IMPROVE REPAYMENT & RESUMPTION

- **Eliminate the statutory capitalization of interest on loans**
  Eliminating capitalization will help ultimately lower the cost of borrowing for students and reduce frustration and confusion for borrowers who make payments through income driven plans but do not see the balance of their loan go down.

- **Eliminate the origination fee**
  Eliminating this fee would give access to the full amount of the loan and apply directly to borrowers' educational expenses. Additionally, the fee is confusing to students and adds unnecessary complexity to the loan process.

- **Simplify loan repayment plan choices**
  Multiple repayment options are confusing for borrowers. The needs of most can be met with two options -- a standard plan and one income-driven plan. Providing simplified choices makes the repayment process easier for borrowers. Move borrowers under the older plans to a new more advantageous plan and eliminate prior options.

- **End the practice of negative amortization**
  Allow students to repay the principal and interest they received but remove growing loan balances burdening current borrowers. Whether a cap achieves this based on balances not to exceed the ten-year repayment plan or some other means to remove negative amortization, this would institute a less burdensome path to full repayment for our borrowers.

- **Lower interest rates on Direct Loans**
  The current interest rate structure is unreasonably high for student and parent borrowers. Interest rates should cover the cost to service the loan, but not burden the borrower with additional interest charges. Capping interest at a low rate would increase affordability and access to higher education and increase rates of successful full repayment of loan debt.

- **Increase annual and aggregate subsidized loan limits**
  Loan limits have not been raised since 2008. This forces students into the more costly unsubsidized loan programs and the private loan market. With increases to the annual loan limits, low and middle-income families with financial need would be able to finance their education using the subsidized government loan programs. This would also ease the use of PLUS loans as parents' desperation to borrow small amounts to cover the students' costs would be alleviated with increased loan limits for students.

- **Auto-adjust interest rates when lowered each year**
  If previously borrowed Direct Loans are two percentage points or higher than the current rate, servicers will adjust borrowers' interest to the new rate annually on July 1. This will encourage repayment, create equity among repayors, set federal borrowing benefits apart from private loan borrowing, and ensure the borrower only pays an appropriate amount for the loan and not generating federal profit.

Recommendations for Resumption of Repayment

- **Present a single portal for repayment to all borrowers of Direct Loans**
  Provide for a single web portal and phone number for borrowers to use to access their servicer. Borrowers are confused about who holds their loan and how to contact their servicers. This will help in the resumption of repayment as well as on-going access to student loan information. Borrowers should not need to keep track of the servicer of the loan, beyond knowing how to communicate through the US Department of Education site.

- **Use U.S. Department of Education branding on all loan communications**
  If all loan communications were under the familiar brand of the U.S. Department of Education, more borrowers would respond to loan repayment requests. Borrowers understand the role of the Department in the federal student loan program, but are wary of other entities claiming to be loan servicers and may be ignoring their outreach efforts as spam. As the resumption to repayment begins in January 2023, it is imperative that communications come from the US Department of Education.

- **Communicate frequently and effectively about loan repayment resumption**
  The US Department of Education in collaboration with student loan servicers need to contact borrowers frequently utilizing several means of communication to ensure borrowers are aware of the resumption of payments on January 1, 2023. After January 1, continue reminders for those accounts that move to delinquent status.

- **Develop methods to prevent default for borrowers unaware of repayment start-up**
  After January 1, 2023, the US Department of Education should not report missed payments to credit bureaus for the first six months of repayment resumption and allow borrowers to self-certify their income for resumption or enrollment in income driven repayment plans. Exercise flexibility in placing borrowers / removing borrowers from default status if they were unaware of repayment resumption.

- **Make Loan Exit Counseling Available to Borrowers Resuming Repayment**
  Allow all borrowers resuming loan repayment the opportunity to repeat loan exit counseling or a similar counseling session. Many borrowers will have changed circumstances since the payment pause and this would allow those interested to review their repayment options and obligations, possibly changing their repayment plan and increasing the chance of successful return to repaying their loans.