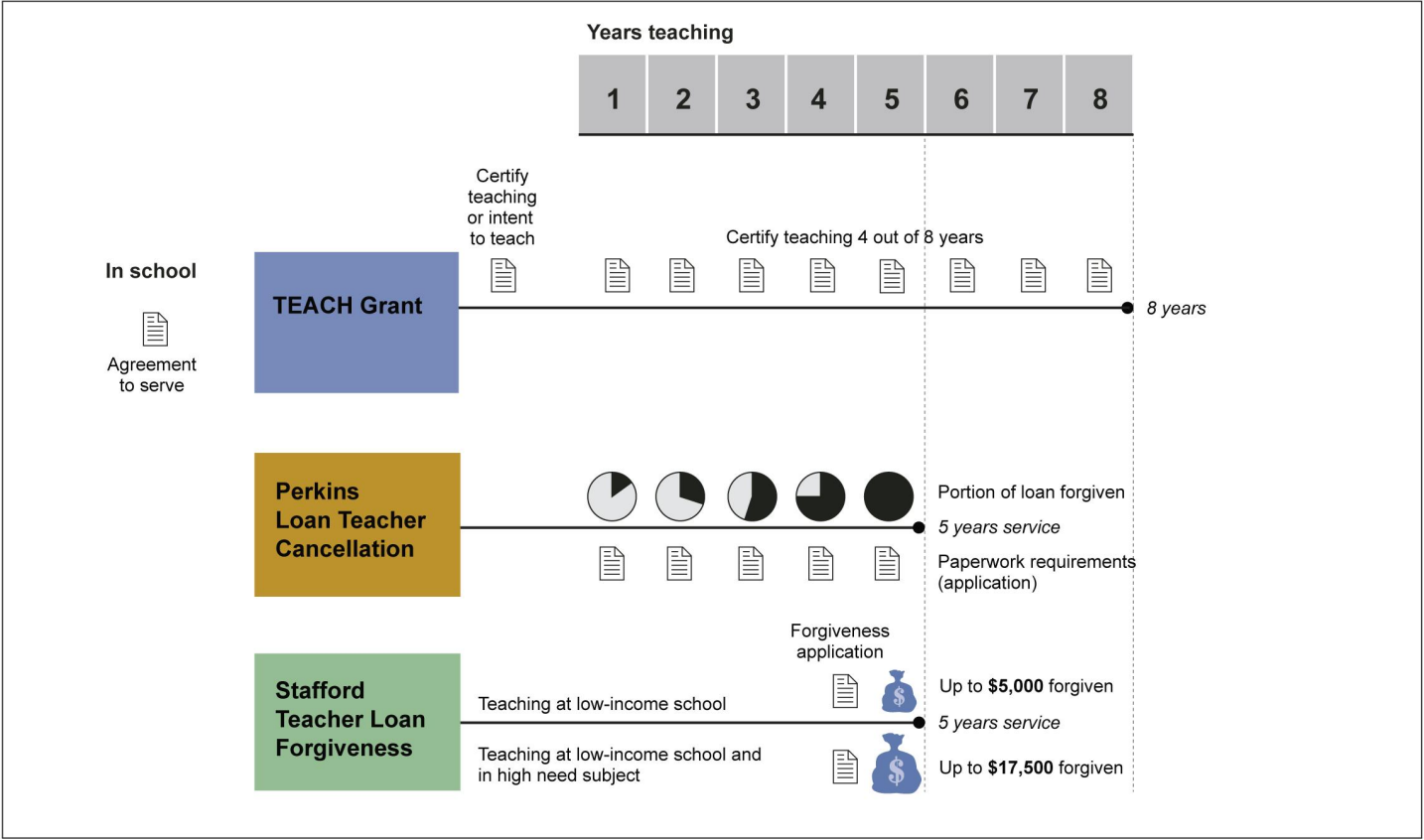
^c The Head Start program provides child development services primarily to low-income families and their children.

^d Full-time Head Start teachers or early childhood educators receive 15 percent of their Perkins loans cancelled per year of qualifying service.

Paperwork Requirements

To benefit from these three programs, grant recipients and borrowers must periodically submit paperwork that verifies eligible employment (see fig. 1).

Figure 1: Teacher Education Assistance for College and Higher Education (TEACH) Grant and Loan Forgiveness Programs Paperwork and Teaching Requirements



Source: GAO analysis of relevant TEACH Grant and loan forgiveness program laws and regulations. | GAO-15-314

Note: TEACH Grant recipients must certify they are teaching or plan to teach every year until they complete the 4 years of required teaching. TEACH Grant recipients have 8 years to satisfy the teaching requirement.

Until their service requirement is fulfilled, TEACH grant recipients are required—per an Agreement to Serve that they sign when in school—to annually certify that they intend to teach or that they are currently teaching in a qualified position and school, otherwise their grant will

convert to an unsubsidized Direct Loan.²¹ If that happens, the grant recipient must pay back the full amount of the grant award, plus interest, which is calculated from the date the TEACH grant was disbursed (see table 2).²² TEACH grant recipients have up to 8 years to complete service requirements.

Table 2: Conditions Under Which a Teacher Education Assistance for College and Higher Education (TEACH) Grant Converts to an Unsubsidized Direct Loan

1. A grant recipient voluntarily requests their TEACH grant be converted to a loan because they decide not to teach, or not to teach in a qualified school or subject, or for any other reason.
2. A grant recipient ceases enrollment in the institution prior to completing the TEACH Grant-eligible program and within 120 days fails to provide notice that they are teaching or plan to teach in accordance with the Agreement to Serve.
3. Within 1 year of ceasing enrollment prior to completing the TEACH Grant-eligible program, the grant will convert unless the grant recipient is eligible for suspension, has re-enrolled in an eligible program, or has begun qualifying teaching.
4. A grant recipient completes an eligible course of study, but does not actively confirm (at least annually) an intention to satisfy the Agreement to Serve.
5. A grant recipient does not complete 4 qualifying academic years of service within the 8-year period, or begin such service in time to do so.

Source: GAO analysis of TEACH Grant regulations. | GAO-15-314

Stafford borrowers are required by regulation to submit documentation once at the end of their 5-year service period when they apply for the benefit.²³ Unlike Stafford borrowers who submit only one application for

²¹The Agreement to Serve sets out the terms and conditions of the grant.

²²In some circumstances TEACH Grant service obligations can be cancelled, suspended, or discharged. TEACH Grant cancellation occurs when a grant recipient no longer wishes to participate and returns the award amount soon after disbursement. A suspension can occur for recipients who have completed or otherwise ceased enrollment in a TEACH Grant-eligible program 1) if a recipient enrolls in a program for which he or she would be eligible for a TEACH grant or a program determined by a state to meet the requirements for certification or licensure to teach in that state, 2) has a condition that is a qualifying reason for leave under the Family and Medical Leave Act, or 3) is called to active military service for more than 30 days. Education will discharge a TEACH grant if a participant dies or becomes permanently disabled.

²³34 C.F.R. §§ 682.216(f) and 685.217(e). For each year of qualifying teaching, Stafford borrowers are also eligible to apply for teacher loan forbearance. During forbearance, a Stafford borrower can stop or reduce their monthly payment during the service period; however, interest continues to accrue.

loan forgiveness, Perkins borrowers must apply for a portion of their loan to be cancelled for each year of qualifying service.²⁴

Education's Role in Administering Financial Aid Programs for Teachers

The TEACH Grant and the loan forgiveness programs are administered by FSA. For all three programs, FSA develops policies and regulations, provides oversight, and monitors compliance by participants, including schools, financial entities, loan servicers, and students. FSA is also responsible for outreach on how to apply for and receive aid. Additionally, FSA is to develop borrower guidance and maintain StudentAid.gov—a centralized source for information about federal student aid programs—to help borrowers and grant recipients understand the repayment process and the terms and conditions of the programs. In 1998, the FSA Ombudsman was established to resolve complaints from student loan borrowers and to make recommendations for improving service within FSA. According to FSA's 2014 annual report, the Ombudsman has received more than 300,000 customer contacts since it began operations in 1999.

FSA contracts with loan servicers to assist in administering the TEACH Grant and Stafford loan programs. These loan servicers are independent entities that provide billing and repayment services, inform borrowers about their repayment options, and respond to customer service inquiries. Much of the TEACH Grant program is administered by a single servicer who manages all active grants and most grants that have been converted to loans.²⁵ Among other duties, the servicer is to remind grant recipients when their employment certification paperwork is due and send quarterly interest notices informing grant recipients of the amount they would owe, including interest, if their grant were to convert to a loan. A borrower's Stafford loans are serviced by 1 of 11 FSA-contracted companies. Among other duties, Stafford servicers process applications for forbearance and loan forgiveness once a borrower has completed their service obligation.

²⁴Participating schools are to automatically defer Perkins loans during periods when the borrower is performing qualifying teaching service. During deferment, a borrower is not required to make payments and interest does not accrue.

²⁵TEACH grants awarded to 2,655 recipients that have converted to loans were disbursed to other federal loan servicers.

Servicers review applications for eligibility and forward recommendations for approval to FSA for final review.²⁶

In contrast, while FSA is responsible for overall management of the Perkins loan program, it is campus-based and administered directly by participating schools. Perkins loans are made directly by schools using a combination of federal and institutional funds, and borrowers repay these loans to their school.²⁷ Therefore, staff of participating colleges and universities are generally responsible for determining eligibility, processing applications for benefits and loan deferment, disbursing benefits and collecting repayments, and advising and providing technical assistance to borrowers, among other responsibilities.

²⁶According to FSA officials, borrowers may be denied loan forgiveness if their submitted applications are incomplete or if they did not teach in an eligible subject or school. If denied, teachers can submit corrected paperwork or reapply.

