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NEWS FOR IMMEDIATE RELEASE

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AG Kaul Joins Coalition in Support of Federal Proposal to Create a More Affordable Repayment Plan for Student Loan Borrowers

Coalition Commends Proposed 'Meaningful Improvements' to Income-Driven Repayment; Calls for Additional Relief, including for Parent Borrowers

MADISON, Wis. – Attorney General Josh Kaul joined a coalition of 22 state attorneys general in submitting comments to the U.S. Department of Education in response to proposed changes to the Income-Driven Repayment (IDR) program. The coalition commends the Department's proposal to create the most affordable income-driven repayment plan ever made available to federal student loan borrowers and called on the Department to make additional changes that would provide critical assistance to struggling borrowers.

IDR plans enable borrowers to make payments based on income and family size and offer the possibility of loan forgiveness after 20 or 25 years of qualifying payments.

"This is another positive step to help folks succeed if they're struggling with student loan debt," said AG Kaul. "While additional improvements can still be made, the proposed changes will make the Income-Driven Repayment program more effective."

In their letter to Secretary Miguel Cardona the attorneys general applaud the Department for proposing "meaningful improvements" to IDR and emphasize that the proposed regulatory reforms will make monthly IDR payments more affordable, eliminate enrollment disincentives, help borrowers avoid ballooning loan balances, and prevent needless defaults.

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In addition to these significant improvements, the letter also calls on the Department to expand relief to parent borrowers and defaulted borrowers and to adopt additional measures to remedy past harms and ensure the program's success moving forward.

As the coalition explains in the letter, IDR plans, which first became available in the 1990s, were intended to ensure that borrowers' monthly payments would be affordable and that borrowers would not be saddled for life with student loan debt. However, existing IDR plans have failed to meet these goals due to faulty servicing, needless administrative complexity, and design flaws.

The coalition applauds the U.S. Department of Education's proposal to address past problems by creating a vastly more affordable IDR plan. In particular, the letter commends the Department's plan to protect more borrower income from repayment, enroll delinquent borrowers automatically in IDR and count certain periods of forbearance towards loan forgiveness. Additionally, the coalition commends the Department for eliminating the harmful practice of unpaid interest accrual, which causes those borrowers in greatest need of assistance to face rapidly growing loan balances while in IDR. These proposed changes will help prevent needless defaults, get rid of deterrents to IDR enrollment and stop borrowers from needing to choose between buying basic necessities and paying their student loan bills.

In their letter, the coalition also calls upon the Department to adopt additional measures to ensure that IDR will benefit more borrowers, including:

- Making consolidated Parent PLUS loans eligible for the most affordable repayment plan—Revised Pay As You Earn (REPAYE);
- Creating a simpler path for borrowers in default to enroll in IDR;
- Counting all past forbearance and repayment periods and certain deferment periods toward IDR loan forgiveness; and
- Expanding the reach of the Department's proposals to provide retroactive relief to borrowers who have suffered from the historic mismanagement of the federal loan repayment system.

In addition to the newly proposed IDR plan, the U.S. Department of Education has announced other debt relief initiatives to address the past problems with IDR, including the One-Time IDR Adjustment. Through the One-Time IDR Adjustment, borrowers whose loans are owned by the U.S. Department of Education can receive credit toward IDR loan forgiveness for past repayment periods and certain deferment and forbearance periods—even if they have never previously enrolled in IDR, potentially enabling them to receive forgiveness much sooner. Federal loans that are

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privately-owned must be consolidated into the Direct Loan Program by May 1, 2023, to benefit from the One-Time IDR Adjustment.

A full copy of the letter can be found here.

Joining AG Kaul in issuing this letter, are the attorneys general of Arizona, California, Colorado, Connecticut, Delaware, the District of Columbia, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, New Mexico, Oregon, Pennsylvania, Rhode Island, South Dakota, Vermont, and Washington.

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