

Borrower Advocates Demand that Education Department Restore the Promise of Income-Driven Repayment

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Advocates Outline Path for the Biden Administration to “Do its Part” in Fixing IDR

WASHINGTON — Today, the Student Borrower Protection Center, Center for Responsible Lending, and National Consumer Law Center **released a whitepaper** outlining why the U.S. Department of Education (ED) must act now, before the payment pause ends, to provide relief for the millions of federal student loan borrowers who have never seen the promise of income-driven repayment (IDR) forgiveness. This report outlines how the Biden administration can cut through the red tape that has long stymied the IDR program and deliver a pathway out of student debt—particularly for low-income borrowers and borrowers of color, similar to changes recently made to the Public Service Loan Forgiveness (PSLF) program.

When he extended the payment pause on federal student loans, President Biden asked “all student loan borrowers to do their part” and recommended borrowers manage their student debt by enrolling in IDR. But like PSLF, trust in IDR, which is built on a promise of debt forgiveness, has been broken. While cancellation under IDR has been theoretically possible since 2016, reports have revealed how industry abuses and policy failures have resulted in only 32 borrowers ever successfully having their loans cancelled via IDR. Meanwhile, more than 4.4 million borrowers have been in repayment for 20 years or longer. ED must act now to restore trust in IDR.

“Millions of student loan borrowers are buckling under the weight of a broken system,” said Persis Yu, Policy Director and Managing Counsel at the Student Borrower Protection Center. “The failures of income-driven repayment have kept borrowers in unaffordable debt for decades too long. It is time for the Biden Administration to do its part and fulfill the promise of IDR by giving borrowers the credit they deserve.”

“The promise of IDR forgiveness after 20 to 25 years should be a light at the end of the tunnel for student loan borrowers,” said Abby Shafroth, director of the National Consumer Law Center’s Student Loan Borrower Assistance project. “But just as 99% of public servants who thought they had qualified for PSLF forgiveness after the first 10 years of the program were denied — owing to a combination of program complexity, poor servicing and servicing errors — a vanishingly small number of borrowers are qualifying for IDR forgiveness 25 years into the program’s existence for these same reasons. The Department did the right thing by acknowledging that the system had failed borrowers in public service and waiving barriers to PSLF forgiveness, and should do the same thing to restore IDR’s promise.”

“Income-driven repayment plans are a key lifeline for many student borrowers, allowing them to make affordable payments and have their debts discharged after decades of repayment. Unfortunately, bad servicing and complicated paperwork make it difficult for borrowers to participate successfully,” said Julia Barnard, Student Loan Team Co-Lead and Researcher at the Center for Responsible Lending. “Because of these problems, borrowers only have a 1-in-23,000 chance at cancellation under IDR. We urge the Department of Education to make fixing the program an urgent priority in the months ahead.”

Recommendations

An IDR waiver is essential to restore the broken promise of IDR. This whitepaper's recommendations are for the Biden administration to:

1. On a retroactive basis, count all months since the borrower entered repayment following their grace period as qualifying months towards forgiveness. Regardless of which repayment plan the borrower was in, whether they were in forbearance, or whether they were in default.
2. Provide relief automatically. All of the data that ED needs in order to implement the IDR Waiver is readily available through the National Student Loan Data System (NSLDS). Because of this, borrowers should not need to affirmatively apply for this relief.
3. Ensure that all federal loan borrowers, regardless of loan program, have access to the IDR Waiver. While FFEL and Perkins loans borrowers could be eligible for IDR, so many borrowers were not properly advised and so have failed to benefit. The IDR waiver must apply to these borrowers who have been left behind.

Background

When Congress passed the first of the modern income-driven repayment (IDR) plans in 1992, it made a promise to borrowers that federal student loan payments would be affordable, and that even if borrowers were low-income, through eventual cancellation, their student loans would not be a lifetime burden. IDR has failed to deliver on every aspect of that promise. It is time now for the Biden Administration to deliver on the promise of IDR through the creation of an IDR restoration project, or an IDR waiver.

IDR plans are notoriously difficult to navigate, both because of the administrative hurdles of the program and rampant servicer misconduct. To receive debt cancellation under IDR, student loan borrowers must complete an application process and submit documentation to enroll in one of the several income-driven repayment options, and repeat that process every year for decades.

As with so many aspects of the student loan system, the failure of IDR disproportionately harms Black borrowers. A recent Education Trust study found that IDR is not easing the student debt crisis for Black borrowers and that this program created to help the most vulnerable borrowers has failed to do so on all levels.

The Biden administration recently recognized and took steps to address similar failings in the Public Service Loan Forgiveness (PSLF) program by implementing a waiver of qualifying requirements that would allow the millions of public service workers to finally benefit from the promise of PSLF.

Additional materials:

- [Revisiting Relief for Borrowers Waiting for Income-Driven Repayment](#)
- [Driving Into a Dead End: Why IDR Has Failed Millions with Decades-Old Debts](#)

- Education Department's Decades-Old Debt Trap: How the Mismanagement of Income-Driven Repayment Locked Millions in Debt
- Almost Two in Three Navient Borrowers Enrolled in IDR Plans and Making Payments During COVID-19 Federal Student Loan Payment Pause Are Underwater
- Road to Relief: Supporting Federal Student Loan Borrowers During the COVID-19 Crisis and Beyond

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Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people in the United States. The NCLC's Student Loan Borrower Assistance Project provides information about student loan rights and responsibilities for borrowers and advocates. We also seek to increase public understanding of student lending issues and to identify policy solutions to promote access to education, lessen student debt burdens, and make loan repayment more manageable.

The Center for Responsible Lending (CRL) is a nonprofit, non-partisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices.

The Student Borrower Protection Center is a nonprofit organization focused on alleviating the burden of student debt for millions of Americans. The SBPC engages in advocacy, policymaking, and litigation strategy to rein in industry abuses, protect borrowers' rights, and advance economic opportunity for the next generation of students.