²⁷The institutional contribution must match a portion of the federal contribution. According to Education budget documents, federal contributions for Perkins loan cancellation benefits are authorized to be made available through discretionary appropriations. While federal funding was last appropriated for Perkins loan cancellation reimbursements to participating schools in fiscal year 2009, according to Education data, schools have continued to cancel loans for qualified borrowers. Under current law, for academic years ending after September 30, 2015, no new Federal Perkins loans will be issued to students.

Population Potentially Eligible for Teacher Aid Programs Far Exceeds Current Participation, and About One-Third of TEACH Grant Recipients Do Not Satisfy Grant Requirements

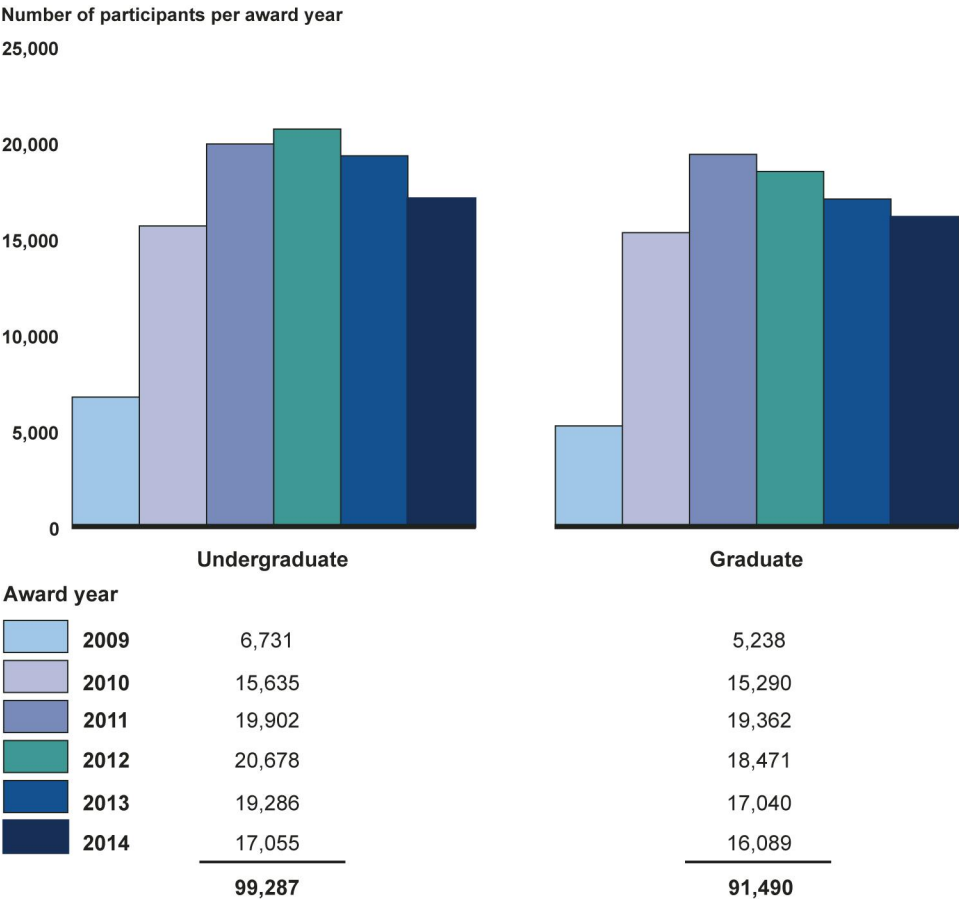
More Than 410,000 Students and Teachers Received TEACH Grants or Loan Forgiveness and More Could Be Eligible

About one-fourth of the more than 410,000 teacher aid recipients benefited from TEACH grants. Between school year 2008-2009, when TEACH grants were first awarded, and October 2014, more than 112,000 students were awarded grants from participating colleges and universities, according to National Student Loan Data System (NSLDS) figures.²⁸ While TEACH Grant participation is decreasing for both undergraduates and graduates, participation rates among graduate students are declining at a slightly higher rate, falling 17 percent since award year 2011 (see fig. 2).²⁹ Education conducts analysis for internal purposes, but it has not assessed program participation, including why participation is declining, as part of any evaluation or study as discussed later in the report.

²⁸Participants can receive multiple TEACH Grant awards.

²⁹The TEACH Grant award year roughly mirrors an academic year. For example, award year 2009 was July 1, 2008, through June 30, 2009.

Figure 2: Teacher Education Assistance for College and Higher Education (TEACH) Grant Participants by Award Year (2009-2014)



Source: GAO analysis of NSLDS data. | GAO-15-314

Note: Education tracks TEACH Grant participation by award year. As TEACH grant recipients can receive awards in multiple years, the total number of participants shown in Figure 2 will not match the total count of unique recipients since award year 2009 (112,338).

About three-fourths of the more than 410,000 teacher aid recipients have received loan forgiveness or cancellation. Over the past decade, more than 298,000 teachers have participated in the Stafford Teacher Loan Forgiveness and the Perkins Loan Teacher Cancellation programs. Participation in the Stafford Teacher Loan Forgiveness program has increased each year, benefiting 53 times more participants in fiscal year 2014 than in fiscal year 2004. In contrast, participation in the Perkins Loan Teacher Cancellation program has decreased significantly—69 percent since fiscal year 2004. The steady decrease from fiscal years

2011 through 2014 may be due at least in part to a lapse in funding.³⁰ For example, according to Education budget documents, Congress last appropriated federal reimbursements to participating schools for Perkins loan cancellations in fiscal year 2009.

As no estimates exist of the potentially eligible populations for the TEACH Grant and Stafford Teacher Loan Forgiveness programs, we developed estimates by reviewing program requirements and information on students and teachers from the Integrated Postsecondary Education Data System (IPEDS) and the School and Staffing Survey (SASS).³¹ We estimated that 19 percent and 0.8 percent of the potentially eligible population for the TEACH Grant and Stafford Teacher Loan Forgiveness programs, respectively, are benefiting from these programs. For the TEACH Grant program, we estimated that in school year 2012-2013 approximately 188,000 students graduated or completed a potentially eligible program from participating schools³² and 36,326 students (19 percent) received grants.³³ For the Stafford program, we estimated that in school year 2011-2012 approximately 3.4 million teachers taught in low-income schools, however some of those teachers may not have eligible

³⁰Trends in the loan forgiveness and cancellation programs generally track trends in the Stafford and Perkins loan programs. According to our review of data from The College Board, from academic years 2004 to 2013 the overall number of subsidized and unsubsidized Stafford borrowers has increased by 52 percent from 6.5 million to 9.9 million. Over that same time period, the number of Perkins borrowers has decreased by 34 percent from 756,000 to 502,000. The College Board, *Trends in Higher Education Series: Trends in Student Aid 2014*, (New York, NY: 2014).

³¹We did not develop estimates for the Perkins Loan Teacher Cancellation program because, according to Education budget documents, Congress last appropriated funds for Perkins loan cancellations in fiscal year 2009.

³²We analyzed Education data on schools offering TEACH grants to their students during academic year 2013-2014. Using IPEDs data, we obtained the number of students who graduated from these schools in academic year 2012-2013—the most recent data available—with qualifying bachelors or masters degrees or those who completed qualifying post-baccalaureate teacher training programs. In total, we identified 96 potentially eligible academic program types including general education and secondary education teaching programs as well as education programs with a concentration in math, science, and special education based on fields specifically listed in federal law. However, because participating colleges and universities have discretion to choose which programs are eligible, we may not have included all eligible graduates or included some that were not eligible. A more detailed description of our analysis can be found in Appendix I.

³³Key reasons why the potentially eligible population may be less than the total amount of students enrolled include: colleges and universities sometimes restrict participation; and some potentially eligible students may not meet the program's GPA requirement.

loans or may not yet have taught the required 5 years to receive Stafford loan forgiveness.³⁴ According to Education's data, 27,023 teachers benefited from the program in fiscal year 2012, representing 0.8 percent of the estimated 3.4 million teachers in low-income schools that year.³⁵ For more information on our methodology, see Appendix I.

Lack of Awareness About Programs May Affect Participation

Participation in the TEACH Grant and the loan forgiveness programs might be higher if more teachers and students were aware of them, according to college administrators in our focus groups, students, and other stakeholders we interviewed. For example, officials from one higher education association said that awareness of these programs is low and that Education does not promote them to potentially eligible students and teachers. While college administrators in all four of our focus groups with officials from schools that offer the grants said that colleges inform students about the TEACH Grant, typically in advising or recruiting sessions or by speaking directly with qualifying students, more than half of the 23 students and recent graduates we interviewed said they received little to no information about the grant, including 9 who attended schools that offered the program. Awareness of the loan forgiveness programs appears to be similarly limited. Officials from both teacher unions, and 6 of 23 students and recent graduates we interviewed, cited a lack of awareness about teacher loan forgiveness programs. For example, one recent graduate said she did not know that her Perkins loan could have been cancelled until she had already paid it off. Participants in two of the four focus groups that contained financial aid officers also said that students may not be aware that a Perkins loan can be cancelled.

Education officials stated that they provide information on the TEACH Grant and the loan forgiveness programs online and through loan servicers who are in contact with participants during repayment.

³⁴The Stafford forgiveness program is only available to a borrower who has no outstanding loan balance under the Federal Family Education Loan Program or the Direct Loan Program on October 1, 1998, or who has no outstanding loan balance on the date he or she obtains a loan after October 1, 1998. 34 C.F.R. §§ 682.216 and 685.217.

³⁵According to our analysis of SASS data, about 3.4 million teachers taught in low-income schools during the 2011-2012 school year. This estimate includes all teachers regardless of how long they have taught and therefore may include some not yet eligible for loan forgiveness. We obtained data on the number of teachers who received Stafford Teacher Loan Forgiveness in fiscal year 2012 from Education's NSLDS. For more information, see Appendix I.

Specifically, Education officials said that students are made aware of these programs via resources such as:

- its website (StudentAid.gov);
- the master promissory note all students sign when applying for a loan; and
- exit counseling, which is conducted by schools when students graduate.

