

The System is Still Broken: 115+ Organizations Renew Push for Overdue Reforms to Income-Driven Repayment (IDR)

April 7, 2022

The System is Still Broken: 115+ Organizations Renew Push for the Biden Administration to Aid Millions of Student Loan Borrowers with Overdue Reforms to Income-Driven Repayment (IDR)

IDR program has failed borrowers worse than previously known to the public, organizations contend, calling on the Education Secretary to fulfill broken promises

WASHINGTON — Today, a group of 116 diverse advocacy organizations, including American Federation of Teachers (AFT), National Education Association (NEA), Center for American Progress, New America, The Institute for College Access and Success, and UnidosUS, **sent a letter** to the Biden Administration, calling on U.S. Secretary of Education Miguel Cardona to reform broken, dysfunctional income-driven repayment (IDR) programs and fulfill the promise of IDR.

The letter comes on the heels of the U.S. Department of Education's announcement extending the federal student loan pause and NPR's explosive investigation revealing problems and mismanagement in the administration of IDR even worse than the public previously understood. While student loan cancellation under IDR has been possible since 2016, just 32 borrowers have ever successfully had their loans canceled. At the same time, over 4.4 million borrowers have been in repayment for 20 years or longer, despite theoretically being able to access forgiveness via IDR after 20 years.

"The shockingly low rate of cancellation is emblematic of ED's failure to deliver the relief Congress intended when it passed the statutes enabling the creation of these [income-driven repayment] programs. While they were intended to ease the burden of student debt on borrowers, IDR plans are notoriously difficult to navigate, both because of the administrative hurdles of the program and rampant servicer misconduct," **116 organizations wrote to Secretary Cardona**. "It is time now for the Biden Administration to restore faith in IDR through the creation of an IDR waiver."

NPR's investigative report revealed that even when borrowers are able to navigate the IDR system, the time they spent in repayment may not count toward cancellation due to sweeping problems plaguing the IDR program. The report showed that this outcome was attributable to a number of striking system flaws and failures, all of which conspired to prevent borrowers from accessing the pathway to a debt-free future on decades-old student loans. Further, holes in the underlying records kept by servicers make it impossible to ensure all qualifying time is counted toward cancellation.

Congress passed the first of the modern IDR programs in 1992, promising borrowers that federal student loan payments would be affordable and not a life-long burden. After nearly three decades, reforms are needed to ensure IDR can deliver on this promise, and advocates are calling on the Biden Administration to 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.

The letter follows the recommendations made by the Student Borrower Protection Center, National

Consumer Law Center, and Center for Responsible Lending in a previously released whitepaper. Specifically, it recommends that an IDR waiver should:

1. **On a retroactive basis, count all months since the borrower entered repayment following their grace period as qualifying months towards loan forgiveness**, regardless of which repayment plan the borrower was in, whether they were in forbearance, and whether they were in default.
2. **Provide relief automatically.** All of the data that the Department of Education needs in order to implement the IDR waiver is readily available through the National Student Loan Data System (NSLDS). 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 Federal Family Education Loans (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.

A copy of the letter can be found here: <https://bit.ly/Ltr-IDRWaiverCoalition>

Additional background 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*

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 (SBPC) 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.