

**Comments from The Institute for College Access & Success (TICAS)
to the U.S. Department of Education**

Re: “Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program” (Docket ID ED-2023-OPE-0004)

Submitted: February 10, 2023

Thank you for the opportunity to provide comments on the Department’s proposed rule, “Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program” (Docket ID ED-2023-OPE-0004). The Institute for College Access & Success (TICAS) is a nonprofit, nonpartisan organization advocating for student-centered public policies that promote affordability, accountability, and equity in higher education. TICAS has a long history of advocating for effective income-driven repayment plans and developed the policy framework on which the federal Income-Based Repayment plan (IBR) is based.

Income-driven repayment (IDR) plans are a critical safety net for student loan borrowers. Borrowers enrolled in an IDR plan default at much lower rates than those in a non-IDR plan.ⁱ However, despite significant improvements to program design and generosity over time, too many borrowers continue to struggle with repayment, even if they never default.

The Department seeks to improve IDR by revising the existing REPAYE plan and making broader changes to simplify the existing suite of IDR plans. We commend the Department’s efforts to make IDR more affordable and accessible — especially for low-income borrowers — and strongly support many of the Department’s specific proposed changes to REPAYE, including lowering monthly payments, restraining balance growth, shortening the maximum repayment term for low-balance borrowers, allowing borrowers in default to access IDR, and automatically enrolling struggling borrowers in IDR.

We also urge the Department to simplify some elements of its proposal to ensure it can be easily understood by borrowers and effectively administered by servicers. While we appreciate the Department’s efforts to provide benefits to those most in need, we believe the complexity of some of its proposed changes will undermine IDR’s effectiveness.

Below, we outline several alternative design approaches that would build on the Department’s proposal to create an even fairer and simpler plan. Based on our analyses, we recommend that the Department:

- Further raise the income protection exclusion to ensure truly affordable monthly payments for all borrowers;
- Make the monthly payment formula the same for all borrowers, regardless of debt type;
- Shorten the repayment term to a maximum of 20 years for all borrowers;
- Make the maximum repayment terms simpler and more equitable by basing a borrower’s maximum term solely on their original balance, tied to borrowing limits and accounting for the needs of independent students, rather than based on type of debt; and
- Provide additional safety nets for Parent PLUS borrowers.

Our proposed changes would make the plan simpler, provide an even stronger safety net for those most in need, and more explicitly account for the unique needs of Black borrowers. The effects of systemic racism and labor market discrimination on Black students are well documented. According to one analysis, Black students “need two more levels of education to have the same chance at landing a job as their White peers.”ⁱⁱ

As such, we are concerned that offering less generous benefits to borrowers with graduate debt will have a disproportionately negative effect on Black students. (See **Appendix D** for a more detailed analysis of how racial equity gaps intersect with student debt burdens.)

And while we appreciate the Department's efforts to streamline the existing array of plans, **we urge the Department to ensure its final proposal leaves no borrowers worse off than they are under the current system.** (As detailed below, if the Department lowers the maximum repayment term to 20 years for all borrowers, it can sunset new enrollments in the PAYE plan without leaving any borrowers worse off).

The federal student loan program is a critical access tool for millions of students, enabling them to enroll in college and earn a degree when they would not otherwise be able to do so. Under our current higher education system, the federal student loan program remains one of our nation's most powerful tools for promoting economic mobility and closing the racial wealth gap. Ideally, the repayment system should support this goal; this will benefit the nation as a whole, including those who did not take out loans. But at minimum, the repayment system should not exacerbate persistent racial and economic gaps in financial stability — as it too often does today.

A stronger, more generous IDR plan will provide critical repayment relief to borrowers struggling to pay off their debt, as well as help allay well-documented fears about college costs and debt that keep some students from ever attempting college and push others to drop out before completing.

However, even the most well-designed, well-functioning IDR program cannot compensate for the broader structural issues that students face in covering college costs, including stagnant wages, longstanding racial disparities in wealth attainment, long-term declines in state funding for public colleges, and a Pell Grant that covers the lowest share of college costs in the program's history.

For our higher education system to fulfill its promise, the federal government must provide more student aid, enable colleges to better support their students, perform stronger oversight of colleges, and better support students' basic needs. Notably, strong college accountability is key to reducing the number of students left worse off by burdensome student debt. The Department must work with lawmakers to implement stronger policies, oversight, and enforcement to address high-cost, low-quality programs.

In implementing its new IDR plan, the Department must carefully monitor its impact and ensure over time that students and borrowers are benefiting from the changes as intended. We urge the Department to provide additional data on borrowing and repayment trends to inform external analysis.

To inform our comments, we used a proprietary IDR model to forecast the impacts of specific IDR design changes (more details on this model and underlying assumptions are included in **Appendix A**).

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Changing the Formula for Determining Monthly Payment Amount

The monthly payment amount calculation for a borrower enrolled in IDR is the key “safety net” feature that allows borrowers to stay out of default and stay current on their loans even if they’re unable to make a monthly “standard” payment. For IDR to work, it is critical that this calculation results in monthly payments that are truly affordable.

Under the current formulas, income-driven payments can still be too high for some borrowers, in part because the payment calculations do not account for other aspects of family finances. This means that borrowers with limited resources may need to put those resources toward necessities rather than student loan payments, and therefore may struggle to make payments and potentially become delinquent or default, even if they are enrolled in an IDR plan.

Two elements go into the formula to determine a borrower’s monthly payment amount: (1) the percentage of discretionary income that a borrower must put toward their payment and (2) how much of a borrower’s total income is “protected” from being counted toward determining their payment amount.

The Department’s proposal strengthens both components to increase the affordability of monthly payments for all borrowers, but **we urge the Department to go even further and ensure that monthly payments are based on a borrower’s ability to pay, rather than by what type of loan they hold.**

Recommendation: Raise the Income Protection Threshold Higher Than 225%

We strongly support the Department’s proposal to raise the income protection threshold above 150% but recommend that the Department raise it to even higher than 225%. While any increase is an improvement for affordability, the Department’s own rationale for its proposed 225% threshold shows that, even with the proposed increase, far too many families would still face the choice of meeting their basic needs (including housing, food costs, and child care costs) versus staying current on their monthly loan payments.

Current methods of capturing poverty are based on a flawed and outdated formula that drastically underrepresents the costs that families currently face.ⁱⁱⁱ The official poverty measure (OPM), which was created in the 1960s based on an estimate from 1955 that households spent about one-third of their after-tax income on food, has not been adjusted over time, despite evidence that households now spend about 10% of their income on food, among other inconsistencies.

Additionally, core expenses such as housing, transportation, child care, medical costs, and debt (including private educational loans, which many federal borrowers carry in addition to federal loans) are either under-accounted for or excluded entirely. The formula also fails to account for geographical cost of living variations.

In 2017, **more than 40% of adults earning between 200-300% of the federal poverty level still reported experiencing material hardships**; 25% faced food insecurity, more than 20% reported problems paying family medical bills, and more than 10% missed rent or mortgage payments. These numbers drop significantly (but not entirely) for families earning at least 400% of the federal poverty level.^{iv}

As our modeling has shown, **adjusting the income protection threshold is the most targeted and impactful way for the Department to better protect low-income families and all borrowers from unaffordable monthly payments.**^v Given the Department’s goals of reducing defaults and strengthening protections for low-income borrowers, we urge you to consider raising the threshold accordingly. This will also enable the Department to better address the struggles faced by borrowers in areas with high costs of living, recognizing the complexity of explicitly accounting for these differences in the formula.

While it’s critical that the Department further protect borrowers from unaffordable monthly payments by raising the income exclusion further, we also recognize the longer-term tradeoffs that borrowers face if their maximum repayment terms remain as long as 25 years.^{vi}

If the Department lowers monthly payments without shortening the current repayment terms, many borrowers will either: (1) pay off their loans in full but stay in repayment longer and pay significantly more in total over the life of the loan; or (2) make very low or \$0 payments for the full repayment term and receive near or total forgiveness after 20-25 years of repayment.

Even with the Department’s proposal to restrain the accrual of unpaid interest, borrowers will still see their payment term extended as their monthly payments are lowered. To address this, **we urge the Department to pair more affordable monthly payments with lower the maximum repayment terms, as outlined in detail below.**

Furthermore, we urge the Department to apply the same income exclusion threshold implemented for the new REPAYE plan across all remaining IDR plans (as authority allows). This change will help protect low-income borrowers from unaffordable monthly payments and prevent defaults in circumstances where they cannot access the benefits of the new plan.

