December 16, 2016

The Honorable Jacob Lew
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

The Honorable John King
Secretary of Education
U.S. Department of Education
400 Maryland Avenue SW
Washington, DC 20202

Dear Secretary Lew and Secretary King:

We are writing today to encourage the U.S. Department of the Treasury (Treasury) to work with the U.S. Department of Education (ED) to take the necessary steps to streamline the enrollment process for student loan borrowers in income-driven repayment (IDR) plans to keep their payments affordable. As you know, borrowers in income-driven repayment plans are required to certify their income annually. This process would be made easier by allowing borrowers to give ED advance permission to automatically access their tax information for the limited purpose of determining eligibility and/or monthly payment amounts for all IDR plans. Such a multi-year consent option would help borrowers maintain affordable payments and avoid potentially serious financial repercussions that can result when onerous recertification requirements are not met.

According to ED, student loan debt now totals $1.3 trillion spread among 43 million borrowers. This debt, excluding mortgages, surpasses all other consumer debt in the United States. Although postsecondary education is a good investment for those who can manage the repayment of their student loans, the unfortunate reality is that far too many borrowers struggle with debts they cannot repay.

Federal student loan programs, including loan repayment options, have become increasingly complex. Once in repayment, borrowers have a large number of options. These include fixed payments based on a 10- to 30-year repayment period, graduated payments that increase over time, and six different repayment plans that base payments on a borrower’s current income. Under these IDR plans, some borrowers will have no or very low monthly payments, and some borrowers may qualify to have their remaining balances forgiven after 20 or 25 years, depending on the plan. Eligibility requirements differ for each plan, and federal law requires borrowers to reapply with updated financial and demographic data on an annual basis to stay enrolled in an IDR plan.

IDR plans have helped reduce delinquency rates among borrowers. Yet the process for applying, which has to be repeated every year, is unnecessarily complex. Borrowers who fail to complete
their annual reenrollment on time (i.e. recertification) may face substantially increased payments in the range of hundreds of dollars. Those borrowers who do not reenroll face higher delinquency and default rates, which results in negative credit ratings and diminished access to financing for future purchases, which harms these individuals and the economy in the long run.

Not all student loan borrowers need to enroll in income-driven plans. For borrowers with higher incomes, the 10-year fixed repayment plan may represent the least costly and shortest path to paying off their student debt. But we are concerned about the damage done to individuals, families, and the economy when struggling borrowers who face unnecessary hurdles in maintaining affordable, income-driven loan payments. The multi-year consent option would remove one significant barrier and immediately help keep millions of borrowers’ loan payments affordable.

We were pleased to see ED and Treasury’s October 2015 report, “Strengthening the Student Loan System to Better Protect All Borrowers,” that explicitly calls for the establishment of the multi-year consent process. As stated in the report, there are no statutory barriers preventing the establishment of such a process. However, we have unfortunately seen no movement on such a proposal.

Implementing multi-year consent for IDR plans would help ensure that struggling borrowers are able to keep their monthly loan payments manageable and avoid delinquency and default. It would also significantly reduce the administrative burden on borrowers and servicers.

We respectfully request that you establish a multi-year consent option and continue to simplify processes for student loan borrowers who wish to make affordable payments in income-driven repayment plans. We look forward to working with you streamline and simplify the federal student loan borrowing process.

Sincerely,

John Boozman
U.S. Senator

Roy Blunt
U.S. Senator

Jeanne Shaheen
U.S. Senator

Christopher A. Coons
U.S. Senator

Patty Murray
U.S. Senator