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January 27, 2023

Dr. Nasser Paydar
Assistant Secretary for Postsecondary Education
U.S. Department of Education
Office of Postsecondary Education
400 Maryland Avenue, SW
Washington, DC 20202

RE: Notice of Proposed Rulemaking; Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program – Docket No. ED-2023-OPE-0004-0001

Dear Assistant Secretary Paydar:

On behalf of the American Psychological Association (APA), we are writing to offer public comments to the Notice of Proposed Rulemaking (NPRM) on Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program, published in the Federal Register by the Department of Education on January 11, 2023, Docket No. ED-2023-OPE-0004-0001. APA is the nation's largest scientific and professional nonprofit organization representing the discipline and profession of psychology, as well as over 146,000 members and affiliates who are clinicians, researchers, educators, consultants, and students in psychological science.

APA strongly supports the Department's continued efforts to reform its student loan portfolio, including the intent of the proposed changes in this NPRM, which would make the Income Driven-Repayment (IDR) system fairer and end the cycles of endless debt in which many students are trapped. These changes are not only crucial for borrowers enrolled in IDR, but also for those seeking Public Service Loan Forgiveness (PSLF), as IDR plans are considered qualifying payments for the purposes of PSLF. While we are glad to see that graduate loan borrowers are eligible for the new revised IDR plan, we remain concerned with how the proposed changes treat graduate student debt and our comments will urge the Department to address this in the final rule.

Specifically, APA asks the Department to make two key changes as it finalizes the rule:

1. Set the discretionary income threshold for determining monthly payments at 5 percent for both undergraduate and graduate loans.
2. Set a maximum of a 20-year or lower repayment schedule until debt forgiveness for both undergraduate and graduate borrowers for all IDR plans in the Department's portfolio.

More than two decades ago, Congress created the IDR system in response to growing concerns around student debt and to protect student loan borrowers from financial hardship by providing them with an option to continue repaying their debt, while also lowering their monthly payments depending on income-levels. Unlike the standard 10-year repayment plan that borrowers are automatically placed into and under which they pay the same amount for each installment period, a student loan holder must affirmatively choose to enroll in an IDR plan and recertify their



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income every year to continue in the program. Currently, there are about 13 million borrowers enrolled in the various IDR plans administered by the Department of Education.ⁱ

The intent of IDR is to protect student loan borrowers from the harmful financial effects of unaffordable debt by ensuring that it does not remain a burden throughout their lives, with the long-term purpose of addressing overall inequities in wealth. However, because of the design of both IDR itself and of the entire federal student loan system, the program's implementation has led to a series of unintended consequences, which have left it far short of meeting its promise.

Data show that since the enactment of the first IDR program nearly 25 years ago, of the approximately two million borrowers who have been eligible to have their loans canceled through an IDR plan, just 32 have ever received forgiveness.ⁱⁱ Black borrowers, who already carry more debt than their White peers, are being disproportionately affected by these systemic failures.ⁱⁱⁱ Much of this is due to complexities within the program, including the existence of multiple plans, further adding to the confusion; lack of consistent communication from the Department and its loan servicers; the method of treating unpaid interest; clerical errors leading to lost credit for qualifying payments made; and excessive burdens placed on borrowers to continue recertifying income on an annual basis. In totality, all of this has made IDR a much less effective tool for managing student loan debt.

