

November 13, 2025

Direct Loan Program Student Loans: Loan Discharge and Forgiveness

Outstanding Direct Loan program debt currently totals about \$1.5 trillion, which is owed by over 40 million borrowers. When borrowing a loan, a borrower assumes a contractual obligation to repay the debt over a period of time that may span a decade or more. The Higher Education Act (HEA), however, authorizes the Secretary of Education (the Secretary) to discharge or forgive a Direct Loan in certain circumstances; that is, the Secretary may relieve a borrower of their obligation to repay the debt, in whole or in part.

This In Focus discusses Direct Loan borrower options for loan discharge and loan forgiveness following service. It does not discuss loan forgiveness benefits provided to borrowers following repayment according to an income-driven repayment (IDR) plan. It also does not address loan *cancellation*; this term has sometimes been used to refer to broad-scale loan relief available to individuals regardless of their individual circumstances or other characteristics. For detailed information on all of these topics, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers* and CRS Report R47196, *Federal Student Loan Debt Cancellation: Policy Considerations*.

Loan Discharge

The HEA does not define the word *discharge*. For purposes of this In Focus, the term is used to refer to instances in which a borrower is relieved of their obligation to repay all or part of their loan debt due to some adversity. The HEA authorizes several such opportunities, including discharge due to

1. a borrower's death,
2. a borrower's total and permanent disability,
3. a borrower's inability to complete their program of study due to the closure of their institution of higher education (IHE),
4. a borrower defense to repayment,
5. an IHE's false certification of an individual's eligibility to borrow a Direct Loan,
6. an IHE's disbursement of a loan without the borrower's authorization, and
7. an IHE's failure to refund loan proceeds to a borrower in certain circumstances.

Parent PLUS Loans may be discharged under reasons 1, 3, 4, 6, and 7 above if the student on whose behalf the PLUS

Loan was borrowed meets the specified conditions. For example, a Parent PLUS Loan may be discharged due to the death of the student on whose behalf the loan was borrowed.

The Bankruptcy Code authorizes the discharge of Direct Loans (and other student loans) in bankruptcy proceedings if a borrower can show that not discharging the debt would impose an undue hardship on them. Also, the Third Higher Education Extension Act of 2006 (P.L. 109-292) authorizes the discharge of certain eligible borrowers' Direct Loans if their spouse or child died or became totally and permanently disabled due to injuries suffered in the September 11 terrorist attacks.

Loan Forgiveness Following Service

The HEA does not define the word *forgiveness*. For purposes of this In Focus, the term is used to refer to instances in which a borrower is relieved of their obligation to repay all or part of their loan because they have completed certain service requirements. The HEA authorizes two such loan forgiveness programs: Public Service Loan Forgiveness (PSLF) and Teacher Loan Forgiveness (TLF).

Loan forgiveness following service is distinct from federal programs that provide student *loan repayment benefits* to borrowers for completing service requirements (of which about 40 are federally authorized). Loan forgiveness following service benefits are part of a Direct Loan's terms and conditions; thus, they are considered an entitlement to qualified borrowers. The programs' benefits are funded through mandatory budget authority and accounted for as part of federal student loan subsidy costs. In contrast, loan repayment benefits are generally offered through programs that are separate and distinct from the Direct Loan program and are generally made available to a limited number of borrowers. Typically, the loan repayment benefits are funded with discretionary appropriations. Thus, loan repayment benefits are not necessarily considered entitlements to qualified borrowers and may be subject to the availability of funds. For additional information on federal student loan repayment programs, see CRS Report R43571, *Federal Student Loan Forgiveness and Loan Repayment Programs*.

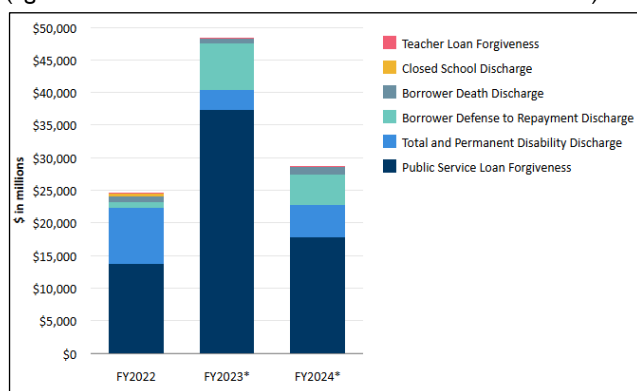
Data

Comprehensive data on the amount of Direct Loans that have been discharged or forgiven and the number of borrowers who have received such benefits are not publicly available. However, the U.S. Department of Education (ED) has made data on some forms of Direct Loan discharge and forgiveness available. **Figure 1** displays

amounts of Direct Loan program loans discharged or forgiven through selected loan discharge and forgiveness following service programs for FY2022 through FY2024.