In proposing to raise this threshold for REPAYE, the Department rightly recognizes that the current IBR and ICR thresholds are too low. We urge the Department to assess whether it has the authority to make payments more affordable for borrowers whose only income-driven options are the IBR or ICR plans.

Under the Department’s proposed repayment system, those who continue to enroll in IBR are likely to be the most distressed borrowers — those in default. Those who continue to enroll in ICR will likely be Parent PLUS borrowers, many of whom face long-standing economic vulnerability and who already receive far fewer benefits than other borrowers.^{vii}

Recommendation: Apply the Same Percentage of Discretionary Income to All Borrowers in IDR

While we appreciate the Department’s desire to target benefits to those most in need, including borrowers who did not complete a credential and borrowers most likely to default, we are concerned about its proposal to change the amount of discretionary income that a borrower pays per month based on whether they have graduate debt.

The key benefit of IDR is to provide affordable payments to all borrowers based on their ability to pay, as determined by their current income and family size. **Creating a different definition of “affordable” for borrowers who hold any graduate debt undermines that key design goal of IDR.**

We recognize the Department’s rationale that much larger balances carried by graduate borrowers, on average, justify some differential treatment. Below, we detail why we recommend that the Department accomplish that goal by varying repayment length by principal debt balances rather than by creating higher monthly payment amounts for graduate borrowers. The monthly payment calculation is already targeted to scale payment amounts up as a borrower’s income increases.

Graduate borrowers also already pay more for their debt: they can’t access subsidized loans and they borrow at much higher interest rates than undergraduates. In addition, even under our more generous repayment term proposal (outlined below), graduate borrowers with higher balances would be required to pay for longer before receiving forgiveness.

We urge the Department to ensure monthly payments in IDR are truly affordable for all borrowers — regardless of the type of debt they hold — by applying the income exclusion to all borrowers and the same percentage of discretionary income to determine payment amounts. This also keeps it simple for borrowers to understand what IDR offers, as well as keeps IDR simpler for servicers to administer.

Shortening the Maximum Repayment Timeframe

Regarding repayment terms, we encourage the Department to:

- Lower the maximum IDR repayment term to no higher than 20 years for *all* borrowers;
- Provide equitable benefits to those who borrowed as independent students;
- Base a borrower’s maximum repayment term on their original balance, rather than by type of debt; and
- Include an additional safety net for borrowers with persistently low incomes but whose balances are too high to qualify for forgiveness at 10 years.

TICAS’ Repayment Term Proposal

We appreciate the Department’s proposal to provide shorter repayment terms for borrowers with original balances of up to \$22,000 (for those with undergraduate-only debt) or \$27,000 (for those with any graduate debt) original balance, but believe the proposal is too complicated to administer and communicate.

In addition, our modeling shows that, because required monthly payments are lowered substantially for some borrowers and the maximum repayment term remains long, under the Department’s proposal, **some borrowers will ultimately pay more in total than they would have under the current REPAYE.**

Recognizing the Department’s commendable desire to provide shorter repayment terms to borrowers with lower debts, alongside its stated desire to keep a longer maximum repayment term for higher-balance borrowers, **we recommend below a three-tiered system where borrowers have a 10-, 15-, or 20-year maximum term, based on their original balance and tied to borrowing limits.** These terms should automatically adjust alongside any statutory changes to the borrowing limits. To address equity concerns, this proposal bases a borrower’s maximum repayment term solely on their original balance, with no differentiation based on type of debt. We show how this proposal would impact our sample borrowers on the next page.

While we would support even lower repayment terms (such as a maximum 15-year term for all borrowers), recognizing the Department’s desire to target benefits to those most in need, we offer the below proposal for consideration. **This proposal would meet the Department’s goals of providing a shorter repayment term to lower-balance borrowers while mitigating harm for borrowers with higher balances. It is also far simpler for borrowers to understand and for servicers to administer.**

Option 1 (More Generous): Terms Based on Independent Borrowing Limits, Applied to All Borrowers

Maximum Repayment Term (Years)	Original Balance
10	\$20,000
15	\$57,500
20	>\$57,500

Option 2 (Less Generous): Maximum Repayment Terms Based on Dependent Borrowing Limits for Dependent Students & Independent Borrowing Limits for Independent Students

Dependent Students

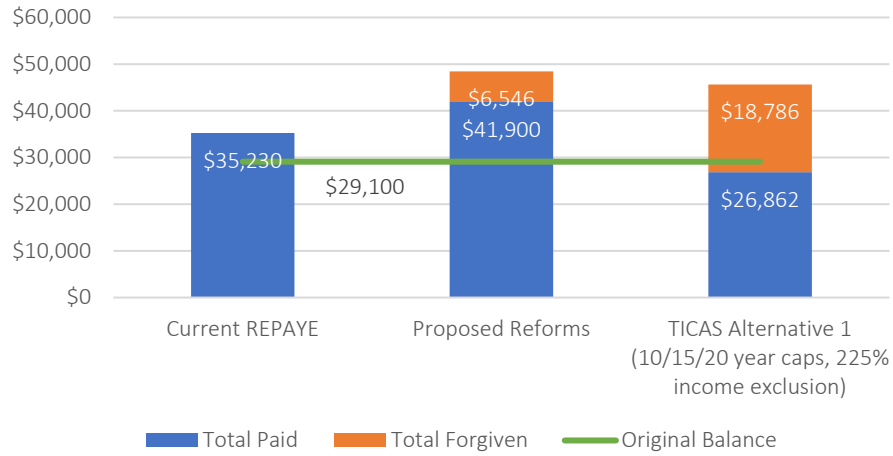
Maximum Repayment Term (Years)	Starting Balance
10	\$12,000
15	\$31,000
20	>\$31,000

Independent Students (and dependent undergraduate students whose parents are unable to obtain PLUS Loans)

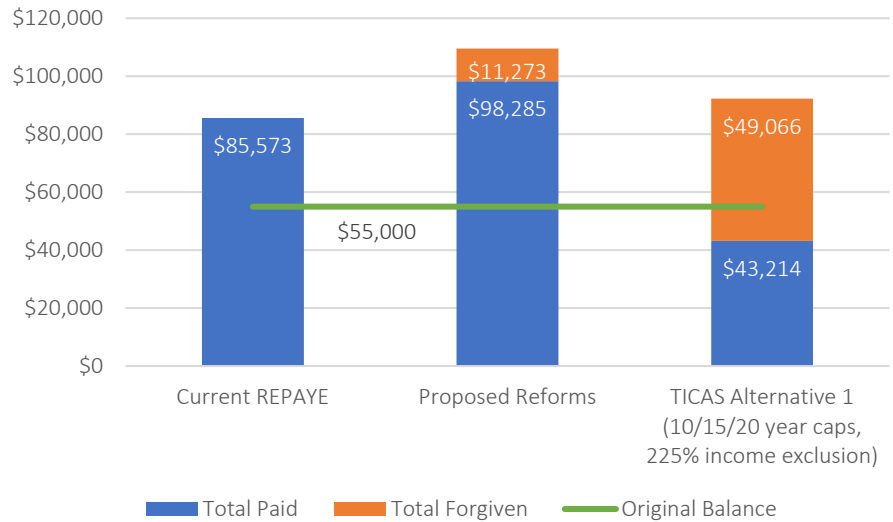
Maximum Repayment Term (Years)	Starting Balance
10	\$20,000
15	\$57,500
20	>\$57,500

Below, we compare how the current REPAYE program, the Department’s proposed REPAYE program, and our proposed alternative approach would affect our sample borrowers. (Note: Borrowers B and C are not pictured, as their entire balances are forgiven at 10 years under both the proposed reforms and this alternative).