Education requires institutions and lenders to provide certain information at various intervals throughout the loan repayment process. Further, while the Stafford loan servicers we interviewed said they are not required to advertise loan forgiveness programs, they provide program information to borrowers on their websites.

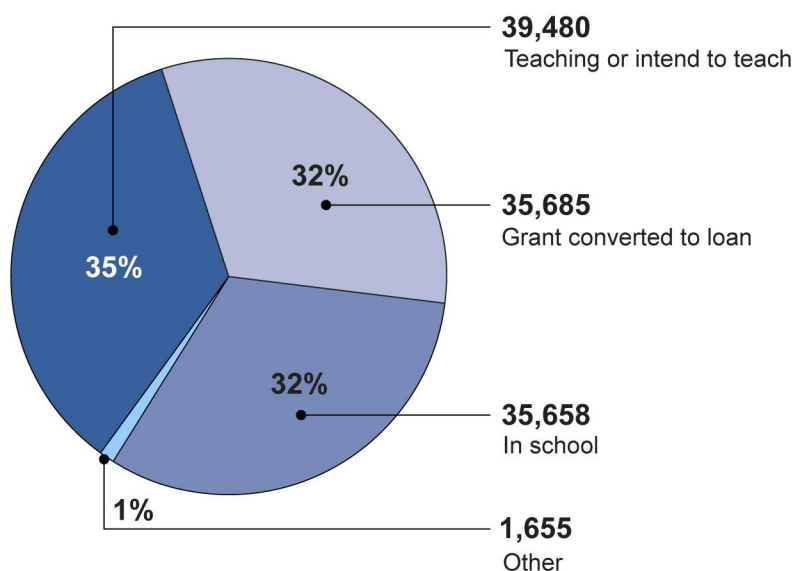
While Education makes information on these programs available, awareness among potential participants continues to be a challenge, according to college administrators in our focus groups, students, and other stakeholders we interviewed. Education's FSA has a stated goal to actively inform all eligible individuals of their funding options. However, a senior Education official contended that conducting outreach to promote these programs to students and teachers may be difficult because the agency does not capture information on who is teaching and therefore is unaware of teachers who may be eligible. Another senior Education official noted that while Education is responsible for awarding student loans, colleges and teachers' workplaces also have a role in informing borrowers about these programs. Nevertheless, senior Education officials stated that they will continue to consider ways to increase awareness of teacher loan forgiveness benefits. In the absence of additional outreach about all three teacher aid programs, however, students and teachers may be unaware of opportunities to receive financial assistance, and Education may be missing opportunities to expand the pool of highly qualified teachers, particularly for low-income schools where retention has been a challenge.

Many TEACH Grant Recipients Do Not Satisfy Requirements and Must Repay Their Grants

While most TEACH grant recipients are still enrolled in an eligible teacher training program or otherwise are fulfilling requirements, about one-third of recipients have had their grants converted to unsubsidized Direct Loans because they did not satisfy requirements or requested their grant be converted, according to data from the TEACH grant servicer (see fig. 3). According to servicer data from August 1, 2013—when the servicer

began tracking this information—through September 30, 2014, approximately 86 percent of the 12,648 recipients who had their grants converted to loans during this time frame were involuntary conversions—that is, initiated by the TEACH Grant servicer. Involuntary conversions occur because recipients do not meet grant requirements, such as not teaching in a qualified school or subject or not submitting required documentation verifying eligible employment. The remaining approximately 14 percent of these recipients voluntarily requested that their grants be converted to loans. According to servicing officials, recipients voluntarily requested conversions primarily because they no longer intended to teach or were not teaching in an eligible school or subject area.

Figure 3: Status of Teacher Education Assistance for College and Higher Education (TEACH) Grant Recipients as of October 2014



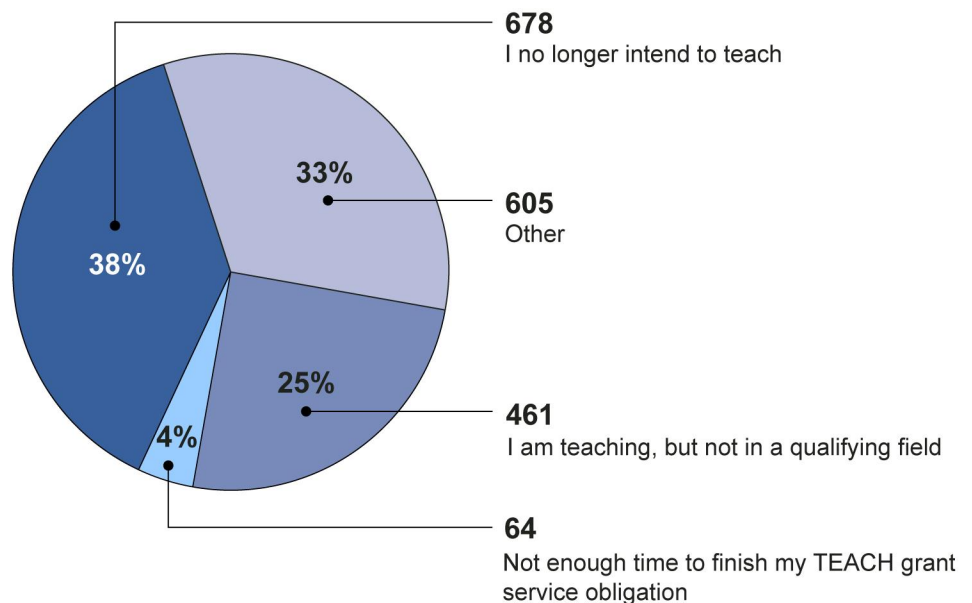
Source: GAO analysis of TEACH Grant servicer data. | GAO-15-314

Note: Other category includes 1,387 recipients who completed teaching requirements. The remainder either had their grants suspended, discharged, or cancelled. TEACH grant recipients will move in and out of different status categories over time. For instance, upon graduation, a participant typically moves from in school to teaching or intend to teach.

Despite the significant number of recipients who have not met TEACH Grant requirements, Education has not taken steps, such as conducting studies or evaluations, to determine why recipients are not successfully completing the program. Officials said they conduct analysis for internal purposes, but said the TEACH Grant program is too new and data is

insufficient for an accurate and beneficial formal evaluation or study. However, Education could leverage existing data or collect new information to illuminate the challenges recipients face in meeting requirements. For example, the TEACH Grant servicer asks all recipients who voluntarily convert online to provide information on why they chose to do so (see fig. 4). Analyzing this type of information could better position Education to make informed decisions about how it might wish to address these challenges.

Figure 4: Self-Reported Reasons Why Teacher Education Assistance for College and Higher Education (TEACH) Grant Recipients Voluntarily Convert, August 2013 through September 2014



Source: GAO analysis of TEACH Grant servicer data. | GAO-15-314

The servicer also tracks some information on conversions that it initiates, such as when a recipient does not respond to certification requests or submits an incomplete certification form. However, the servicer does not collect information as to the underlying reasons why a recipient does not certify. Without collecting this type of information, the servicer and Education are limited in understanding challenges recipients face meeting grant requirements and taking steps, to the extent possible, to improve their experience. Further, Education has a stated goal to take a data-driven approach to better understand its customers and has made teacher recruitment and retention a priority. However, absent data to better understand these issues, it will be difficult for Education to improve

student and teacher outcomes and it is likely missing opportunities to broaden the pool of highly qualified teachers available to teach in high-need subjects and high-need schools.

Stakeholders Noted Benefits of Teacher Aid Programs, but Students and Teachers Face Challenges Meeting and Understanding Requirements

Programs Help Recruit Needed Teachers and Help Them Pay for School

The TEACH Grant and the loan forgiveness programs provide benefits to students, teachers, and colleges, according to college administrators in our focus groups, as well as students and other stakeholders we interviewed. These benefits include:

- **Helping to recruit teachers, particularly to low-income schools.** College administrators in half of our focus groups with colleges and universities that offer the TEACH Grant (two of four) said the program helps them recruit students. One focus group participant noted that the grant program may be particularly beneficial for education programs struggling to attract students. Additionally, college administrators in three of these four focus groups said the program helps recruit graduates to teach at low-income schools.
- **Helping students pay for school.** Officials from more than half of the higher education associations we interviewed (four of seven), and officials from both teacher unions said that the TEACH Grant program benefits students by helping them fund their education. The loan forgiveness programs can also reduce student loan debt because a portion of that debt is forgiven after a participant teaches for the specified number of years in an eligible school or subject area. This particularly resonated with financial aid officers in two of the four focus groups that included financial aid administrators. They said the Perkins cancellation program in particular is well designed because a

portion of a borrower's Perkins loan can be cancelled after only 1 year of service.

Stakeholders Identified Challenges for TEACH Grant Recipients, Including Finding a Qualifying Job and Understanding Paperwork Requirements

While TEACH Grants help students pay for school, recipients may face challenges satisfying and understanding grant requirements after they graduate according to college administrators in our focus groups, as well as students and other stakeholders we interviewed, and our review of FSA Ombudsman complaint data.