Figure 1. Direct Loans Discharged or Forgiven, FY2022-FY2024

(figure is interactive in the HTML version of this In Focus)



Source: U.S. Department of Education (ED), *Agency Financial Report*, FY2022, FY2023, and FY2024; ED, Federal Student Aid Data Center, “Teacher Loan Forgiveness Report.”

Notes: In FY2023 and FY2024, closed school discharges totaled \$38 million and \$33 million, respectively.

Selected Issues

Each of the Direct Loan discharge and forgiveness following service options available to borrowers have their own unique policy issues and considerations. For example, some stakeholders have argued that eligibility criteria to have a student loan discharged in bankruptcy is an “unnecessarily high bar” and have proposed reforms to those eligibility criteria. As another example, some research indicates that administration of the TLF program may constrain borrower take up of program benefits. Nonetheless, several considerations span many or all Direct Loan discharge and forgiveness following service options.

Available Mix of Discharge and Forgiveness Options

The currently available loan discharge and forgiveness options are each intended to address discrete scenarios that policymakers have deemed appropriate for debt relief. Congress might consider whether additional borrower scenarios may be addressed with the creation of new loan discharge or forgiveness options, or whether to expand eligibility to more borrowers under the currently available options. For example, some Members of Congress have proposed providing debt relief benefits to individuals who are not eligible for such benefits under current discharge or forgiveness options (e.g., loan discharge for Pell Grant recipients), while others have proposed extending PSLF benefits to a broader swath of borrowers.

Expanding discharge or forgiveness following service options in these ways could remove or lessen student loan repayment burdens for additional borrowers. Expansion of loan forgiveness following service options may also help meet other potential goals, such as increasing recruitment and retention in specific fields or professions. However,

such an expansion may also result in increased Direct Loan program costs to the federal government.

Alternatively, Congress might consider whether to limit or streamline the current array of loan discharge and forgiveness following service options. For example, some stakeholders have proposed altogether repealing or curtailing the PSLF program, arguing that the program is not well-targeted and provides outsized benefits to graduate and professional students. These individuals tend to borrow more and to have higher earning potential than individuals without graduate or professional degrees. Eliminating or curtailing discharge and forgiveness following service options could help address concerns such as insufficient targeting of benefits and could result in Direct Loan program cost savings. However, doing so may limit debt relief options for some individuals who may be in need of such assistance.

Benefits Administration

ED is responsible for overall Direct Loan program administration and has contracted with third-party loan servicers to perform many of the program’s day-to-day administrative functions (e.g., sending billing statements to borrowers, communicating with borrowers about and processing borrower requests for loan program benefits). In recent years, the Government Accountability Office (GAO), the Consumer Financial Protection Bureau (CFPB), and others have reported on a number of issues with the administration of loan discharge and forgiveness benefits.

The CFPB has reported on servicers’ “mishandling” of PSLF, TLF, and loan discharges for multiple years. Such mishandling has included, for instance, processing delays in and miscommunication about PSLF and borrower defense to repayment discharges. GAO has found that ED did not provide key information or guidance on some discharge and forgiveness benefits to borrowers and loan servicers, thus potentially creating borrower confusion and raising the risk of benefits being improperly granted or denied.

ED has recently made significant changes to how it administers Direct Loan program loans and its loan servicing environment. It has undertaken efforts to automate certain discharge and forgiveness processes, like automatically granting total and permanent disability discharges to borrowers based on information obtained through data sharing agreements with the Social Security Administration. It has also transitioned to a new loan servicing environment called the Unified Servicing and Data Solution (USDS), which is in the process of being implemented. Once fully implemented, ED intends that the USDS will “create a loan servicing environment that better serves customers and allows for appropriate oversight” of the federal student loan programs. Successful implementation of these changes may improve benefits administration.

Alexandra Hegji, Specialist in Social Policy

IFI 13120

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.