This is especially concerning, as the amount of student loan debt has now surpassed credit card debt in America.^{iv} Nearly 43 million borrowers have federal student loan debt and about 2.4 million additional borrowers have private student loans, with a collective outstanding balance of nearly \$2 trillion.^v ^{vi} With the overall amount of student debt increasing substantially since the Great Recession, millennials are now the most educated, most student loan-indebted, and poorest generation to date, in terms of both income and wealth.^{vii} Debt is also having a negative impact on college enrollment. Colleges and universities are experiencing noticeable enrollment declines, particularly since the start of the pandemic, with prospective students continuing to cite cost of higher education as a determinative factor in whether they chose to pursue advanced degrees.^{viii} ^{ix}

Beyond just direct educational costs, like tuition, fees, and books, much of this borrowing is driven by the increasing cost of living. However, for those seeking graduate and/or professional education, it is a combination of both. Data show that psychology graduate students have difficulties affording healthcare, often face food insecurity, are concerned about being able to afford completing their training requirements, and have difficulties focusing on their studies and dissertation as a result of trying to make ends meet.^x At the same time, demand continues to grow for careers where an advanced degree is required even for entry-level positions, many of which are also in public service.^{xi} This includes psychology, teaching, nursing, and social work, among others.

Furthermore, as a result of a variety of factors including lack of generational wealth, students of color, first-generation college students, and lower socioeconomic status students tend to borrow significantly more, both for their undergraduate and postbaccalaureate degrees.^{xii} Black graduate degree holders have nearly double the amount of graduate school debt than their White counterparts.^{xiii} This is true across all fields, but data show that low-income students and students of color working toward doctoral psychology degrees also significantly rely on student loans.^{xiv} Additionally, the prospect of adding further debt often serves as a disincentive to the pursuit of advanced degrees. Higher student loan debt further impedes workforce diversity, including in mental and behavioral health care fields, where demand for representative, culturally competent

providers is high.^{xv} Finally, data show the negative mental health impacts of student loan debt, contributing to stress, anxiety, and depression.^{xvi xvii}

APA is pleased that the Department is making critically needed changes that will make IDR more functional and more affordable. This includes increasing the amount of income protected as nondiscretionary from the monthly IDR payment calculation, reducing the percentage of discretionary income expected to go toward student loan payments, allowing pre-consolidation payments to count as payments toward forgiveness, and streamlining the program by eliminating several existing IDR plans. In what is perhaps the most important proposed change, the NPRM would eliminate negative amortization, a change that APA has long called for.

Due to the method of calculating payment amounts under current IDR plans, most borrowers only pay a portion of their interest each month without paying down the underlying principal. Any unpaid interest is then added to that principal, which increases the overall outstanding amount due. Interest is then charged on that higher principal balance, increasing the overall cost of the loan. With the monthly payment not enough to cover the full interest, the balance negatively amortizes, causing the amount owed to increase even while payments are made.

This essentially traps borrowers in a vicious cycle of debt, significantly increasing the amount of debt carried by those enrolled in IDR, but particularly for graduate degree holders, who have higher interest rates and do not have access to federal subsidized loans. Higher interest rates, combined with negative amortization, increase the overall cost of IDR programs for both students and the federal government.^{xviii} By proposing to waive any unpaid monthly interest, the Department will make a seismic shift not only to the way that IDR functions, but to the lives and well-being of many student loan borrowers.

Additionally, APA supports the following changes that would strengthen IDR as a safety net for borrowers, and looks forward to their adoption in the final rule:

- Consolidating and phasing out of certain current IDR plans, as well as modifying the existing Revised Pay As You Earn (REPAYE) program with the proposed changes, rather than creating an additional IDR plan. This would help streamline and simplify IDR for borrowers navigating repayment options.
- Including graduate debt in the modified REPAYE program.
- Increasing the amount of income excluded in the determination of discretionary income—from 150 to 225 percent of the federal poverty guidelines—for the purpose of calculating monthly payments.
- Ensuring that a student borrower who makes less than \$30,600 annually would not be required to make monthly payments on their loans. Currently, this threshold is set at \$20,400 or less.
- Allowing all IDR plans to permit payments made prior to consolidation to count toward forgiveness.
- Ensuring that borrowers who are at least 75 days behind on their payments are automatically enrolled in the IDR plan that offers the lowest monthly payment.