- **Finding and keeping an eligible teaching position.** College administrators in three-fourths of our focus groups (six of eight) said school districts in their states had limited hiring, which could limit a graduate's ability to find a qualifying teaching position. Officials from five of seven higher education associations, representatives from both teacher unions, and more than half of the students and recent graduates we interviewed (12 of 23) expressed related concerns about finding and keeping an eligible teaching position. For example, one student said that at times it can take a year or two to find a permanent position, and that the position may not be at a school that meets TEACH Grant eligibility requirements.
- **Paperwork requirements.** TEACH grant recipients may not understand annual employment certification requirements, according to college administrators in our focus groups and our review of FSA Ombudsman complaint data, putting them at risk of not meeting grant requirements. College administrators in half of our focus groups with schools that offer the TEACH Grant program (two of four) said that students may not fully comprehend the paperwork requirements associated with the grants after they graduate. Our review of customer complaint data from the FSA Ombudsman from October 2011 through March 2014 corroborated these concerns. Specifically, of the 212 requests for assistance the Ombudsman received on the TEACH Grant program, the majority of these—64 percent—cited problems submitting annual certification paperwork.³⁶ The more common challenges cited included recipients not receiving reminders that their paperwork was due—as the servicer is required to send—or asserting that their grant was converted through no fault of their own. For instance, one participant told the Ombudsman that the servicer

³⁶We chose this time frame to analyze data that spanned both servicers that managed the TEACH Grant program.

did not process the paperwork she submitted and her grant was converted to a loan. She said she was told she could file an appeal but that she should not bother because most appeals are rejected. Another participant told the Ombudsman she submitted the paperwork after her first year of teaching but forgot after her second year. As a result, despite working as a special education teacher in an eligible school, her grant was converted to a loan.

As a result of challenges that TEACH grant recipients and schools can face in either meeting grant requirements or administering the program, some colleges and universities restrict participation or do not offer the program at all, according to college administrators in our focus groups, and other stakeholders we interviewed. As freshman and sophomores tend to change majors more frequently, college administrators in more than half of the focus groups that offer the TEACH Grant program (three of four) said that some colleges and universities restrict TEACH Grant participation to juniors, seniors, or graduate students. Other colleges and universities have opted not to offer the program at all due to concerns with their students' ability to satisfy grant requirements. College administrators in all four of our focus groups with schools that do not offer the program said they did not do so because they feared it would put students at risk of accumulating additional debt if they were unable to satisfy grant requirements. For instance, one college administrator said that Education's early estimates that 75 to 80 percent of TEACH grant recipients would not meet grant requirements influenced their decision not to offer the program.³⁷ A senior Education official also confirmed that some schools considered this rate, among other things, when deciding not to participate. College administrators also noted concerns about the grant converting to a loan if a recipient changed to a non-eligible major or could not find an eligible job after graduation. Officials from a higher education association representing college financial aid offices said some schools chose not to offer the program because it was too burdensome for their schools to administer and expressed concern about the grants converting to loans if recipients do not fulfill requirements. College

³⁷According to its annual budget requests for fiscal years 2009 and 2010, Education estimated that approximately 80 percent of TEACH grant recipients would have their grants converted to unsubsidized Direct Loans for not completing teaching requirements. Education officials said the projected failure rate was primarily developed for budgeting purposes and was calculated before the first TEACH grants were awarded based on data derived from studies conducted by the National Center for Education Statistics. Education subsequently revised this estimate to 75 percent.

administrators from two of the four focus groups who offer TEACH grants also said the program can be burdensome to administer. For instance, one focus group participant said additional staff time is needed to provide TEACH Grant specific counseling to students. Another participant expressed concern about having to provide counseling to students each year they received a TEACH grant as opposed to other student aid programs that do not require students to receive counseling with each disbursement.

Confusing and Complicated Loan Forgiveness Program Requirements Make Maximizing Benefits Challenging

Loan forgiveness program requirements can be confusing, making it difficult for teachers to participate in or maximize the benefits from the Perkins cancellation and Stafford forgiveness programs, according to stakeholders we interviewed. For example, officials from three institutions and two Perkins loan servicers said that graduates may not understand they have to submit an application annually to have 100 percent of their Perkins loans cancelled. Graduates may also not be aware that they will lose Perkins cancellation benefits if they choose to consolidate their Perkins loans with other federal student loans, according to participants in half of our focus groups with financial aid administrators (two of four). A Stafford loan servicer said that teachers may also be unaware that Stafford loans disbursed before 1998 are ineligible for forgiveness. This concern was corroborated by our review of FSA complaint data: it showed an estimated 21 percent³⁸ of the 825 customer contacts received by the Ombudsman on teacher loan forgiveness programs from October 2011 through March 2014³⁹ involved a teacher's not understanding that an outstanding balance on a Stafford loan or the age of a loan could affect his or her eligibility for the Stafford forgiveness program.⁴⁰

Teachers may also not know how requirements for the Stafford loan forgiveness program affect other programs that may be available to them,

³⁸The 95 percent confidence interval for this estimate is from 14 percent to 30 percent.

³⁹We reviewed a simple representative random sample of 100 out of a possible 825 customer complaints the FSA Ombudsman received from October 2011 through March 2014 related to teacher loan forgiveness programs. For a more detailed description, see Appendix I.

⁴⁰As mentioned earlier, the Stafford loan forgiveness program is only available to a borrower who has no outstanding loan balance under the Federal Family Education Loan Program or the Direct Loan Program on October 1, 1998, or who has no outstanding loan balance on the date he or she obtains a loan after October 1, 1998.

such as Public Service Loan Forgiveness (PSLF), which may make it difficult to decide which is most beneficial to participate in. For example, due to federal law governing Stafford loan forgiveness, teachers cannot count the same teaching service towards both Stafford loan forgiveness and PSLF.⁴¹ Therefore, qualifying teachers must choose between a set amount of forgiveness through the Stafford program after 5 years, or wait and receive a potentially greater amount through PSLF after 10 years.⁴² Loan repayment options can also affect the total amount of loan forgiveness a teacher could receive across the programs. Stafford loan borrowers are automatically placed in a standard 10-year repayment plan, the same length of time needed to qualify for PSLF. Consequently, a teacher who pays off the loan through the Standard plan would have repaid the loan in full at the time he is eligible to receive PSLF. If, however, borrowers choose a repayment plan that spreads the payments over a longer period of time, they are likely to have a balance to be forgiven through PSLF at 10 years, provided the borrower qualifies for lower payments because of income and family size.⁴³

Further, decisions about repayment plans and whether to participate in Stafford loan forgiveness or PSLF, which have to be made soon after graduation and throughout the life of the loan, can affect a teacher's total

⁴¹20 U.S.C. §§ 1078-10(g)(2) and 1087j(g)(2)(B).

⁴²Consumer Financial Protection Bureau, *Public Service & Student Debt: Analysis of Existing Benefits and Options for Public Service Organizations* (Washington, D.C.: August 2013). Borrowers are eligible for PSLF after making 120 qualifying on-time monthly payments, and while the payments do not need to be consecutive, the earliest a borrower can receive forgiveness is after 10 years. Perkins borrowers also face a choice between benefits, according to the report. If a teacher with a Perkins loan chooses to consolidate it into a Direct Loan to take advantage of PSLF, the teacher will lose any Perkins cancellation benefit.

⁴³For example, the Income-Based Repayment (IBR) plan has a repayment period up to 25 years, but a borrower could repay their loan in less time depending on the borrower's income-based monthly payments and the amount of the loan to be paid off. Under IBR, any remaining loan balance is forgiven after 25 years of qualifying monthly payments if the loans are not fully repaid at the end of the repayment period. For new borrowers on or after July 1, 2014 who choose IBR, any remaining loan balance is forgiven after 20 years of qualifying monthly payments.

payment toward the loan, according on our analysis of Education data.⁴⁴ For example, a typical teacher at a low-income school with a master's degree incurs about \$41,500 in federal student loan debt, and would pay about \$57,300 in total loan payments under the default standard 10-year repayment plan. However, the "typical teacher" in our example could pay more or less than \$57,300 over the life of the loan depending on the repayment plan and loan forgiveness option he chooses. For example:

- A teacher who stays in the standard repayment plan and participates in Stafford teacher loan forgiveness, would pay about \$50,500 but would have repaid the loan in full at the time he was eligible to receive PSLF.
- A teacher who chose the Income-Based Repayment (IBR) plan, which has a repayment period up to 25 years, and participates in the Stafford loan forgiveness program would pay about \$56,400.
- A teacher who chose the IBR plan and forgoes Stafford teacher loan forgiveness after 5 years to instead take PSLF after 10 years of teaching, would pay about \$48,500.

As mentioned previously in this report, although information on the loan forgiveness programs is available on Education's website and in resources provided to borrowers while in school, borrowers continue to struggle to understand how these programs work. Students and teachers, therefore, may not fully understand their options or the tradeoffs of participating in one program over another. The Consumer Financial Protection Bureau (CFPB) has also asserted that the complexity of financial aid program requirements may act as a deterrent for many borrowers weighing a career in public service.⁴⁵ To help teachers and others navigate the various loan forgiveness options, CFPB created a

⁴⁴Using 2012 B&B data (follow-up to the 2008 survey), we reviewed average salary and debt information for a teacher with a master's degree working at a low-income school. For our simulations, we estimated the average annual salary for a teacher at a low-income school with a master's degree to be about \$42,000. Because the teacher is working at a low-income school, we assumed the teacher would receive \$5,000 forgiveness under the Stafford loan forgiveness program. For more information on our analysis and assumptions see Appendix I.

⁴⁵CFPB, *Public Service & Student Debt: Analysis of Existing Benefits and Options for Public Service Organizations*.

toolkit to help public sector employers educate their staff about loan forgiveness programs including how the programs interact.⁴⁶

Education Has Taken Steps to Improve Program Management, but Issues with TEACH Grant-to-Loan Conversions and Communication Remain

Education Provides Oversight of the Contracted Servicer and Tracks Participation, but Erroneous Grant-to-Loan Conversions Remain a Management Challenge

Education monitors the servicer contracted to manage the TEACH Grant program including ensuring the servicer regularly communicates with recipients, tracking recipients' progress towards satisfying their grant requirements, and ensuring the servicer correctly converts TEACH grants into loans if recipients do not satisfy them, according to Education officials.⁴⁷ Education monitors program participation through monthly reports generated by the servicer and addresses recipient complaints including disputes regarding grant-to-loan conversion.

