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TEACH Grant Program

Primary statutory cites:	20 U.S.C. § 1070g–1070g-4
	44 U.S.C. § 3512
Primary regulatory cites:	34 C.F.R. 686.43, Obligation to Repay the Grant
	34 C.F.R. 686.32, Counseling Requirements
	34 C.F.R. 686.41, Periods of Suspension

The federal TEACH Grant program, established by statute in 2007, provides grants to aspiring teachers who agree to work after graduation in critical positions in schools across the country. Specifically, the TEACH Grant program provides up to $4,000 per year to aspiring teachers pursuing higher education, and TEACH Grant recipients must agree to teach in high-need fields and schools for at least four of the first eight years following their course of study. If the recipients do not complete their service or do not fulfill certain paperwork requirements, their grants convert to federal Direct Loans that must be repaid with interest to the Department of Education. To date, more than 112,000 students have received TEACH Grants. As teachers, they serve in critical capacities in our nation's schools, teaching mathematics and science, bilingual education, foreign languages, and special education, among other courses. Last year, the federal government disbursed roughly $83.1 million in grants to 28,850 recipients.

Remarkably, since the government began disbursing TEACH Grants in 2008, 63 percent of TEACH Grants have converted to federal loans. Grant-to-loan conversions can have a devastating effect on teachers' financial lives. Federal student loan disbursements are capped to help prevent students from taking on unmanageable debt, but when grant-to-loan conversions occur years after disbursement, many TEACH Grant recipients end up with debt that exceeds those caps.

Some TEACH Grant conversions occur because recipients change their plans—they leave the teaching profession altogether or never enter it, or they decide not to work in a covered field or school. The Department and the private servicers retained by the agency to oversee the program, however, have converted many grants of teachers who could fulfill their service obligation. As detailed in a report issued by Public Citizen following the disclosure of documents in response to a Freedom of Information Act request and subsequent litigation, these conversions resulted from mistakes by the Department and the student loan servicers, or from paperwork mishaps when a recipient missed a certification deadline imposed by the Department.

The statute requires recipients to "submit evidence of such employment in the form of a certification by the chief administrative officer of the school upon completion of each [service] year." Congress placed no other limitations on the process by which a TEACH Grant recipient could certify her service. The statute also sets forth the penalty for a recipient's failure to live up to her teaching commitment: If a recipient "fails or refuses to comply with the service obligation" in her agreement to serve, her TEACH Grants "shall … be treated" as federal unsubsidized Direct Loans, "and shall be subject to repayment, together with interest" accrued since the award, "in accordance with terms and conditions specified by" the Department.

Current TEACH Grant regulations have caused avoidable grant-to-loan conversions by imposing needless certification requirements on recipients. Like the TEACH Grant statute, they require that recipients

submit, "upon completion of each year of service, documentation of the service in the form of a certification by a chief administrative officer of the school." But the regulations go much further. First, the regulations require recipients who complete their courses of study to submit annual certifications that they intend to satisfy the service requirement. Second, a recipient who does not complete her TEACH Grant-eligible program of study must certify within "120 days of ceasing enrollment" that she is employed in a covered teaching position or otherwise still intends to satisfy her agreement to serve. Third, a recipient who does not complete her TEACH Grant-eligible program must, within one year of separating from her program, re-enroll in another TEACH Grant-eligible program or begin covered teaching service (if she has not received a suspension of the eight-year certification period). The regulations require a grant-to-loan conversion for a failure to comply with any of these purely regulatory requirements.

The Department's certification requirements have undoubtedly led to unnecessary grant-to-loan conversions. In 2018, the Department reported on a nationally representative survey of TEACH Grant recipients, in which 32 percent of recipients whose grants had been converted to loans indicated that "they had already completed the [grant] requirements or were likely to do so." Indeed, in 2015 FedLoan itself indicated that, among other "changes to requirements with known challenges," the annual certification requirement is "an obstacle for TEACH Grant recipients to completing their service obligation," and does not represent recipients "having no intention to honor the meaning behind the grant: that they serve a low income school in a high need field."

