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EFC and Bipartisan Senate Leaders Applaud Efforts to Streamline Student Loan Repayment
ED and Treasury Announce Memorandum of Understanding to Establish Multi-Year Consent for Income-Driven Repayment Plans

WASHINGTON, D.C. — Education Finance Council (EFC), the national trade association representing nonprofit and state-based student loan organizations, along with a bipartisan group of Senate leaders, applauds the U.S. Departments of Treasury and Education for signing a memorandum of understanding establishing a framework for streamlining and automating the annual reapplication process for student loan borrowers participating in income-driven repayment (IDR) plans through the implementation of what is known as multi-year consent.

"We are thrilled that the Treasury and Education Departments have taken this important step toward improving the student loan repayment process," said EFC President Debra J. Chromy. "Education Department data shows that 57 percent of borrowers enrolled in IDR plans do not recertify their incomes as required before their deadlines. Implementing multi-year consent will help ensure that struggling borrowers who are eligible for an IDR plan are able to stay in that plan without interruption."

According to the announcement from the Treasury Department, "The agreement is intended to result in the development of a new digital system at the Department of Education's Office of Federal Student Aid (FSA) that will simplify income-driven repayment plans for borrowers. Such a system will allow student loan borrowers to provide consent for the Internal Revenue Service to share certain information with FSA and its loan servicers for a period of at least five years."

EFC, along with bipartisan groups of lawmakers, industry groups, student loan servicers, and consumer groups, has long urged the Education and Treasury Departments to implement multi-year consent. In an October 2016 letter, EFC joined 20 student loan servicers, higher education associations, industry groups, and consumer groups in highlighting the importance of establishing multi-year consent.

And, in December 2016, EFC worked with the offices of Sens. John Boozman and Chris Coons, the Chairman and Ranking Member, respectively, of the Senate Appropriations Subcommittee on Financial Services and General Government, who led a bipartisan letter urging the Education and Treasury Departments to establish multi-year consent. Senate HELP Committee Ranking Member Patty Murray and Sens. Roy Blunt and Jeanne Shaheen also signed on to the letter.

"Making it easier for student loan borrowers in income-driven repayment plans is a commonsense solution to maintaining affordable student loan payments," Sen. Boozman said. "I'm pleased the Departments of Education and Treasury recognized the importance of streamlining this process and are willing to make it convenient to borrowers."

“I am pleased to see that the Departments of Treasury and Education took up our call to automate the renewal process for income-driven repayment,” Sen. Coons said. “This announcement is a win for borrowers and will help them maintain affordable student loan payments and avoid potentially serious financial consequences down the road. I look forward to working with both Departments to ensure this policy is implemented in a way that benefits as many borrowers as possible.”

“This change will help simplify and streamline the student borrowing experience and prevent unnecessary increases in student loan payments because of lapses in paperwork,” Sen. Blunt said. “This is a commonsense change and I look forward to making sure it’s implemented effectively.”

“I commend the Departments of Education and Treasury for heeding our recommendations and taking action to support student borrowers who are struggling to manage the crushing burden of their student debt,” Sen. Murray said. “This is a critical step in the right direction for students, and it’s an important piece in our greater efforts to ensure students investing in higher education can gain a foothold into the middle class. I stand committed to fighting back against any attempts to roll back improvements for student loan borrowers and to protect all of the progress we’ve made.”

“I’m very pleased that the Departments of Treasury and Education have taken steps to simplify the process for student loan borrowers using income-driven repayment plans,” Sen. Shaheen said. “Repaying student loans is stressful enough without the added pressure of missing a deadline that could lead to serious financial implications. This commonsense reform will provide peace of mind to many borrowers and help them stay current on their loans.”

Student loan borrowers in repayment have a large number of options, including six different plans that base payments on a borrower’s current income — often referred to as IDR plans. Under IDR plans, some borrowers have no monthly payments, and some borrowers have their remaining balances forgiven. Eligibility requirements differ for each plan, and federal law requires borrowers to update their financial and demographic data on an annual basis to stay enrolled in an IDR plan.

When a borrower doesn’t recertify their data on time, they are required to make higher monthly payments — which are not based on income and which may cause financial distress. Additionally, any unpaid accrued interest capitalizes, increasing the total cost of the loan. According to the Education Department, one-third of those borrowers who did not recertify their incomes on time had their loans go into hardship-related forbearance or deferment.

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Education Finance Council (EFC) is the national trade association representing nonprofit and state-based student loan organizations that are dedicated to improving college access, success, and affordability in their states and nationwide.