However, despite these much needed proposed changes, we are very concerned with the way the Department is choosing to handle graduate student debt, especially after negotiators taking part in the Negotiated Rulemaking sessions on student debt in Fall of 2021 expressed similar concerns and failed to reach consensus on proposed changes to IDR.^{xix}

Most states require a graduate degree for licensure in the mental and behavioral health fields, and many have few options other than to borrow when financing their education. Health service psychologists graduate with an average debt load between \$95,000 and \$160,000—from their graduate degree alone—and close to half of doctoral-level psychologists rely on loans or their own funds to pay for graduate school, which takes an average of 5-6 years to complete.^{xx} Research shows that debt affects career choice, reducing the probability that qualified professionals will pursue lower-paying but high-demand public service careers.^{xxi}

Under the proposed rule, student loan borrowers with only undergraduate loans will pay no more than 5 percent of their discretionary income monthly, a change that APA strongly supports. However, borrowers with only graduate debt will have monthly payments set at 10 percent of their discretionary income, while those with both types of loans will have their percent of discretionary monthly income determined by a weighted average of their undergraduate and graduate debt. Similarly, borrowers whose original principal balances were \$12,000 or less will qualify for forgiveness after 10 years and each additional \$1,000 of borrowing will add an additional year until forgiveness. This would be up to a maximum of 20 years for undergraduate borrowers, but for borrowers with graduate debt, this maximum would be set at 25 years, which is the same as what is currently required under the REPAYE plan.

APA believes that such distinctions between borrowers with undergraduate and graduate debt are arbitrary and rooted in misinformed perceptions that an individual's income level is inherently tied to their degree level. We strongly urge the Department to reconsider their approach. Such misconceptions turn IDR into a “degree,” rather than an “income” based program, operating under the misconception that all graduate degree holders will be “high-income” earners. Data show that this is not necessarily the case, particularly for those in public service, including in mental and behavioral health care fields, where an advanced degree is a requirement at entry level.^{xxii}

Unfortunately, this follows a trend over the past decade, which has seen the federal government take actions disproportionately harmful to graduate students. This includes the imposition of higher interest rates and multiple loan origination fees, as well as the elimination of subsidized federal loans, without which graduate students begin accruing interest immediately upon disbursement of the loan. Such changes, coupled with graduate students currently being ineligible to receive Pell Grants, have further created barriers to both access and affordability of graduate education, which is particularly deleterious to prospective students coming from low-income populations and communities of color, especially Black, Brown, and Indigenous communities.^{xxiii}
^{xxiv}

This also comes at a time when demand for careers that require a graduate degree for entry-level positions continues to grow, including in mental and behavioral health care fields.^{xxv} Nationwide, even before COVID-19, the U.S. was facing a serious shortage of mental and behavioral health care providers, including psychologists, with every state having documented mental health professionals shortage areas.^{xxvi} By 2030, these shortages are projected to worsen significantly,^{xxvii} with rural communities facing major challenges in recruiting licensed mental and behavioral health care professionals.^{xxix}

Once again, for these reasons, APA urges the Department to make the following two changes as it finalizes the rule on Improving Income-Driven Repayment for the William D. Ford Federal Direct Loan Program:

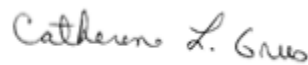
1. Set the discretionary income threshold for determining monthly payments at 5 percent for both undergraduate and graduate loans.
2. Set a maximum of a 20-year or lower repayment schedule until debt forgiveness for both undergraduate and graduate borrowers for all IDR plans in the Department's portfolio.

APA appreciates the Department's continued efforts to improve the federal student loan and repayment system and the opportunity to provide comments on proposed changes that would impact current and future psychologists. If we can be of assistance, please contact Kenneth Polishchuk, Senior Director for Congressional and Federal Relations & Education Policy Lead, at kp Polishchuk@apa.org.

Sincerely,



Katherine B. McGuire
Chief Advocacy Officer



Catherine Grus, PhD
Chief Education Officer

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