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 systematically 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.

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.

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