August 10, 2015

The Honorable Arne Duncan
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20006

Re: Docket ID ED-2014-OPE-0161

Dear Secretary Duncan:

As advocates for students, consumers, veterans, and colleges, we thank you for proposing regulations that will allow all federal Direct student loan borrowers to cap their monthly student loan payments at 10% of their discretionary income, help ensure that military servicemembers benefit from the interest rate cap provided under the Servicemembers Civil Relief Act (SCRA), and increase the efficacy of Participation Rate Index (PRI) challenges and appeals to encourage colleges to continue offering federal student loans. We write to express strong support for certain elements of the proposed regulations, but also to suggest a number of ways to strengthen them.

The proposed regulations include a new income-driven repayment plan, called Revised Pay As You Earn (REPAYE), which improves upon existing plans in a number of key ways. REPAYE would let all federal Direct student loan borrowers cap their monthly payments at 10% of their discretionary income, regardless of when they borrowed or their debt-to-income ratio. This will better help struggling borrowers stay on top of their payments and avoid default, give all borrowers the ability to have their loan payments fluctuate with their income should they want to do so, and greatly simplify the plan. The proposed rules also include a number of changes that make the plan fairer and better target its benefits, such as preventing ballooning loan balances by limiting interest accrual for borrowers with low income relative to their debt and removing the “standard payment cap” so higher income borrowers pay the same share of their income as lower income borrowers.

While many of our organizations will also be submitting more detailed public comments, *we collectively urge you to implement the proposed changes to PRI challenges and appeals in 2015 and to strengthen REPAYE in four ways:*

1. Provide loan forgiveness to *all* borrowers after 20 years of payments
2. Count all qualifying payments – made before or after consolidation – towards forgiveness
3. Eliminate the capitalization of interest within REPAYE
4. Make it easier for borrowers to keep making payments based on income by letting them choose to have their income information updated automatically

PRI Challenges and Appeals: We strongly support the proposed changes to increase the efficacy of PRI challenges and appeals. PRI challenges and appeals protect colleges where only a small share of students borrow from being subject to sanctions triggered by high cohort default rates (CDRs), because when only a small share of students borrow, the CDR may not be representative of the entire school. The proposed rules will allow colleges to submit a challenge or appeal in any year in which their CDR exceeds allowable thresholds, assuring low-borrowing colleges that their Title IV program participation is secure and relieving pressures that have led colleges to stop offering federal loans to students. Already, [nearly one in 10 community college students] does not have access to federal student loans. **The proposed changes to PRI challenges and appeals should be implemented in 2015, not in February 2017 as proposed. It is critical that they be in place by July 2016 at the latest**. Delaying implementation of these changes jeopardizes students' access to federal student loans and is unnecessary for workload reasons, since only a handful of schools with borrowing rates low enough to qualify for a PRI challenge or appeal have CDRs that would trigger sanctions.

REPAYE:

1. **Provide loan forgiveness to all borrowers in REPAYE after 20 years of payments.** As proposed, borrowers in REPAYE who have any graduate school loans will be required to make 25 years of payments on all of their loans before any remaining debt is forgiven, while borrowers with only undergraduate loans can receive forgiveness after 20 years. In other words, the proposed regulations extend the repayment period by five years for all of a borrower's loans—increasing the total cost of those loans—based solely on whether he or she took out a certain type of loan, *not on the borrower's income or ability to pay.*

   Though many borrowers will repay their loans in full before the 20-year period is over, capping loan repayment at 20 years helps borrowers focus sooner on other important priorities, like saving for retirement and their own children's education. Research has shown that carrying outstanding student debt may affect borrowers' ability and willingness to make other financial commitments, such as buying a home or car, opening a small business, saving for their children's education, or saving for their own retirement. We think 20 years is long enough to have to repay your student debt.

2. **Count all qualifying payments – made before or after consolidation – towards forgiveness.** Under the proposed REPAYE and other existing income-driven repayment plans, any remaining debt is forgiven after 20 or 25 years of qualifying payments. For borrowers qualifying for Public Service Loan Forgiveness (PSLF), any remaining debt is forgiven after 10 years. However, if a borrower consolidates multiple loans into one loan, qualifying payments made before the loans were combined suddenly don't count anymore. Borrowers should get credit for all qualifying payments.

   There are multiple precedents for tracking payments made on loans before consolidation. For example, servicers already track pre-consolidation payments on subsidized loans in order to provide a three-year period of interest subsidy on negatively amortized loans in two of the existing income-driven repayment plans. Additionally, for discharges of consolidation loans due to a closed school, false certification, or unpaid refunds, only the amount of the underlying loans that were used to pay for the affected program of study are considered for discharge.

3. **Eliminate the capitalization of interest while a borrower remains in REPAYE.** Under the proposed regulations, unpaid interest capitalizes in REPAYE when a borrower's debt-to-income ratio falls below a particular threshold. However, the threshold has no relevance in REPAYE—it is simply a carryover from other income-driven repayment plans that have different eligibility requirements. Capitalizing interest when the borrower's debt-to-income ratio hits an arbitrary threshold adds unnecessary complexity, both for borrowers and for servicers who will have to calculate and track this ratio for the sole purpose of interest capitalization. It can also increase costs for borrowers whose incomes are low for extended periods of time.

4. **Make it easier for borrowers to keep making payments based on income.** Rather than having to proactively submit new income information every year or get bumped to a non-income-based payment, borrowers should be able to give advance permission for the Department of Education to automatically access the required tax information (sometimes called "multi-year consent"). Borrowers could revoke this permission at any time. The Department recently shared that *over half* of all borrowers in two of the existing income-driven repayment plans missed the deadline to update their income information, underscoring the importance of improving this process.

   Implementing multi-year consent for income-driven repayment plans will help ensure that struggling borrowers are able to keep their monthly loan payments manageable and avoid delinquency and default. It will also significantly reduce the administrative burden for both borrowers and servicers. Borrowers used to be able to provide multi-year consent, and they should be able to again.

These recommended changes would further strengthen REPAYE as an option for borrowers, as well as make it an excellent model for Congress to consider when developing a single, streamlined IDR plan.

Thank you for considering these recommendations to improve REPAYE as well as our recommendation that the proposed changes to PRI challenges and appeals be implemented in 2015, and at the very latest by July 2016. Together, these recommendations will help ensure students have access to federal student loans and can afford to repay them.

Sincerely,

Access Group
American Association of Community Colleges
American Association of State Colleges and Universities
American Association of University Women
American Federation of Teachers
Americans for Financial Reform
Association of Catholic Colleges and Universities
Association of Community College Trustees
Center for Responsible Lending
Consumer Action
Demos
Equal Justice Works
National Association for College Admission Counseling
National Association of Independent Colleges and Universities
National Young Farmers Coalition
One Wisconsin Now
Public Higher Education Network of Massachusetts
Student Debt Crisis
The Education Trust
The Institute for College Access & Success
United States Student Association
Woodstock Institute
Veterans Education Success