The problems with certification concern not only the required unnecessary certifications, but also the certification form itself. The Department recently characterized the form as "too complicated and confusing because it attempts to capture very different requirements for different populations." Although a process exists under the Paperwork Reduction Act (PRA) to guard against unwieldy and unnecessary forms, the Department failed to go through this required process. The sanction for an agency's non-compliance with the PRA is steep: Under what is termed the "public protection" provision of the statute, a member of the public otherwise required to complete the form can simply ignore requests that are not in compliance with the PRA. Specifically, the PRA provides that "no person shall be subject to any penalty for failing to comply with a collection of information if the corresponding form does not include a valid OMB control number on it or if the agency does not inform the respondent that she "is not required to respond to the collection of information unless it displays a valid control number." Thus, for a decade the Department has utilized a non-PRA-compliant, "complicated and confusing" form that has likely contributed to the high number of grants converted to loans because of paperwork errors or missed deadlines. Although the Department has sought to replace the certification form with three separate forms and intends to comply with the PRA for those forms, such prospective changes do not provide recourse to recipients who were affected by the current forms.

Additionally, erroneous grant-to-loan conversions have plagued the TEACH Grant program. In February 2015, the U.S. Government Accountability Office reported that the Department and FedLoan, the private contractor managing the program since 2013, had discovered that 2,252 recipients had their grants erroneously converted into loans "by the current and previous service due to servicer error." More recent documents indicate an even larger problem: Under ACS, the prior private contractor managing the program, over 10,000 recipients apparently had their grants converted to loans in error, representing at least 37% of all recipients whose grants were converted to loans by ACS. Rather than automatically reconverting these loans to grants, the Department and FedLoan undertook vague communication efforts

to reach out to those affected, with the end result being only 1,671 recipients—approximately 15% of those identified as having erroneous conversions—having their loans reconverted to grants.

Despite the high number of erroneous conversions and other conversions for recipients who are satisfying the service requirement, the Department's dispute process is unclear. Although the Department appears to offer some process whereby TEACH Grant recipients can challenge a grant-to-loan conversion, neither the regulations nor any other publicly available documents describe how to initiate a dispute—beyond contacting one's servicer—or identify the full criteria the Department and its servicer use to resolve a grant-to-loan conversion dispute. Indeed, the agreement to serve and correspondence and policy documents given to recipients provide that loans *cannot* be reconverted to grants. Moreover, there are serious questions about the efficiency of the Department's dispute process: Data from the Department reveals that 26 percent of disputes in the program remain pending for five months or more. Because recipients whose grants convert to loans have only six months of a grace period before they must start paying off these loans, these delays in adjudicating disputes have real financial consequences for individuals.

Finally, the statute directs the Department to "establish, by regulation, categories of extenuating circumstances" that would entitle a grant recipient who is "unable to fulfill all or part of" her service to "be excused" from doing so. The Department's regulations provide some extenuating circumstances where a recipient can receive a proportional discharge of the service obligation, as well as where a recipient can temporarily stop the clock on the eight-year certification period. These mechanisms, however, do not extend to individuals harmed by grant-to-loan conversions that might be corrected but that would nevertheless chip away at the recipients' eight-year time limit for service.

On December 9, 2018, the Department announced that it will create a "reconsideration" process for individuals who "met or are meeting the TEACH Grant service requirements within the eight-year service obligation period, but had [their] grants converted to loans because [they] did not comply with the annual certification requirement." It also said it will create a uniform annual certification deadline for recipients to help simplify the certification process. These announcements, although important steps once implemented, do not fix many of the underlying problems with the program described above.

Similarly, the Department's proposed regulations contain some important changes but fail to address others. Helpfully, the proposed regulations do away with many of the unnecessary certifications the Department had previously required, instead necessitating the submission of a certification only where a recipient seeks credit for a service year—consistent with the statutory obligation to do so. The Department also makes clear, for the first time, that grants converted to loans can be reconverted to grants. However, the proposed regulations still fail to provide any formal process for recipients to challenge grant-to-loan conversions, much less time limits for a response from the Department or protections for recipients during the dispute process. There is also no provision for redress to those already affected by erroneous conversions or conversions due to non-PRA compliant certification forms, such as automatic reconversion and proportional discharge of their service obligations.