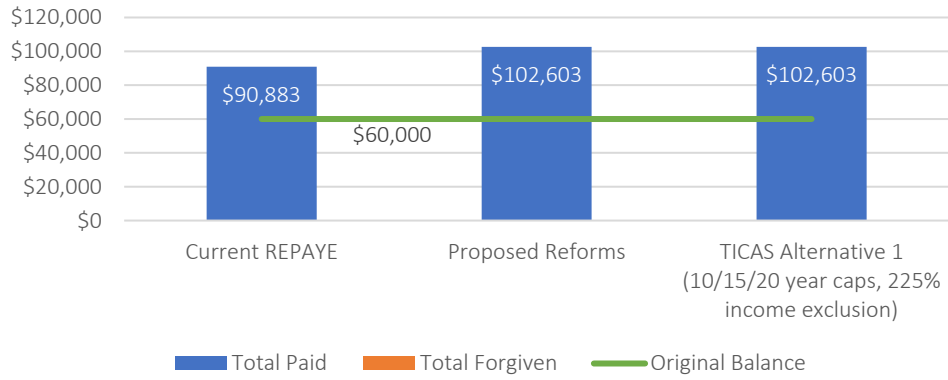
Borrower A: Generic B.A. Completer



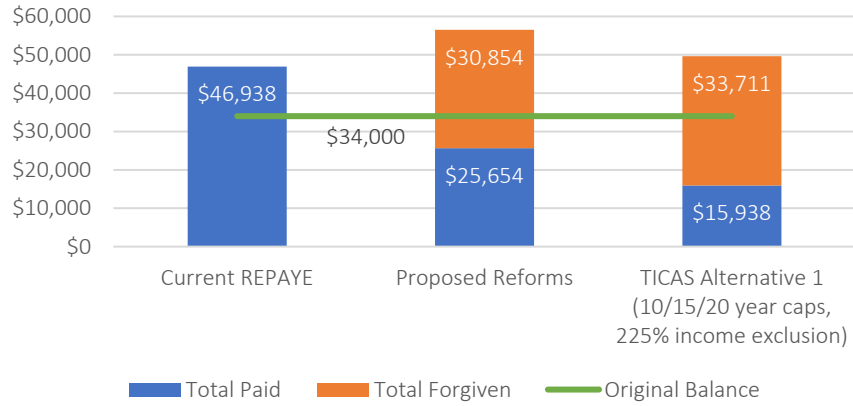
Borrower D: Teacher (Master's Degree)



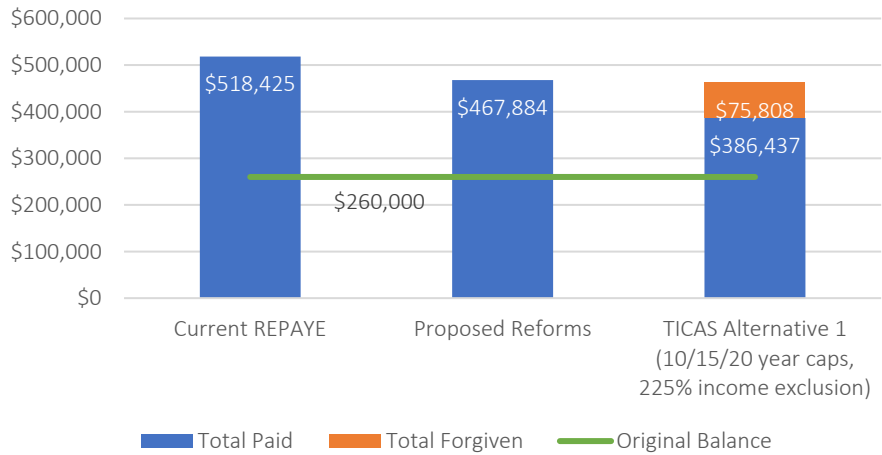
Borrower E: Research Analyst (Master's Degree)



Borrower F: Black B.A. Completer



Borrower G: Black Medical Doctor (M.D.)



Recommendation: No Borrower Should Be in Repayment for More Than 20 Years

We commend the Department’s proposal to shorten the repayment term for lower-balance borrowers, but **strongly urge the Department to shorten the maximum term to 20 years for all borrowers.**

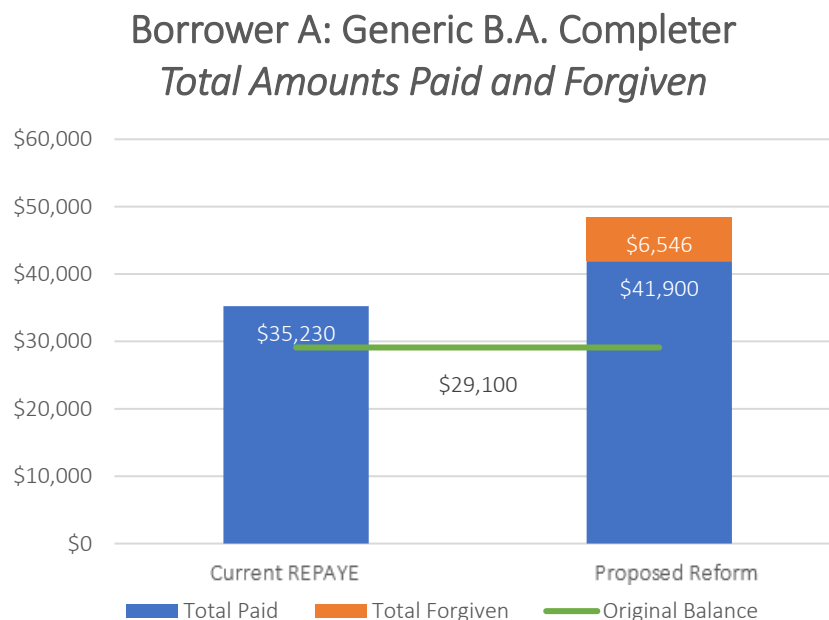
Without adequately lowering the maximum repayment term, the Department’s proposal to lower monthly payments for all borrowers means that some borrowers would pay more under the revised plan than they would under the current REPAYE plan. The Department can easily address this by shortening the maximum term to 20 years for *all* borrowers.

Students of color, along with students from low-income backgrounds, remain underrepresented in certain key professions — including teaching and medicine — that require advanced degrees.^{viii} In particular, the effects of systemic racism and the resulting racial wealth gap, along with employment and wage discrimination, mean that Black students are more likely to borrow for college and more likely to pursue advanced degrees to have the same employment opportunities as their White peers.

Research has also shown that carrying outstanding debt for years can negatively affect someone’s ability and willingness to meet life milestones such as buying a home, saving for their children’s education, or saving for their own retirement.^{ix} As noted above, graduate borrowers also already pay more toward their education debt than undergraduate borrowers.^x It is unnecessary to further extend their maximum repayment term.

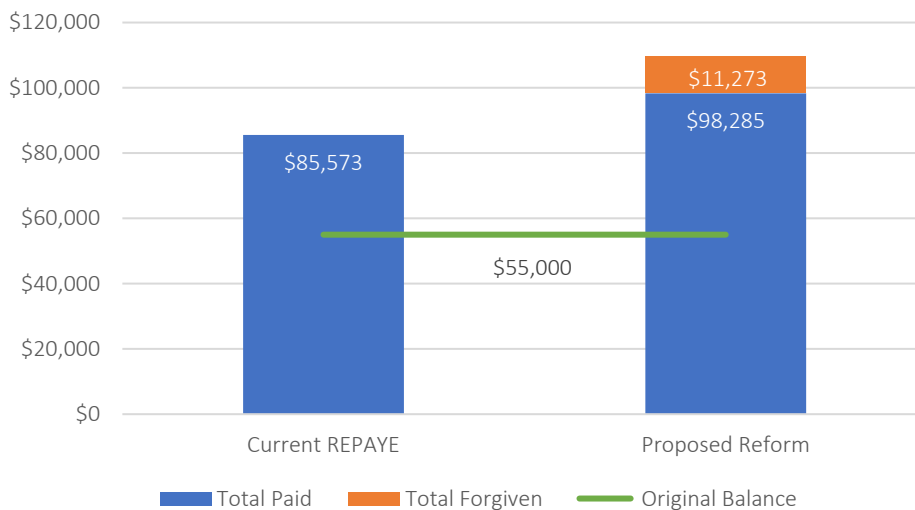
Consider two of our example borrowers, a generic B.A. completer (borrower A) and a teacher with a Master’s degree (borrower D).

Under the Department’s proposal, the B.A. completer spends a significantly longer time in repayment — **nearly 12 more years** — than they would under the current REPAYE plan (8 years and 7 months versus the full 20-year term) and would pay **\$6,670 more in total** (\$41,900 versus \$35,230).



The teacher with a Master’s degree also spends more time in repayment and pays more in total: compared to the current REPAYE plan, they **would spend nearly 10 more years in repayment** (16 years and 3 months versus the full 25-year term) and **pay nearly \$13,000 more in total** (\$98,285 versus \$85,573).

Borrower D: Teacher (Master's Degree) Total Amounts Paid and Forgiven



We recognize that many such borrowers may be eligible for Public Service Loan Forgiveness after 10 years of payments, but still have concerns given borrowers’ ongoing struggles to access PSLF, as well as efforts to eliminate the program. We strongly advise against creating a system in which this borrower fares significantly worse than they would under current REPAYE, in the hopes that this harm *may* be mitigated by PSLF.