From August 2013 through September 2014, Education and its contracted TEACH Grant servicer discovered 2,252 recipients had their grants erroneously converted to loans by the current and previous servicer due to servicer error. The erroneous conversions were identified when recipients contacted the current servicer or Education to dispute their conversion, or when, after investigating specific errors related to

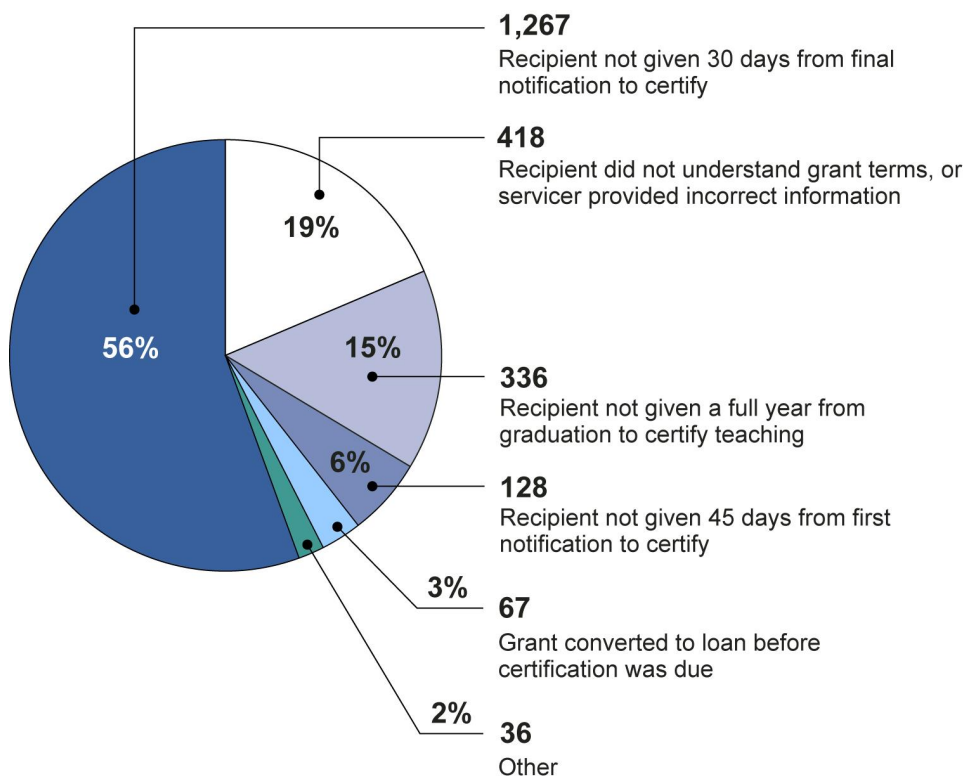
⁴⁶CFPB, *Employer's Guide to Assisting Employees with Student Loan Repayment: A toolkit for School Districts, Non-Profit Organizations, and other Public Service Employers*, (Washington, D.C.: August 2013).

⁴⁷The current servicer began managing the TEACH Grant program in July 2013 and prior to that date, Education contracted with another servicer to manage the program.

particular loans—some of which were discovered when recipients disputed their loan conversions—the loan servicer performed system queries to more systemically investigate these particular errors. The overall scope of the problem is unknown. Our analysis of servicer data shows that the majority of the erroneous conversions—56 percent—occurred because the servicer did not give the recipient 30 days from the final notification to certify that the recipient was teaching or intended to teach (see fig. 5). Rather, the servicer converted the grant to a loan within the 30-day window when a recipient is permitted to respond. According to the current servicer, recipients did not get the full 30 days to submit the paperwork because of time required to process and mail the letter. The servicer classified another 19 percent as erroneously converted because, according to the servicer, a recipient did not understand the terms of the grant and certification requirements—including paperwork needed to document teaching service—or the servicer provided inaccurate, unclear, confusing, or misleading explanations of program and certification requirements to the recipient.⁴⁸

⁴⁸According to Education, if a grant is found to have been converted to a loan in error it is the only circumstance under which a grant can be converted back from a loan. If servicer error is found, the servicer will reinstate the grant and reimburse the amount the recipient has paid toward the loan or apply it to other outstanding student loans. For the majority of the accounts found in the review, the recipient was in the 6-month grace period after a grant became a loan and therefore was not yet required to make a payment. To date, \$196,000 has been refunded to grant recipients or applied to outstanding balances.

Figure 5: Types of Errors Identified by Education and the Teacher Education Assistance for College and Higher Education (TEACH) Grant Servicer for the 2,252 Erroneous Grant-to-Loan Conversions, August 2013 through September 2014



Source: GAO analysis of TEACH Grant servicer data. | GAO-15-314

Note: Percentages will not add up to 100 due to rounding.

As a result of the errors discovered to date, Education officials said they plan to review accounts for all of the approximately 36,000 TEACH grant recipients who had grants converted to loans by the current and previous servicer since the program's inception. Education officials said the review will include transferring the approximately 2,600 TEACH loans held by other servicers to the current servicer, but according to officials, discussions are ongoing and the agency has not yet established a time frame for when the transfer or overall review will be completed. Federal internal control standards call for establishing time frames as part of ongoing monitoring and such time frames would allow Education and

others to assess Education's progress towards reviewing all recipient accounts including those currently held by other servicers.⁴⁹

The current servicer managing the program has also taken steps to address servicer error moving forward. Specifically, the servicer reported that it now conducts additional system checks and manually reviews all accounts flagged for conversion to determine whether the required certification forms were submitted by the recipient according to regulation. Over the course of 1 month (May 2014), for example, this manual review prevented erroneous conversions for 108 recipients. Education also expanded the servicer's authority, so that it can reconvert loans to grants in some circumstances without elevating a dispute to Education. According to the servicer officials, this allowed the servicer to evaluate the cases more efficiently and contributed to the number of loans reviewed and reconverted to grants over the past year. According to Education officials, the high number of recent reconversions from loans back to grants is the result of addressing errors that occurred in the past under the previous servicer, and officials do not expect this volume to continue.

In October 2012—about 4 years after the first TEACH grants were awarded and before the new servicer began managing the program—Education initiated quarterly monitoring of a sample of grants to ensure they had been appropriately converted to loans. Three of these four quarterly monitoring reports in fiscal year 2013 did not include observations of or issues with servicing error, although 541 of the 2,252 (24 percent) erroneous conversions discovered as of September 30, 2014 occurred with the previous servicer. Further, Education provided us with incomplete documentation regarding how it provided oversight prior to October 2012. For example, officials said they received quarterly briefings from the previous servicer on the status of the TEACH Grant portfolio, including information on grant and loan volume, but they could not locate documentation for fiscal years 2011 and 2012. While agencies have flexibility in how they oversee contractor performance, Office of Management and Budget best practices for contract administration cite the importance of documenting monitoring activities.⁵⁰

⁴⁹[GAO/AIMD-00-21.3.1](#).

⁵⁰Office of Management and Budget, Office of Federal Procurement Policy, *A Guide to Best Practices for Contract Administration* (Washington, D.C.: October 1994).

Education officials said that in July 2013, they established a more formal and comprehensive monitoring process when the new servicer began managing the program, which includes monthly reports and weekly meetings. According to officials, Education became aware of the errors through this increased monitoring, including more detailed system checks independently initiated by the current servicer. Further, while the current servicer initiated the majority of the erroneous conversions, some of these errors may have occurred as a result of inaccurate data provided by the previous servicer. Officials with the current servicer stated that data received from the previous servicer contained a large number of anomalies that resulted in confusion and servicing issues when they began servicing the contract. As a result, the current servicer said it proposed a 60-day hold on grant-to-loan conversions (July 23, 2013, through October 10, 2013) to allow the servicer to work with the data and give recipients more time to submit required paperwork.

To date, Education and the current servicer have identified, for each corrected erroneous conversion, whether the error was caused by a data issue or a communication issue with recipients. However, Education has not assessed why the data or communication issues occurred or how the errors went undetected by Education, nor has it outlined plans to do so. Therefore, we are unable to assess whether the changes Education made to its monitoring process are sufficient to address any systemic problems. Further, federal internal control standards highlight the need for ongoing monitoring⁵¹ and our body of work on performance measures and evaluations has shown that successful organizations conduct periodic or ad hoc program evaluations to examine how well a program is working.⁵² These types of evaluations allow agencies to more closely examine aspects of program operations, factors in the program environment that may impede or contribute to its success, and the extent to which the program is operating as intended.⁵³ Absent a review examining the underlying cause of the erroneous conversions or plans to conduct such a review, Education cannot provide reasonable assurance it has taken

⁵¹[GAO/AIMD-00-21.3.1](#).

⁵²[GAO-11-646SP](#), [GAO-12-208G](#).

⁵³Elements often examined in such evaluations include the program activities' conformance with statutory and regulatory requirements, program design, or customer expectations. [GAO-11-646SP](#).

steps to minimize the risk of erroneous conversions from occurring in the future.

Education Increased Communication About TEACH Grants, but It Lacks Clear, Consistent Policies and Guidance to Help Recipients Understand the Dispute Process

Education has increased its communication with TEACH grant recipients since the program transitioned to the new servicer in July 2013, including the servicer sending additional notifications to recipients and providing more assistance to schools, according to Education officials. Officials said that while they did not identify specific communication issues with the previous servicer, they used the transition to a new servicer as an opportunity to provide recipients with information on the program that is easier to understand. The current servicer also standardized the certification form and established a web portal where students can certify their intent to teach.

