

Will Student Loan Borrowers in Income-Driven Repayment Get the Loan Forgiveness They've Been Promised?

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National Consumer Law Center Files FOIA to Find out on 25th Anniversary of Borrowers Participating in Income-Driven Repayment Plans

Download NCLC's FOIA request at: <http://bit.ly/foia-ann>

Boston — On July 1, 1994, the U.S. Education Department launched its first Income-Driven Repayment Plan, designed to allow student loan borrowers to keep their payments affordable and to forgive any remaining balance after 25 years of payments. But is this promise being fulfilled? Today—on the 25th anniversary of the creation of this program—the National Consumer Law Center (NCLC) has submitted a Freedom of Information (FOIA) Request to the U.S. Department of Education (Department) to determine whether federal student loan borrowers will receive the forgiveness to which they should be entitled.

Income-driven repayment (IDR) options help borrowers keep their student loan payments affordable with payment caps based on their income and family size. Any debt that remains after 20 or 25 years of payments based upon the plan will be forgiven. “Income-driven repayment is a critical option for student loan borrowers struggling to keep current on their federal student loan payments,” **said Persis Yu, National Consumer Law Center attorney and director of its Student Loan Borrower Assistance Project.** “Forgiveness is the critical light at the end of the tunnel for these borrowers.”

The first cohort of borrowers who entered the Income-Contingent Repayment (ICR), the first IDR plan in 1994, and remained in the original ICR plan, should be eligible for forgiveness starting this month.

“Unfortunately, too many borrowers do not receive the benefit of income-driven repayment because of unnecessary bureaucratic hurdles and abusive servicing practices, and lack of knowledge that the program exists,” **said Yu.**

As documented by Consumer Financial Protection Bureau, problems with the U.S. Department of Education's implementation of income-driven repayment plans are widespread. For example, borrowers in an IDR plan must renew their eligibility every year, but many borrowers experience problems with the renewal process. Additionally, too often, borrowers are steered into costly forbearances even when income-driven repayment is a better option. It was these types of problems that led to several lawsuits against student loan servicer Navient [by the CFPB and several Attorneys General](#) for practices that caused borrowers to pay thousands of additional dollars on their federal student loans and added years to their repayment.

“Forgiveness under an Income-Driven Repayment plan is supposed to be automatic,” said Yu. “But

we know from the horrendous denial rates that servicing problems are causing borrowers to be denied access to forgiveness under the Public Service Loan Forgiveness program, another Education Department program that was supposed to be automatic. We are very worried that eligible borrowers participating in IDR plans will have the same or worse problems. We are requesting data from the Department that will illuminate the scope of these problems.”

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Comments to CFPB on Proposal to Collect Student Loan Servicing Data (Federal and Private), April 24, 2017

Making Federal Student Loan Servicing Work for Borrowers, November 2014

Making Student Loan Servicing Work for Borrowers, June 2014