Notably, if the Department lowered the maximum repayment term to 20 years for both borrowers, they would not be worse off than under current REPAYE. This is further justification for lowering the repayment term to a maximum of 20 years for all borrowers.

Recommendation: Don’t Divide Benefits by Type of Debt

We strongly urge the Department to target benefits based not of loan type but rather on original loan balance. Graduate borrowing is already more expensive than undergraduate borrowing and IDR is already targeted by income. These targeting mechanisms already ensure that IDR is more generous for the lowest-income borrowers and those who borrowed only undergraduate loans.

Extending the maximum repayment term for borrowers who take on even one dollar of graduate debt may lead students to take out riskier private loans to pay for graduate school, discourage them from going to graduate school in the first place, or lead them to avoid borrowing for graduate school when doing so could help them complete their degree. As noted above, Black borrowers particularly harmed by these policies.

Recommendation: Ensure Fair Treatment for Independent Students

We commend the Department's proposal to provide a 10-year maximum repayment term for those who borrow up to or less than the two-year undergraduate borrowing limit but are concerned that independent students will be unfairly harmed by the \$12,000 original balance limit.

Any approach that is based on borrowing limits must be fair to independent undergraduate students, who have higher borrowing limits because of higher financial need. Students of color are much more likely to be considered independent students: a 2018 study found that more than half of all students of color are independent, including 65% of Black students and 63% of Native American students.^{xi}

Even if the Department is to retain its current proposal, it's critical that this original balance limit be raised to \$20,000 (the current two-year independent undergraduate borrowing limit) for all borrowers, or, at minimum, for independent students. Raising the threshold for all borrowers (including dependent students) would reduce complexity.

However, if the Department would prefer to tie dependent students' benefits to their borrowing limits, the Department must, at minimum, raise the thresholds proportionately for independent students. While this would introduce a layer of complexity, we believe it is more important to give a proportionate benefit to independent students.

Recommendation: Provide Shorter Maximum Repayment Term for Persistently Low-Income Borrowers

We also urge the Department to include an additional safety net for borrowers with persistently low incomes — but whose balances are too high to qualify for forgiveness at 10 years — by forgiving any remaining balance for borrowers who qualify for a \$0 monthly payment for 10 years, regardless of their original balance. This should include borrowers in default. We urge the Department to use its internal data on persistently low-income borrowers to consider whether an even shorter timeframe is appropriate.

It makes little sense to require persistently low-income individuals — many of whom did not complete a degree and are therefore not receiving any benefit from their debt "investment" — to stay in the repayment system for any longer than 10 years, making low or \$0 monthly "payments" and living under the threat of harsh consequences.

Even with the option of a \$0 monthly payment, a borrower with a persistently low income faces other hardships that are compounded by the repayment system. Not only do they have to re-certify their information every year to stay enrolled in IDR, sitting an outstanding balance can prevent them from getting on secure financial footing.

Restraining Interest Accrual

We strongly support the Department’s proposal to restrain the accrual of unpaid interest for borrowers with negatively amortizing loans. This is a key improvement over existing IDR options and is a targeted benefit that helps minimize the growth of loan balances for borrowers with low incomes relative to their debt. This benefit is especially important given the Department’s desire to lower monthly payments for borrowers.

Many borrowers in IDR (especially those with low or no income) are in negative amortization. These ballooning loan balances can be distressing, can add costs for borrowers, and can dissuade borrowers from enrolling in IDR even if they would otherwise benefit from doing so.^{xii} Negative amortization also disproportionately affects borrowers of color.^{xiii}

Streamlining Existing IDR Plans

While we appreciate the Department’s goal of simplifying the existing array of IDR options, we are concerned that some borrowers could be worse off under the proposed REPAYE plan compared to the existing PAYE plan.

While our above recommendations would address this by making REPAYE more generous than PAYE for all borrowers, if the Department implements a final REPAYE plan that would leave any borrowers worse off, they should not end new enrollments in PAYE. As demonstrated above, the Department can easily remedy this by lowering the repayment term to a maximum of 20 years for all borrowers.

IDR Access for Parent PLUS Borrowers

We urge the Department to strengthen the safety net and improve affordability of payments for Parent PLUS borrowers. This is especially important for Black families, as data show that low-income Black families are disproportionately burdened with Parent PLUS debt.^{xiv}

According to one analysis, “Ten years after starting repayment, the parents who received Parent PLUS loans and had children attending the top colleges for Black enrollment still owe on average 96% of their principal, compared to 47% among those whose children attended the top colleges for white enrollment.”^{xv}

As noted above, the Department should, at minimum, raise the income exclusion for determining monthly payments under ICR to match that provided under the revised REPAYE plan. This will help protect low-income borrowers from financial hardship caused by unaffordable ICR payments. Parent PLUS borrowers in default should also be allowed to enroll in ICR.

Allowing Defaulted Borrowers to Access IDR

We strongly support the Department’s proposal to allow borrowers in default to access income-driven repayment, and for their payments to count toward forgiveness under IDR. We appreciate the Department’s concerns that defaulted borrowers are statutorily denied from receiving credit toward forgiveness under ICR plans and would therefore not receive the full benefit of the new REPAYE plan.

However, these borrowers face higher payments under IBR than they would under REPAYE. We encourage the Department to address this by standardizing benefits (in the direction of generosity) across IBR and ICR plans, as able.

The Department should also allow Parent PLUS borrowers in default to access an IDR plan (as discussed above).

Automatically Enrolling Delinquent Borrowers in IDR

We strongly support the Department’s proposal to automatically enroll borrowers in IDR when they are 75 days late on their payment. IDR is always preferable to default, especially as a more generous REPAYE plan will remove much of the risk of IDR enrollment by providing lower monthly payments and restraining the accrual of unpaid interest.^{xvi}

We urge the Department to prioritize implementation of the FUTURE Act, without which this provision will not be possible, and to provide ample, easily accessible opportunities for borrowers to provide the necessary consent for their tax information to be shared.

The Department should also consider automatically enrolling borrowers into IDR when they exit default.

Credit Toward Forgiveness for Certain Forbearances & Deferments

We strongly support the Department’s proposal to give borrowers credit toward loan forgiveness for certain periods of deferments or forbearances that were not previously counted, including cancer treatment deferments, military service deferments, post-active-duty deferments, national service forbearances, National Guard Duty forbearances, Department of Defense student loan repayment program forbearances, and certain administrative forbearances.

This will make it easier for borrowers to navigate the repayment system and ensure that borrowers are not inadvertently missing the opportunity to progress toward loan forgiveness.

Payment Counts for Consolidation Loans

We strongly support the Department’s proposal to ensure that a borrower’s progress toward forgiveness does not fully reset when they consolidate one or more Direct or FFEL Program Loans into a Direct Consolidation Loan.

Eliminating Interest Capitalization

We greatly appreciate the Department’s separate efforts to eliminate all instances of interest capitalization not required by statute. This will limit the growth of loan balances for borrowers whose incomes are low for extended periods of time, as well as for borrowers who need to take a deferment or forbearance while in IDR because of unexpected life events or expenses. It also greatly simplifies IDR implementation and communication.

Organizing Plans by Type

We commend the Department’s proposal to streamline and standardize the Direct Loan Program repayment regulations by locating all repayment plan provisions in sections of the regulations that are listed by repayment plan type (fixed payment, income-driven, and alternative repayment plans). This will make it easier for borrowers to understand which repayment plans are available and choose the one that best fits their needs.

We also appreciate the Department’s proposal to standardize the definition of “support” across IDR plans.

Credit Toward Forgiveness for Involuntary Payments

While we urge the Department to consider an end to forced collections — especially for low-income borrowers — if these tools remain in use, we strongly support the Department’s proposal to give credit toward IBR forgiveness for amounts collected through these means. The Department may consider giving borrowers credit toward forgiveness in amounts equal to what they would’ve owed on an IDR plan rather than on a 10-year standard plan.

Additional Reforms to Improve the Repayment System

Strengthening the IDR plans themselves will go a long way toward improving the repayment system. However, policymakers must make additional reforms beyond this rulemaking, including:

- Permanently eliminating the taxation of all forgiven student debt;
- Reforming the student loan default system;
- Restoring bankruptcy protections for student loan borrowers;
- Improving student loan servicing; and
- Making additional data available on how borrowers navigate the repayment process.