Education has also established a process whereby TEACH grant recipients may appeal to the servicer or Education to dispute a conversion to a loan, and Education will reverse it if servicer error is found. However, we found that Education and the servicer provide incomplete and inconsistent information to recipients about the availability of and criteria for disputing a grant-to-loan conversion. The servicer's website, for example, states that recipients can contact the servicer if they believe a grant was converted to a loan in error, but does not include the reasons such a conversion would be deemed erroneous, how the problem would be rectified, or the criteria considered in the adjudicating process. Further, all correspondence and policy documents provided to TEACH grant recipients—including the Agreement to Serve, exit counseling at graduation, and notification from the servicer that the grant has converted to a loan—state that once a TEACH grant is converted to a loan it cannot be reconverted to a grant, which is inconsistent with Education's grant-to-loan conversion dispute process.⁵⁴

This incomplete and unclear communication with TEACH grant recipients about the dispute process is inconsistent with federal internal control standards.⁵⁵ These standards include establishing open and effective

⁵⁴The TEACH Grant regulation states that once a TEACH grant is converted to a loan it cannot be reconverted to a grant. 34 C.F.R. § 686.43(d). According to Education officials, this does not preclude reconversion if it is determined that the grant was converted due to servicing error.

⁵⁵[GAO/AIMD-00-21.3.1](#).

external communication. A senior Education official acknowledged information about the dispute process and what constitutes servicer error could be valuable to share with grant recipients to ensure they understand how the program works. Absent clear, consistent, and complete information about whether loan conversions can be disputed and what constitutes servicer error, recipients are unlikely to understand how to navigate the dispute process, criteria on which the dispute decisions are made, or whether a dispute process even exists.

Education Has Not Established Performance Measures for TEACH Grant and Loan Forgiveness Programs

Education collects participation data on the loan forgiveness programs for teachers and the TEACH Grant program and periodically reviews students' persistence in pursuing an education degree and teaching position, but the agency has not established performance measures for the TEACH Grant or the loan forgiveness programs nor used available data to systematically evaluate them. Education officials said the TEACH Grant program is too new to provide meaningful outcome data and specific metrics for the program are still being determined. Officials added that data on the loan forgiveness programs is too small for in-depth analysis. While no cohort of TEACH grant recipients has completed the 8-year service period, available data indicate that one-third of participants have not met grant requirements or requested their grants be converted. These programs support Education's strategic goals of access to and persistence in higher education programs, and its goal to recruit and retain effective teachers. Without interim measures, such as evaluating participation against established benchmarks, it will be difficult for Education to assess whether the programs are meeting these goals or gauge performance on an ongoing basis.⁵⁶

We have previously found that a fundamental element in an organization's effort to manage for results is its ability to set meaningful goals for performance and to measure progress toward those goals, and that the GPRA Modernization Act of 2010 reinforces the need for balanced performance measures.⁵⁷ Education's Strategic Plan also states that effective implementation of the agency's priority and strategic goals, including teacher recruitment and retention, will depend, in part, on the

⁵⁶GAO, *Higher Education: Improved Tax Information Could Help Families Pay for College*, GAO-12-560 (Washington, D.C.: May 2012).

⁵⁷GAO-13-518.

effective use of high-quality and timely data, including evaluations and performance measures, throughout the life cycle of policies and programs. Absent performance measures and efforts to assess progress towards them, it will be difficult for Education to gauge the programs' success or use data to improve program administration and participant outcomes.

Conclusions

The U.S. Department of Education plays a critical role in ensuring that children have access to high-quality teachers—particularly in low-income schools where teacher retention can be a challenge—by managing financial aid programs that help teachers pay for school. However, while the TEACH Grant and the loan forgiveness programs could be key drivers in Education's efforts to increase teacher recruitment, a current lack of program awareness among teachers and students may undermine the agency's teacher recruitment goals. Without exploring and implementing ways to increase awareness of these programs, Education is missing an opportunity to widen the pool of prospective educators and reduce levels of student debt that may drive teachers away from the profession. By accepting a TEACH grant award, students make a significant service commitment to teach in schools and subjects that have the greatest need for qualified and dedicated teachers. In recognition of this commitment, Education could take additional steps to ensure that the program is well-managed and give new teachers every opportunity to succeed. While over 112,000 students have committed to teaching in America's neediest schools by accepting a TEACH grant award, a significant portion are not meeting the terms of the grant. Without a full understanding of why teachers are not able to meet TEACH Grant service requirements, Education is hindered from taking mitigating actions to reduce the number of grant-to-loan conversions and bolster program completion.

The number of erroneously converted grants also signals a clear need for improved program management, particularly with regard to the grant-to-loan conversion dispute process. Examining the underlying cause of the erroneous conversions is an important step that will provide Education with additional assurance the actions it has taken to improve program management are sufficient. In addition, establishing time frames for transferring the approximately 2,600 TEACH loans held by other servicers to the current servicer, and reviewing the accounts for the approximately 36,000 recipients who had their grants converted to loans would allow Education and others to track the agency's progress toward more effectively managing the program. Providing clear, consistent information about the option to dispute a grant-to-loan conversion, and the criteria for

which a dispute would be considered, would also help teachers who may have felt deprived of due process better understand the process. A better understanding of these issues may also encourage colleges and universities to consider offering TEACH grants to their students. Finally, without performance measures it will be difficult for Education to assess whether the TEACH Grant and the loan forgiveness programs are helping to recruit and retain teachers to high-need schools and subject areas.

Recommendations for Executive Action

To enhance participation in and strengthen management of federal student aid programs for teachers, we recommend the Secretary of Education direct Federal Student Aid's Chief Operating Officer to take the following five actions:

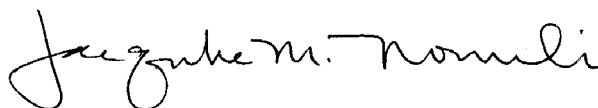
- Explore and implement ways to raise awareness about the TEACH Grant and the loan forgiveness programs.
- Take steps to determine why participants are not able to meet TEACH Grant service requirements and examine ways to address those challenges.
- Review the underlying cause of the known erroneous conversions to ensure steps Education has taken are sufficient to address the problem, and establish time frames for transferring the approximately 2,600 loan conversions currently with other loan servicers.
- Review the TEACH grant-to-loan conversion dispute process and disseminate to appropriate audiences clear, consistent information on it, including that recipients have an option to dispute, how to initiate a dispute, and the specific criteria considered in the adjudicating process.
- Establish program performance measures for the TEACH Grant and the loan forgiveness programs to assess against established goals and to inform program administration.

Agency Comments and Our Evaluation

We provided a draft of the report to Education for review and comment. Education provided us with their written comments, which are reproduced in Appendix II. Education concurred with our five recommendations and noted steps it is taking or plans to take to implement them.

As agreed with your offices, 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 Secretary of Education, relevant congressional committees, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (617) 788-0580 or nowickij@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.

A handwritten signature in black ink, reading "Jacqueline M. Nowicki". The signature is fluid and cursive, with the first name "Jacqueline" and middle initial "M." written in a more stylized, connected manner, and the last name "Nowicki" written in a clear, cursive script.

Jacqueline M. Nowicki, Director
Education, Workforce, and Income Security Issues

Appendix I: Objectives, Scope, and Methodology

The objectives of our report were to examine: (1) how many students and teachers are potentially eligible for and participate in the three teacher aid programs, and for the Teacher Education Assistance for College and Higher Education (TEACH) Grant program, the extent to which recipients are satisfying grant requirements; (2) what selected schools, teachers, and students have identified as the benefits of and challenges with program participation; and (3) to what extent the U.S. Department of Education (Education) has taken steps to effectively manage and evaluate these programs. We conducted this performance audit from November 2013 to February 2015 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.

Federal Agencies, Laws, and Regulations

To inform all of our objectives, we reviewed relevant federal laws, regulations and documents, and interviewed officials with Education's Office of Postsecondary Education; Office of Planning, Evaluation, and Policy Development; Budget Service Office; and Federal Student Aid (FSA). In addition to interviews with agency officials, to assess the extent to which Education has taken steps to effectively manage and evaluate these programs, we interviewed officials from the loan servicing company contracted by Education to administer the TEACH Grant program, the two largest Federal Stafford loan servicers in terms of the number of borrowers, and two of the larger Federal Perkins loan servicers in terms of the number of colleges and universities they serve, according to a higher education association representing schools that offer Perkins loans. We also reviewed agency policy and planning documents, guidance provided to various offices within the agency and to the loan servicers, documentation of servicer monitoring activities, and information provided to prospective and current participants; we reviewed documentation from the servicers on program administration and management and correspondence and other documentation provided to program participants; and we interviewed officials from the Consumer Financial Protection Bureau to discuss their work on student debt and loan forgiveness programs available to teachers and other public sector employees. We compared this information to federal internal control

standards,¹ GAO's prior work on performance measurement and evaluation leading practices, and Education's departmental and FSA-specific strategic planning documents.²

Data Analysis

To assess participation in the TEACH Grant, Stafford Teacher Loan Forgiveness, and Perkins Loan Teacher Cancellation programs, we reviewed data from Education's National Student Loan Data System (NSLDS) from the last decade for the Stafford Forgiveness and Perkins Cancellation programs, and from school year 2008-2009 for the TEACH Grant—the first year Education awarded the grants. For the TEACH Grant program specifically, we determined the extent to which grant recipients were satisfying requirements by analyzing participation data from the contracted servicer who administers the program. These data included information on the status of TEACH grant recipients such as the number of recipients still in school and those who started the service period. For those in the service period, we reviewed the number of recipients who have satisfied the grant requirements, those who had their grant converted to a loan, and those who were teaching or had certified intent to teach. We compared this and other information about the TEACH Grant program to Education's departmental and FSA-specific strategic planning documents, which outline goals and objectives both for federal financial aid programs and teacher recruitment and retention.

To develop estimates for the population that is potentially eligible for these programs, we analyzed data from Education's Integrated Postsecondary Education Data System (IPEDS) and Schools and Staffing Survey (SASS). For the TEACH Grant program, we analyzed IPEDS academic program completion data to obtain the number of students who graduated or completed a potentially eligible program in participating schools. Specifically, we matched the Office of Postsecondary Education Identification number of schools that offered TEACH Grants during the

¹GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

²GAO, *Performance Measurement and Evaluation: Definitions and Relationships*, [GAO-11-646SP](#) (Washington, DC: May 2011); *Designing Evaluations: 2012 Revisions*, [GAO-12-208G](#) (Washington, DC: January 2012); and *Managing for Results: Executive Branch Should more Fully Implement the GPRA Modernization Act to Address Pressing Governance Challenges*, [GAO-13-518](#) (Washington, D.C.: June 2013).

