July 15, 2020

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
H-232, The Capitol
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
322 Hart Senate Office Building
Washington, DC 20510

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader McConnell, and Minority Leader Schumer:

We applaud your initial support for student loan borrowers in the CARES Act, which temporarily suspended monthly payments and interest accruals on federal direct student loans, providing crucial relief for borrowers in this time of economic hardship and uncertainty stemming from COVID-19.

While the suspension of payments has taken pressure off of borrowers in the near term, these measures are set to expire on September 30, 2020. When payments resume, the U.S. will likely be in the midst of an unprecedented economic downturn. This means that many borrowers in current repayment plans will struggle to meet their monthly payments. These borrowers could benefit from enrollment in income-driven repayment (IDR), which ties payments to borrowers' incomes and thus provides crucial flexibility.

Unfortunately, enrolling in IDR is burdensome for borrowers, requiring significant paperwork, income verification, and contact with one's loan servicer. This red tape will likely hamper uptake in IDR when student loan payments resume, elevating delinquency rates and exacerbating financial insecurity during a time of profound economic upheaval.

To improve the system, we recommend that Congress:

- **Reduce IDR options to a single plan.** Currently, borrowers can choose from four separate IDR plans, each with varying terms. Not only does this complexity make it difficult to gauge the best plan for a given borrower, but it would also be infeasible to operate under an auto-IDR system. Moving forward, we recommend creating a single IDR plan into which borrowers are automatically enrolled. These payments should be tied to an affordable portion of borrowers' discretionary incomes to promote financial security and economic mobility.

- **Auto-enroll all borrowers onto IDR when payments resume.** Under this framework, all borrowers in repayment would be placed onto an IDR plan but would have the option of actively switching to a standard, graduated, or extended plan. Any interest on loans subject to auto-enrollment should not be capitalized if they were in repayment prior to the suspension of payments. This change could be enabled through additional data-sharing between the Education Department and the Internal Revenue Service; borrowers who refuse to submit to data-sharing would continue to be automatically placed on a standard, ten-year plan. Importantly, borrowers not currently enrolled in IDR would receive notification in advance of this change going into effect and would have the opportunity to opt out and remain on their current plan. This is particularly important for individuals who have been continuing to make payments during the suspension period.

Automatically enrolling borrowers into IDR when payments resume would put downward pressure on delinquency and default rates and protect vulnerable borrowers. Additionally, moving everyone who does not opt-out into IDR would place public service workers, many of whom are fighting on the front lines of the pandemic, into a plan that is eligible for eventual Public Service Loan Forgiveness. (IDR enrollment is currently a requirement for PSLF eligibility.) When Congress begins considering a resumption of loan payments and interest accruals, it is critical that student borrowers are given the flexibility and support needed to mitigate the dire economic conditions resulting from COVID-19.

Thank you for your consideration, and we look forward to working with you on this urgent matter.

Sincerely,

Michele Stockwell
Executive Director
BPC Action

Sheila Bair
Former Chair
Federal Deposit Insurance Corporation

Martha Kanter
CEO
College Promise

Andrew Gillen
Senior Policy Analyst
The Texas Public Policy Foundation