Eliminating Taxation of Forgiven Student Debt

Currently, the IRS does not consider as taxable income loan balances discharged after 10 years of payments under the Public Service Loan Forgiveness program or because of death or permanent disability. In March 2021, Congress passed a law to temporarily eliminate the taxation on all forgiven student debt, regardless of the reason. This provision extends through the end of 2025.

While we understand the Department does not have the authority to make this change through regulation, we strongly urge the Department to work with lawmakers to make this exemption permanent for all types of forgiven student debt, at both the federal and state levels.

Forgiven debt is not income and should not be taxed. Student borrowers should not be hit with a tax bill after making responsible payments for many years. It serves no policy goal for the government-as-lender to forgive debt so that a borrower may move on only to have the government-as-tax-collector immediately demand further payment.^{xvii}

Reforming the Student Loan Default System

Like the well-documented effects of traffic fines and court fees, the penalties resulting from federal student loan default plunge too many Americans deeper into financial instability, perpetuating rather than helping to resolve the vicious cycle of poverty.^{xviii}

The vast majority of those who default on student loans have faced persistent economic and social vulnerability.^{xix} As of 2017, 87% of those who defaulted within 12 years of enrolling in college had received a Pell Grant at some point, meaning that they had a household income of less than \$40,000.^{xx} Those who were the first in their family to attend college are also more likely to default: nearly a quarter (23%) of first-generation students defaulted on their loans within 12 years, compared to 14% of non-first-generation students.^{xxi}

Students who started school but never completed a degree or credential are at particular risk of default, as they've taken on debt but received none of the associated economic benefits. These borrowers — who represent about half of all those who default — typically owe relatively small balances, with nearly two-thirds owing less than \$10,000; more than one-third owe less than \$5,000.^{xxii}

Alongside improvements to the repayment system to keep borrowers out of default, the federal government must also reform the default system itself by:

- Protecting low-income borrowers from having their wages and benefits seized;
- Allowing those in default to access affordable repayment plans;
- Limiting collection fees;
- Prohibiting colleges from withholding transcripts;
- Prohibiting states from suspending, revoking, or denying licenses due to student loan default; and
- Allowing borrowers to restore their loans to good standing more than once.

Restoring Bankruptcy Protections for Student Loan Borrowers

We appreciate the Department's efforts, announced in 2022, to implement an improved process for handling cases in which individuals seek to discharge their federal student loans in bankruptcy.

However, federal bankruptcy law still treats federal student loans even more stringently than other forms of consumer debt, excluding both from discharge except in exceedingly rare cases of proven "undue hardship." To remove barriers to relief for borrowers who are truly unable to repay, we urge the Department to work with lawmakers to restore borrowers' ability to discharge student debt through bankruptcy.

Policymakers should also implement a reasonable statute of limitations on the collection of federal student loans.

Improving Student Loan Servicing

A new IDR plan will only benefit borrowers if its successfully implemented. This must include improvements to the federal student loan servicing system. As the Department continues developing its new servicing system, the Department must ensure that the new system is transparent to borrowers, that contractors' incentives are aligned with borrower success, and that contractors are subject to strong oversight.

Making Additional Data Available on How Borrowers Navigate the Repayment Process

Publicly available data on how borrowers navigate student loan repayment is scarce, making it difficult for policymakers and other stakeholders to make evidence-based assessments of what works best to keep borrowers on track and out of default and trade-offs that could be made in designing reforms.

For example, while quarterly snapshots of the status of the federal student loan portfolio are available in the Federal Student Aid Data Center, these data are not disaggregated and do not provide a full picture of the challenges borrowers face in repayment. And researchers are not permitted to access microdata from the National Student Loan Data System (NSLDS), the database that tracks the status of federal student loans.

We ask the Department to consider, where possible, to release existing data to help policymakers, researchers, advocates, and practitioners assess the state of the student loan portfolio, provide recommendations for data-driven reforms, and conduct equity audits on departmental processes and outcomes.

Appendix A: Creating Borrower Examples to Analyze the Effects of Changes in IDR Plan Design

The effects of IDR design changes are challenging to model. A borrower's experience with repayment in an IDR plan — how much they pay per month, whether their balance is in negative amortization, and how long they remain in repayment — is determined by the intersection of a complex formula with a borrower's personal (family size) and financial (income) trajectories over time.

To forecast total payments, total subsidies, monthly payment ranges, interest charged, and amount of debt forgiven across variations in IDR plan design, we must craft borrower examples based on assumptions about the following:

- Amount of debt owed
- Interest rate
- Loan type (subsidized vs. unsubsidized, graduate vs. undergraduate)
- Initial income when repayment begins
- Income growth over repayment period
- Employment status (e.g., years employed, part- vs. full-time)
- Family size over repayment period

Other factors that we integrated (where external data allow) include:

- Level of degree earned
- Occupation
- Degree completion status (low-debt/low-earnings of non-completers vs. high-debt/high-earnings of completers)
- Occupation (influences income and employment)
- Race/ethnicity

We assume a 4.21% fixed interest rate for undergraduate borrowing and a 5.76% interest rate for graduate borrowing, based on the five-year average of these rates.^{xxiii} We assume 4% annual AGI increases (unless specific periods of unemployment are mentioned), as well as a 2.4% discount rate for Net Present Value (NPV) calculations based on CPI-U projections from the Bureau of Labor Statistics. Calculations that involve federal poverty levels are based on [Department of Health and Human Services Poverty Guidelines for 2023](#).

All loan repayment amounts are calculated by TICAS. Incomes included in borrower profile examples are AGIs reported in current U.S. dollars, and repayment statistics are rounded to the nearest \$1. As reported throughout our analysis, family size assumes borrowers are single unless otherwise specified; a family size of three, for instance, is equivalent to a single parent with two children. Borrower profiles are compiled using data from external sources as well as prior calculations from TICAS. Data sources may vary across borrower profiles.

All loan repayment amounts are calculated by TICAS. Moreover, incomes included in borrower profile examples are AGIs reported in current U.S. dollars. Payment statistics are rounded to the nearest \$1. As

reported throughout our analysis, family size assumes borrowers are single unless otherwise specified; a family size of three, for instance, is equivalent to a single parent with two children.

Borrower profiles are compiled using data from external sources as well as prior calculations from TICAS. Data sources may vary across borrower profiles.

Borrower A has completed a generic Bachelor of Arts degree.

Median debt and earnings for Borrower A are based on numbers from the [National Association of Colleges and Employers Class of 2021 Salary Survey](#) and the [College Board's Trends in College Pricing and Student Aid 2022](#). Assumptions include an initial AGI of \$55,911, a principal debt amount of \$29,100, a 4.21% fixed interest rate, 4% annual income growth, and consistent, full-time employment.

Borrower B has pursued and borrowed for a generic Bachelor of Arts degree but has not completed.

Debt and earnings are derived from College Scorecard data and reflect amounts for non-completers from private nonprofit colleges (Barshay, 2017). Assumptions for Borrower B include an initial AGI of \$32,000, a principal debt amount of \$8000, a 4.21% fixed interest rate, and 4% annual income growth.

Borrower C has completed an Associate of Science degree in a health science field.

Debt and earnings are based on data reported by the Community College Research Center (2021) in their [policy fact sheet](#). The profile is based on a reported median AGI of \$40,000 and principal debt amount of \$10,000. In addition, this borrower is assumed to have a family size of two, a 4.21% fixed interest rate, 4% annual income growth, and consistent, full-time employment.

Borrower D is a teacher who has completed a Master's degree.

Data are based on reported statistics from the National Education Association and by Flannery (2021). This profile assumes a 4.21% interest rate on \$25,000 in undergraduate borrowing and 5.76% on \$30,000 in graduate borrowing. This profile also assumes an initial AGI of \$57,000, 4% annual income growth, and consistent, full-time employment.

Borrower E is a research analyst who has completed a Master's degree.

Data are based on average tuition and fees for graduate programs at private non-profit institutions from [NCES](#). This profile has an initial AGI of \$70,000 and a principal debt amount of \$60,000 in graduate school borrowing. The profile assumes a 5.76% fixed interest rate, 4% annual income growth, and consistent full-time employment.

Borrower F and Borrower G are Black borrower profiles which each highlight disparities in debt and earnings by race.

Borrower F is a Black borrower who has completed a Bachelor of Arts degree.

Earnings are taken from Schak et al. (2020), which uses data reported by the National Center for Education Statistics (NCES). Assumptions include an initial AGI of \$45,000, a principal debt amount of \$34,000, a 4.21% fixed interest rate, 4% annual income growth, and consistent, full-time employment.