2013 through 2014 academic year to IPEDS completion data for the prior year because this is the most recent IPEDS data available. We reviewed the Classification of Instructional Programs codes—which identifies instructional program specialties within educational institutions—in the IPEDS Completion Data file for academic year 2012-2013. We identified 96 potentially eligible program types. Schools have discretion to choose which programs are eligible to participate and the federal government, states, and local educational agencies have discretion to designate high-needs subjects; therefore we identified programs that could be included in teacher preparation programs such as general education and secondary education and teaching. We also included those with a concentration in math, science, special education, foreign language, bilingual education, and reading specialists because those programs are specifically listed in TEACH Grant statute as qualifying subjects. In developing our estimate, we included those who graduated with qualifying bachelor's or master's degrees and those who completed post-baccalaureate certificate programs since students graduating with these degree types are also eligible to receive TEACH Grants. Our analysis of the TEACH Grant eligible population is limited in a number of ways: (1) schools have discretion on which students and grade levels are eligible to participate in the program, therefore not all who graduated from eligible programs could necessarily apply; (2) students who graduated may also have not reached or maintained the 3.25 GPA often needed to participate. Further, we only counted those who graduated from eligible programs, not those who were enrolled in any given year. We focused on graduating seniors and graduate students because, according to our focus groups and interviews, some schools limit eligibility to juniors, seniors, and graduate students.

To estimate the population of teachers potentially eligible for the Stafford Teacher Loan Forgiveness program, we reviewed program eligibility requirements and analyzed SASS data to identify the number of full-time teachers in public and private low-income schools during the 2011 through 2012 academic year; the most recent year of SASS data available. Because this is a probability sample, estimates based on this survey are subject to sampling error. Unless otherwise noted, percentage estimates based on this survey have 95 percent confidence intervals within +/- 5 percentage points of the estimate itself. We determined that NSLDS, SASS, IPEDS, and TEACH Grant servicer data are sufficiently reliable for the purposes of this report by testing it for accuracy and completeness, reviewing documentation about systems used to produce the data, and interviewing agency officials.

To illustrate a typical teacher's loan repayment and forgiveness options and the choices teachers must make to take advantage of the forgiveness programs, we used data from Education's Baccalaureate and Beyond Longitudinal Study (B&B) from the 2008 cohort to create a typical teacher in terms of debt and salary with a master's degree teaching at a low-income school. The study included approximately 19,000 sample members interviewed in 2009 and 2012. For the purposes of our analysis, we focused on responses from the 2012 follow-up for those teachers teaching at Title I schools who earned their master's degree because this survey year includes the most recent debt and salary information available. Because this is a probability sample, estimates based on this survey are subject to sampling error. Unless otherwise noted, percentage estimates based on this survey have 95 percent confidence intervals within +/- 5 percentage points of the estimate itself. To determine the debt amount for this typical teacher, we analyzed the cumulative total amount borrowed in federal loans through 2012 assuming the teacher would consolidate the federal loans they incurred. We assumed half of their debt was incurred as an undergraduate and half pursuing their master's degree. Therefore, when we applied the general Stafford subsidized loan limits to the overall debt amount (\$23,000 for undergraduate and \$65,500 for graduate) the entire debt amount for the typical teacher in our scenario was subsidized. Because the typical teacher in our example works at a low-income school, we assumed the teacher would receive \$5,000 forgiveness under the Stafford Loan Forgiveness Program. We determined the salary amount for those teachers by examining the average initial salary in 2012 and assumed a 5 percent salary growth rate and a 3.3 percent growth of the poverty threshold to coincide with assumptions made by Education as part of its repayment calculator.³ We also used the Income-Based Repayment (IBR) plan thresholds for loans made before July 1, 2014; for new loans made on or after July 1, 2014 new IBR thresholds apply. Under these new IBR thresholds, a teacher with similar income and debt amounts could see larger benefits. We also assumed a 6.8 percent interest rate because teachers responding to the B&B survey would have undergraduate and graduate Direct Subsidized Loans disbursed between July 1, 2006, and June 30, 2012, when that

³Recently, Education changed its assumption regarding the future increases in the poverty threshold from 3.3 percent per year to the Congressional Budget Office's inflation projection (which averages 2.3 percent over the next ten years). Projected Income-Based Repayment (IBR) payments under the new assumption will be higher, since it will have the effect of producing a relatively lower poverty threshold.

interest rate applied. Teachers could have had additional loans disbursed before July 1, 2006, but for ease of reporting, we assumed a consistent interest rate. We also assumed the teacher would not receive loan forbearance. We assumed that the teacher was single and without children (which affects the poverty threshold and the income based amount due). After discussion with loan servicers, we assumed that even after the teacher loan forgiveness was applied, the monthly amount due did not change. This had the effect of shortening the term of the loan. Finally, we applied the observed loan level and income data to the various loan forgiveness programs to simulate what the total payments would be under the different programs. To the extent possible, we validated our results against the online repayment estimator provided on Education's website. These simulations are intended for illustrative purposes only, as they do not incorporate the experiences of individual borrowers. For example, individual borrowers may experience periods of unemployment (reducing income temporarily), or marry and form families (changing the appropriate poverty threshold). We determined that B&B data are sufficiently reliable for the purposes of this report by testing it for accuracy and completeness and reviewing documentation about systems used to produce the data.

FSA Ombudsman Data

To learn more about the challenges participants face, and the steps Education has taken to resolve them, we analyzed customer complaint data from Education's FSA Ombudsman. We reviewed all 212 customer requests the Ombudsman received for assistance related to the TEACH Grant program from October 2011 through March 2014. For the loan forgiveness programs, we reviewed a simple random sample of 100 customer requests out of a population of 825 such requests the Ombudsman received from October 2011 through March 2014.⁴ The loan forgiveness sample is generalizable to the population of requests. We requested data covering this time period because it spanned both servicers that managed the TEACH Grant program.⁵ Because we

⁴The full population of requests consisted of 835 during this period. However, we excluded 10 cases from this population that we found to be unrelated to the Stafford Teacher Loan Forgiveness or Perkins Loan Teacher Cancellation programs specifically.

⁵The current TEACH Grant servicer began servicing the program in July 2013. Prior to that, the program was administered by a different servicer.

followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval (e.g., plus or minus 10 percentage points). This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. In this report we present confidence intervals for estimates based on this sample along with the estimate itself. Using content analysis, we developed categories to characterize the types of assistance TEACH grant recipients and borrowers requested or complaints they expressed about the programs. An analyst then reviewed the requests and recorded each request by category. These categorizations were verified by a second analyst and any discrepancies were resolved by both analysts.

Focus Groups

To describe program benefits and challenges as identified by stakeholders, we conducted eight focus groups with administrators from schools of education and financial aid offices from 58 colleges across the public, private, and for-profit sectors. The Stafford Teacher Loan Forgiveness program is administered by servicers contracted by Education; therefore we did not ask school officials about challenges administering the program. Four focus groups were with college administrators whose institutions offered the TEACH Grant program to their students while the remaining four were with college administrators whose institutions did not offer the program. These sessions involved structured small-group discussions designed to gain more in-depth information about (1) the benefits and challenges associated with the TEACH Grant and Perkins Loan Teacher Cancellation programs, (2) outreach and guidance the institutions provided to students or others about these programs, and (3) any guidance Education provided to these administrators about the programs. We also asked about program improvements and to what extent these programs succeed in recruiting and retaining teachers in high-need subjects and low-income schools.

Consistent with typical focus group methodologies, our design included multiple groups with varying characteristics but shared one or two homogenous characteristics. As the primary homogenous characteristic, each focus group contained either representatives of colleges of education or financial aid administrators. All but one of the focus groups involved 6 to 10 participants while the remaining group had 5 participants. By including college of education representatives and financial aid

administrators from institutions that do and do not offer TEACH grants, we intended to gather a range of perspectives about how well these programs are working or why institutions chose not to participate.

To select focus group participants, we obtained membership lists from professional associations of colleges of education and financial aid administrators and invited representatives from 235 institutions of higher education to participate. The primary selection criteria included whether the institution offered TEACH grants, and, for those that did, the number of students that received them. To obtain input from a wide variety of institutions, we also considered the size of the school in terms of total enrollment and whether the institution was public, private, or for-profit. As all focus groups were conducted via teleconference, we were able to include participants from across the United States.

Focus group discussions were structured and guided by a moderator who used a script with a standardized list of questions to encourage participants to share their thoughts and experiences. During the sessions, we informed participants that their names would not be used in the published report. Each of the eight focus groups was recorded and transcriptions were created, which served as the record for each group. Using content analysis, we then evaluated these transcripts to develop our findings. Our analysis was conducted in three steps. In the first step, two analysts developed a set of themes and categories to track the incidence of various responses during focus group sessions. In the second step, each transcript was tagged by an analyst and recorded by theme and category. In the third step, these tags were verified by a second analyst and any discrepancies were resolved by both analysts agreeing to the tagged theme and category.

Methodologically, focus groups are intended to generate in-depth information about the reasons for the focus group participants' attitudes on specific topics and to offer insights into their concerns about and support for an issue. Focus groups are not designed to (1) demonstrate the extent of a problem or to generalize results to a larger population, (2) develop a consensus to arrive at an agreed-upon plan or make decisions about what actions to take, or (3) provide statistically representative samples or reliable quantitative estimates. The projectability of the information produced by our focus groups is limited for several reasons. First, the information includes only the responses from college of education and financial aid administrators from among the eight selected groups. Second, while the composition of the groups was designed to ensure a range of stakeholders from institutions of varying size and

geographic diversity, the groups were not randomly sampled. Third, participants were asked questions about their experiences with the programs, and other college of education representatives and financial aid administrators not in the focus groups may have had other experiences. Because of these limitations, we did not rely entirely on focus groups, but rather used several different methods to corroborate and support our findings and conclusions.