Discrepancies in earnings by race for B.A. completers and non-completers of about 10% reflect both labor market discrimination and the higher likelihood of Black workers entering low-paying public service jobs (Mustaffa and Davis, 2021).

Borrower G is a Black medical doctor who has completed a doctor of medicine (M.D.) degree.

Data are based on a [2020 report from the American Association of Medical Colleges](#) which highlights racial disparities in student loan borrowing among medical students. This profile assumes a 4.21% interest rate on \$30,000 in undergraduate borrowing and 5.76% on \$230,000 in graduate borrowing.^{xxiv} This profile assumes an AGI of \$60,942, \$63,158, and \$65,633 for the first three years (representing medical residency), followed by an AGI of \$200,000^{xxv} and 4% annual income growth for the remainder of repayment with consistent, full-time employment.

Appendix B: Example Borrowers, Comparative Total Amounts Paid & Forgiven

Borrower A

	Current REPAYE	Proposed Reforms	TICAS Alternative 1 (10/15/20 year caps, 225% income exclusion)	TICAS Alternative 2 (10/15/20 year caps, 250% income exclusion)	TICAS Alternative 3 (10/15/20 year caps, 300% income exclusion)	TICAS Alternative 4 (10/15/20 year caps, 350% income exclusion)
Total Paid	\$35,230	\$41,900	\$26,862	\$23,627	\$17,157	\$10,687
Total Forgiven	\$0	\$6,546	\$18,786	\$22,305	\$27,076	\$29,025
Original Balance	\$29,100	\$29,100	\$29,100	\$29,100	\$29,100	\$29,100

Borrower B

	Current REPAYE	Proposed Reforms	TICAS Alternative 1 (10/15/20 year caps, 225% income exclusion)	TICAS Alternative 2 (10/15/20 year caps, 250% income exclusion)	TICAS Alternative 3 (10/15/20 year caps, 300% income exclusion)	TICAS Alternative 4 (10/15/20 year caps, 350% income exclusion)
Total Paid	\$9,544	\$1,015	\$1,015	\$30	\$0	\$0
Total Forgiven	\$0	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Original Balance	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000

Borrower C

	Current REPAYE	Proposed Reforms	TICAS Alternative 1 (10/15/20 year caps, 225% income exclusion)	TICAS Alternative 2 (10/15/20 year caps, 250% income exclusion)	TICAS Alternative 3 (10/15/20 year caps, 300% income exclusion)	TICAS Alternative 4 (10/15/20 year caps, 350% income exclusion)
Total Paid	\$12,438	\$0	\$0	\$0	\$0	\$0
Total Forgiven	\$0	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Original Balance	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000

Borrower D

	Current REPAYE	Proposed Reforms	TICAS Alternative 1 (10/15/20 year caps, 225% income exclusion)	TICAS Alternative 2 (10/15/20 year caps, 250% income exclusion)	TICAS Alternative 3 (10/15/20 year caps, 300% income exclusion)	TICAS Alternative 4 (10/15/20 year caps, 350% income exclusion)
Total Paid	\$85,573	\$98,285	\$43,214	\$38,213	\$28,210	\$18,208
Total Forgiven	\$0	\$11,273	\$49,066	\$51,952	\$54,841	\$55,000
Original Balance	\$55,000	\$55,000	\$55,000	\$55,000	\$55,000	\$55,000

Borrower E

	Current REPAYE	Proposed Reforms	TICAS Alternative 1 (10/15/20 year caps, 225% income exclusion)	TICAS Alternative 2 (10/15/20 year caps, 250% income exclusion)	TICAS Alternative 3 (10/15/20 year caps, 300% income exclusion)	TICAS Alternative 4 (10/15/20 year caps, 350% income exclusion)
Total Paid	\$90,883	\$102,603	\$102,603	\$108,114	\$98,190	\$79,814
Total Forgiven	\$0	\$0	\$0	\$0	\$17,993	\$37,358
Original Balance	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000

Borrower F

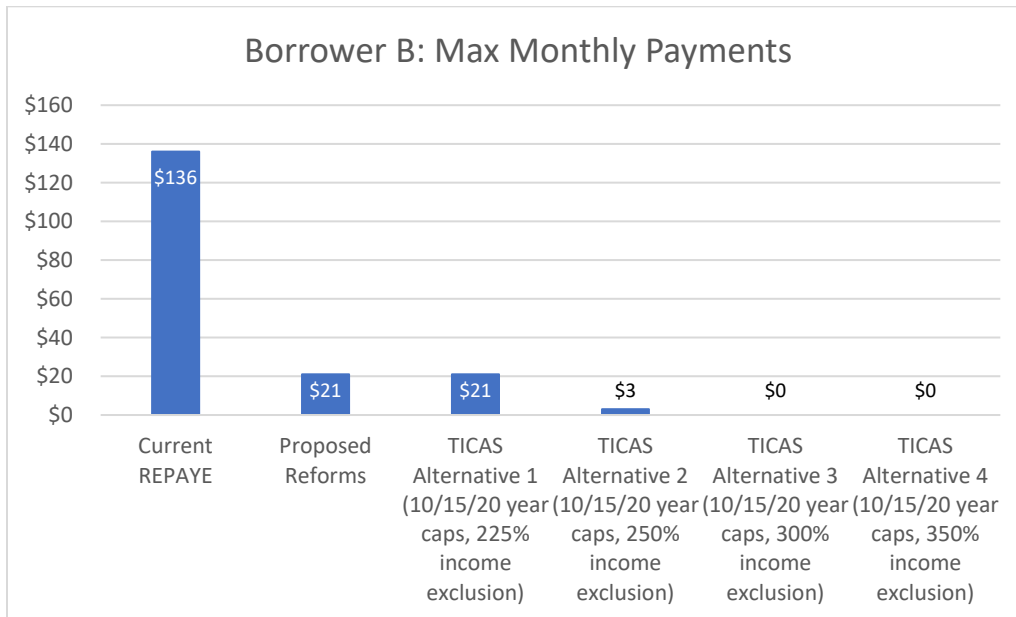
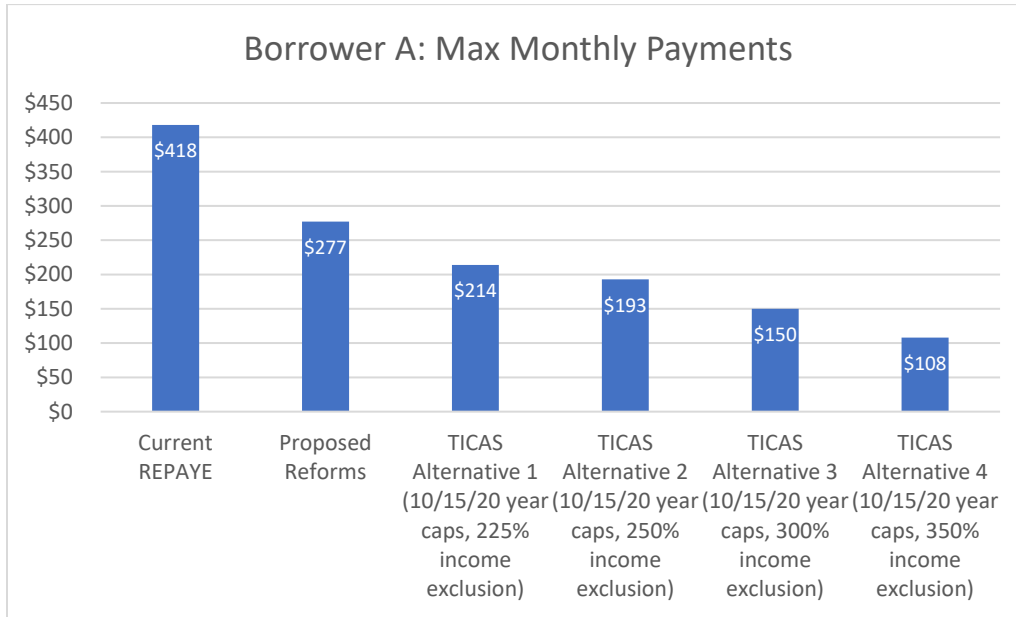
	Current REPAYE	Proposed Reforms	TICAS Alternative 1 (10/15/20 year caps, 225% income exclusion)	TICAS Alternative 2 (10/15/20 year caps, 250% income exclusion)	TICAS Alternative 3 (10/15/20 year caps, 300% income exclusion)	TICAS Alternative 4 (10/15/20 year caps, 350% income exclusion)
Total Paid	\$46,938	\$25,654	\$15,938	\$12,703	\$6,233	\$1,200
Total Forgiven	\$0	\$30,854	\$33,711	\$34,000	\$34,000	\$34,000
Original Balance	\$34,000	\$34,000	\$34,000	\$34,000	\$34,000	\$34,000

Borrower G

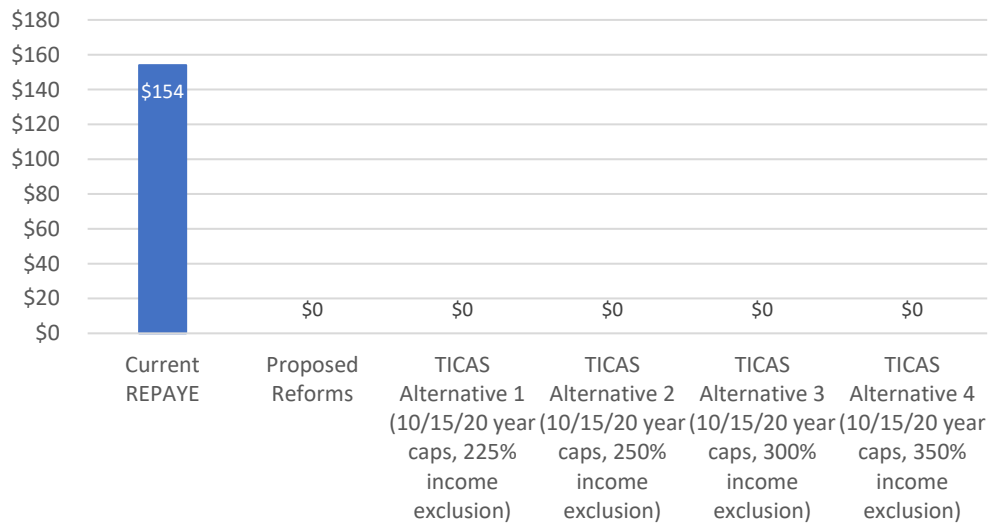
	Current REPAYE	Proposed Reforms	TICAS Alternative 1 (10/15/20 year caps, 225% income exclusion)	TICAS Alternative 2 (10/15/20 year caps, 250% income exclusion)	TICAS Alternative 3 (10/15/20 year caps, 300% income exclusion)	TICAS Alternative 4 (10/15/20 year caps, 350% income exclusion)
Total Paid	\$518,425	\$467,884	\$386,437	\$377,782	\$360,472	\$343,162
Total Forgiven	\$0	\$0	\$75,808	\$88,051	\$112,321	\$134,524
Original Balance	\$260,000	\$260,000	\$260,000	\$260,000	\$260,000	\$260,000

Appendix C: Example Borrowers, Comparative Maximum Monthly Payments

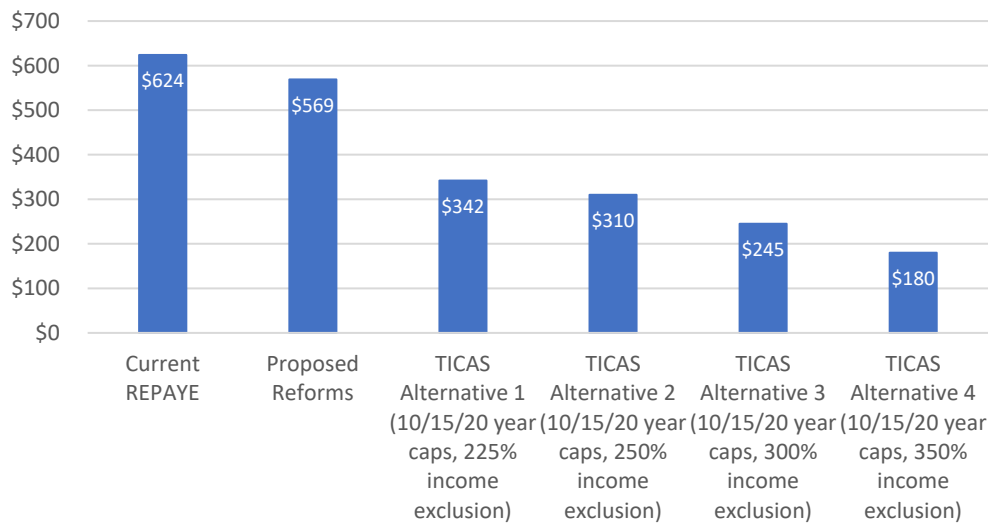
Below are maximum monthly payment amounts for our example borrowers under current REPAYE, ED’s proposed plan, and four TICAS alternatives.