Interviews

In-depth interviews with individual schools. We supplemented information obtained through focus groups with non-generalizable in-depth interviews with selected representatives of four institutions of higher education that offered the TEACH Grant program. Specifically, we spoke with representatives from each of the institutions' (1) college of education, (2) financial aid office, and (3) bursar's office to obtain their perspectives, particularly regarding the benefits and challenges of administering the TEACH Grant program. Institutions were primarily chosen based on whether they offered TEACH grants and, if so, the number of students who received the grant and whether the school participated in the Perkins loan program. Secondary selection criteria included whether the institution was public, private, or for-profit. In advance of each interview, we reviewed materials each selected institution made publicly available via their websites including information on the TEACH Grant program. During interviews, we discussed how these institutions administer and conduct outreach on the TEACH Grant and Perkins cancellation programs and the benefits and challenges associated with the programs.

Students and recent graduates. To obtain the students' perspective particularly around awareness of the TEACH Grant and the loan forgiveness programs and their benefits and challenges participating in them, we spoke with 23 students enrolled in or recently graduated from teacher training programs at 21 institutions, 14 of whom had attended or had graduated from institutions that offer TEACH grants. To select participants, the National Education Association contacted students or recent graduates on a list of state and national student leaders they shared with us and requested that each participate in one of two conference calls. Evidence gained through these group interviews is not generalizable to all students.

Higher education associations and teacher unions. To gain further insights on teacher financial aid programs, we interviewed officials from seven higher education associations and organizations, and the two largest teacher unions on the benefits and challenges of these programs. We selected higher education associations and organizations representing a range of public and private degree granting institutions and organizations that represent colleges of education and financial aid administrators including: the American Association of Colleges for Teacher Education; National Association of Student Financial Aid Administrators; National Direct Student Loan Coalition; Student Aid Alliance; American Association of State Colleges and Universities; Coalition of State University Aid Administrators; and Coalition of Higher Education Assistance Organizations. We also interviewed representatives from the two largest national teacher unions: the National Education Association and the American Federation of Teachers. While information obtained from these interviews are not generalizable, they provide valuable insights from college administrators, teachers, and other stakeholders about these programs.

Appendix II: Comments from the U.S. Department of Education



JAN 28 2014

Ms. Jacqueline M. Nowicki
Director
Education, Workforce, and Income Security Issues
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Nowicki:

Thank you for providing the Department of Education (Department) with an opportunity to review and respond to the draft copy of the Government Accountability Office (GAO) report, "FINANCIAL AID FOR TEACHERS: Better Management of Teacher Aid Programs Needed to Improve Participant Outcomes" (GAO-15-314).

We concur with the five recommendations GAO made to the Department in GAO's draft report. The Department's responses to the recommendations follow.

Recommendation 1: *Explore and implement ways to raise awareness about the TEACH Grant and the loan forgiveness programs.*

Response to Recommendation 1: The Department agrees that raising student and borrower awareness of the availability of TEACH Grants and teacher loan forgiveness benefits would increase the effectiveness of these programs. Federal Student Aid currently disseminates information about these programs through a number of channels, including on our website (www.studentaid.gov), in materials posted to the Financial Aid Tool Kit (<http://www.financialaidtoolkit.ed.gov/>), and through a strong social media presence. We also provide annual in-person training and frequent online guidance about these programs to Financial Aid Officers at all Title IV institutions. We recognize that many students and administrators remain unaware of these programs, and will assess the effectiveness of these current sources of program information and seek input from interested organizations outside the Department on ways to better publicize and promote these programs. We will also develop and implement additional outreach efforts and vehicles to more effectively raise awareness both among current and incoming students and, for loan forgiveness, among potentially eligible individuals who have already entered the workforce.

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION
830 First St. N.E., Washington, DC 20202

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Recommendation 2: *Take steps to determine why participants are not able to meet TEACH Grant service requirements and examine ways to address those challenges.*

Response to Recommendation 2: The Department agrees that additional information on why TEACH Grant recipients fail to fulfill their service obligations would inform our efforts to reduce the rate at which grants are converted to loans. We are considering a number of analytical approaches, both quantitative and qualitative, to obtain this information. One approach under consideration is to send surveys to recipients, financial aid personnel, and others involved in the administration of the TEACH Grant program. After completing this analysis, we will use the findings to identify and implement programmatic changes or policy initiatives to increase the percentage of grant recipients who successfully complete the service obligation. In addition, the Department will consider possible legislative proposals, including but not limited to those made in previous Administration budget proposals, to reform the TEACH Grant and loan forgiveness programs to address these concerns.

Recommendation 3: *Review the underlying cause of the known erroneous conversions to ensure steps Education has taken are sufficient to address the problem, and establish timeframes for transferring the approximately 2,600 loan conversions currently with other loan servicers.*

Response to Recommendation 3: The Department has already taken a number of steps to implement this recommendation. Once we learned of the erroneous grant-to-loan conversions, FSA management conducted a comprehensive assessment to identify both the causes of the conversions and the grants affected. Through this assessment we identified four systemic reasons for erroneous conversions, all of which involved a misunderstanding of program requirements by the previous TEACH Grant servicer. (A very small number of grants were converted incorrectly by the current servicer due to human error. We have worked with that servicer to strengthen controls to avoid similar problems in the future.) To ensure that the assessment identified all causes of erroneous conversions, we instructed the current TEACH Grant servicer, FedLoan Servicing, to examine every TEACH grant-to-loan conversion for accuracy. We also will work with recipients to resolve issues related to grants that were converted in error. We believe that these steps adequately address the causes of the erroneous conversions. As part of this process, all active Direct Unsubsidized Stafford Loans that were converted from TEACH grants and not in default were transferred to FedLoan Servicing by December 23, 2014.

Recommendation 4: *Review the TEACH grant-to-loan conversion dispute process and disseminate to appropriate audiences clear, consistent information on it, including that recipients have an option to dispute, how to initiate a dispute, and the specific criteria considered in the adjudicating process.*

Response to Recommendation 4: The Department has already taken steps to clarify the TEACH grant conversion dispute process, detailing the specific set of criteria under which FedLoan Servicing is authorized to convert loans back to grants. We also will assess the current

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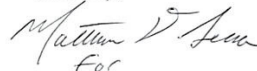
processes for disseminating information on the dispute process to determine whether additional outreach or more extensive information is necessary to ensure that appropriate audiences have access to needed information.

Recommendation 5: *Establish program performance measures for the TEACH Grant and the loan forgiveness programs to assess against established goals and to inform program administration.*

Response to Recommendation 5: The Department agrees that the establishment of program performance measures for TEACH Grants and loan forgiveness programs will help policymakers assess the success of these programs and also inform program administration. Accordingly, the Department will convene a group to review program data, identify appropriate metrics for which supporting data is available, and establish baselines and targets for those metrics. The Department will then incorporate those metrics, baselines, and targets into our ongoing program management and policy development processes.

Thank you again for the opportunity to review and comment on the draft GAO report.

Sincerely,



For
James W. Runcie
Chief Operating Officer

Enclosure

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Jacqueline M. Nowicki, (617) 788-0580 or nowickij@gao.gov

Staff Acknowledgments

In addition to the contact named above, Janet Mascia, Assistant Director; Rachel Beers, Analyst-in-Charge; Justin Dunleavy, and Robin Marion made significant contributions to this report. Also contributing to this report were Susan Aschoff, Deborah K. Bland, Ben Bolitzer, Alex Galuten, Stuart Kaufman, John Mingus, Mimi Nguyen, Mark F. Ramage, Kathleen van Gelder, Walter Vance, and Amber Yancey-Carroll.

Appendix IV: Accessible Data

Data Table for Figure 2: Teacher Education Assistance for College and Higher Education (TEACH) Grant Participants by Award Year (2009-2014)

Award year	Number of participants	
	Undergraduate	Graduate
2009	6,731	5,238
2010	15,635	15,290
2011	19,902	19,362
2012	20,678	18,471
2013	19,286	17,040
2014	17,055	16,089
Total	99,287	91,490

Source: GAO analysis of NSLDS data. GAO-15-314.

Data Table for Figure 3: Status of Teacher Education Assistance for College and Higher Education (TEACH) Grant Recipients as of October 2014

Reason	Unique SSN/percent	
Teaching or intend to teach	39,480	35%
Grant converted to loan	35,685	32%
In school	35,658	32%
Other	1,655	1%

Source: GAO analysis of TEACH Grant servicer data. GAO-15-314.

Data Table for Figure 4: Self-Reported Reasons Why Teacher Education Assistance for College and Higher Education (TEACH) Grant Recipients Voluntarily Convert, August 2013 through September 2014

Reason	Unique SSN/percent	
I no longer intend to teach	678	38%
Other	605	33%
I am teaching, but not in a qualifying field	461	25%
Not enough time to finish my TEACH grant service obligation	64	4%

Source: GAO analysis of TEACH Grant servicer data. GAO-15-314.

Data Table for Figure 5: Types of Errors Identified by Education and the Teacher Education Assistance for College and Higher Education (TEACH) Grant Servicer for the 2,252 Erroneous Grant-to-Loan Conversions, August 2013 through September 2014

Error	Number of Grantees/Percent
Grantee not given 30 days from final notification to certify	1,267 56%
Grantee did not understand grant terms, or servicer provided incorrect information	418 19%
Grantee not given a full year from graduation to certify teaching	336 15%
Grantee not given 45 days from first notification to certify	128 6%
Grant converted to loan before certification was due	67 3%
Other	36 2%

Source: GAO analysis of TEACH Grant servicer data. GAO-15-314.

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E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800, U.S. Government Accountability Office, 441 G Street NW, Room 7149, Washington, DC 20548