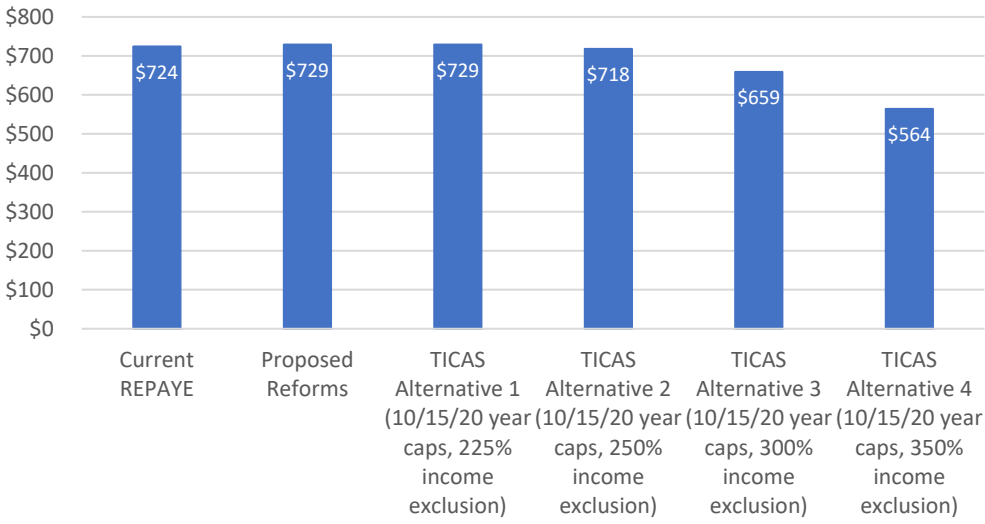
Borrower C: Max Monthly Payments



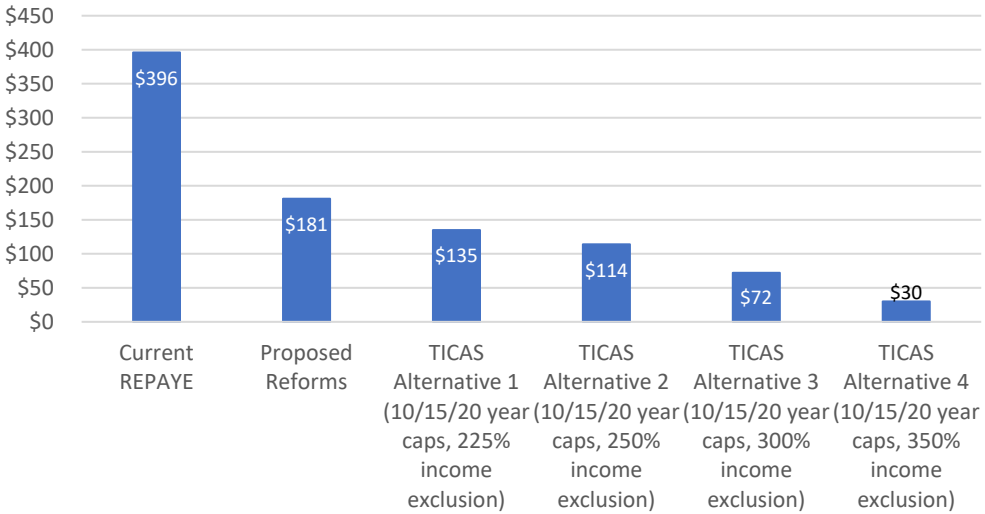
Borrower D: Max Monthly Payments



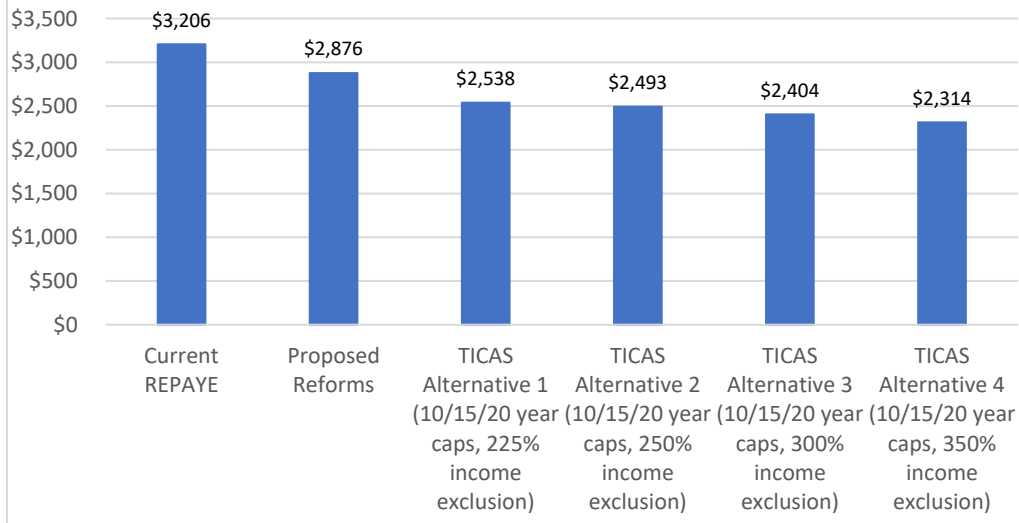
Borrower E: Max Monthly Payments



Borrower F: Max Monthly Payments



Borrower G: Max Monthly Payments



Appendix D: How Racial Equity Gaps Intersect With Student Debt Burdens

Considering how student loan repayment intersects with systemic effects of racism and discrimination over time is critical.^{xxvi} It helps highlight the limitations of relying on a borrower's current earned income as the only determinant of ability to make payments, as well as the (in)adequacy of the current federal poverty level in accounting for basic needs given disparities in intergenerational wealth and the effects of disproportionate pressure to complete graduate and professional degrees.^{xxvii}

Data are clear that Black student borrowers, in particular, are more likely to need to borrow student debt compared to their White, Latinx, and Asian peers, and leave college with higher levels of debt. Job market discrimination and wage gaps, occupational segregation, and persistent wealth inequality additionally negatively impact the financial stability of Black college graduates, and help drive the reality that almost four in ten (38%) Black students default on their student debt over time, compared to 12% of White students, 21% of Latinx students, and 6% of Asian students.^{xxviii}

Recent research has documented that borrowing to complete graduate degrees dramatically widens the undergraduate borrowing gap between White and Black students; the difference in total amount owed grew from \$7,500 at B.A. completion to \$25,000 only four years later.^{xxix}

By constructing a specific Black student B.A. completer profile that reflects differences in both earnings and debt by race, we see the potential effect this can have on the total cost of borrowing. The higher total cost of borrowing for a Black borrower highlights the extent to which increases in protected income and decreases in time to forgiveness can reduce equity gaps in income-driven repayment.

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- ⁱ Congressional Budget Office. 2020. *Income-Driven Repayment Plans for Student Loans: Budgetary Costs and Policy Options*. <https://bit.ly/3JWazBP>.
- ⁱⁱ Young Invincibles. 2014. *Closing the Race Gap: Alleviating Young African-American Unemployment Through Education*. <https://bit.ly/3JVWJiH>.
- ⁱⁱⁱ National Center for Children in Poverty. 2009. *Measuring Poverty in the United States*. <https://bit.ly/3iF4HSZ>.
- ^{iv} Urban Institute. 2018. *Material Hardship Among Nonelderly Adults and Their Families in 2017: Implications for the Safety Net*. <https://urban.is/2Ca2Vm8>.
- ^v TICAS. 2022. *How Reforming Income-Driven Repayment Can Reduce the Burden of Student Debt*. <https://bit.ly/3DTTmoE>.
- ^{vi} TICAS. 2022. *How Reforming Income-Driven Repayment Can Reduce the Burden of Student Debt*. <https://bit.ly/3DTTmoE>.
- ^{vii} The Century Foundation. 2022. *Parent PLUS Borrowers: The Hidden Casualties of the Student Debt Crisis*. <https://bit.ly/3DVNH0V>. “The share of Black Parent PLUS borrowers whose families have so little wealth or income that their expected family contribution to a college education (as calculated by the U.S. Department of Education) is zero rose from 15% in 2008 to an astonishing 42% in 2018. The share for similar Latino/a Parent PLUS borrowers is also high, exceeding 25%.”
- ^{viii} Center for American Progress. 2019. *Student Debt: An Overlooked Barrier to Increasing Teacher Diversity*. <https://ampr.gs/3Xzx1nH>; Lett E, Murdock HM, Orji WU, Aysola J, Sebros R. JAMA Network Open. *Trends in Racial/Ethnic Representation Among U.S. Medical Students*. <https://bit.ly/40GRslc>.
- ^{ix} Education Data Initiative. Updated 2023. *Economic Effects of Student Loan Debt*. <https://bit.ly/3DR8Tpt>.
- ^x In addition, in creating the current REPAYE plan, the Department removed the “standard payment cap” for higher-income borrowers, which raised payments for some borrowers but means that all borrowers now pay a proportional share of their income.
- ^{xi} Institute for Women’s Policy Research. 2018. *Understanding the New College Majority: The Demographic and Financial Characteristics of Independent Students and their Postsecondary Outcomes*. <https://bit.ly/3DVQo2Z>.
- ^{xii} The Pew Charitable Trusts. 2020. *Borrowers Discuss the Challenges of Student Loan Repayment*. <https://bit.ly/3lJJsX3>.
- ^{xiii} J.P. Morgan Chase & Co. Institute. 2020. *Student Loan Debt: Addressing Disparities in Who Bears the Burden*. <https://bit.ly/3ldEtaJ>.
- ^{xiv} New America. 2018. *The Wealth Gap PLUS Debt: How Federal Loans Exacerbate Inequality for Black Families*. <https://bit.ly/2QLwah3>.
- ^{xv} The Century Foundation. 2022. *Parent PLUS Borrowers: The Hidden Casualties of the Student Debt Crisis*. <https://bit.ly/3DVNH0V>.
- ^{xvi} TICAS. 2022. *Federal Policymakers Must Act Now to Reform the Student Loan Default System*. <https://bit.ly/3jDcYl>.
- ^{xvii} TICAS. 2020. *Tax Consequences of Loan Discharges for Borrowers in Income-Driven Repayment Plans*. <https://bit.ly/3YFWQTT>.
- ^{xviii} American Bar Association. 2016. *Criminalizing Poverty Through Fines, Fees, and Costs*. <https://bit.ly/3DYcu4W>.
- ^{xix} The Hechinger Report. 2022. *Opinion: If We Don’t Act Quickly, the Student Loan Default System Could Plunge More Families Into Poverty*. <https://bit.ly/3YwBMzi>.
- ^{xx} TICAS. 2018. *Student Debt and the Class of 2017*. <https://bit.ly/3JYgHK0>.
- ^{xxi} TICAS. 2018. *Students at Greatest Risk of Loan Default*. <https://bit.ly/3HQuzJI>.
- ^{xxii} Center for American Progress. 2017. *Who Are Student Loan Defaulters?*. <https://ampr.gs/3jPCyBJ>.
- ^{xxiii} During the COVID-19 pandemic, the U.S. Department of Education has maintained a 0% interest rate.
- ^{xxiv} Because this principal amount would also likely require taking out Graduate PLUS loans, which have a higher interest rate than Direct Unsubsidized Loans, this is a conservative estimate.
- ^{xxv} This is based on three years of residency stipend pay [as estimated by the Association of American Medical Colleges](#), followed by a starting salary in line with national compensation data for primary care physicians.
- ^{xxvi} Brookings. 2016. *Black-White Disparity in Student Loan Debt More Than Triples After Graduation*. <https://brook.gs/3D5Q9AU>.

^{xxvii} Center for Responsible Lending, The Leadership Conference Education Fund, NAACP, National Urban League, and UnidosUS. 2019. *Quicksand: Borrowers of Color & the Student Debt Crisis*. <https://bit.ly/3tz4nqR>.

^{xxviii} TICAS. 2020. *Student Debt and the Class of 2019*. <https://bit.ly/3iNgzhH>; TICAS. 2018. *Students at Greatest Risk of Loan Default*. <https://bit.ly/3IA1YAn>.

^{xxix} Brookings. 2016. *Black-White Disparity in Student Loan Debt More Than Triples After Graduation*. <https://brook.gs/3D5Q9AU>.