

To: RISE Rulemaking Committee
From: Ashley Naporlee and Tamar Hoffman
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Memo: **Proposal to Increase Accessibility of Rehabilitation**

When it amended the Higher Education Act to allow borrowers to rehabilitate their loans twice, Congress clearly intended to reduce the barriers that stop borrowers from removing their loans from default. Rehabilitation ought to be an accessible option for borrowers who want to remove their loans from default and continue their repayment journey.

However, there remain many barriers that prevent borrowers from being able to use rehabilitation as a pathway out of default. Over time, the Department of Education and Congress have implemented important improvements to make it easier for nondefaulted student loan borrowers to make payments: they can opt to make payments online, use autopay, pay on credit cards, can set up repayment plans online, and can import their income information from the IRS to document their income and set their payments. Student loan borrowers enrolling in IDR plans can even consent that the Department of Education use their tax information from the IRS on an ongoing basis to calculate and recalculate their monthly payments. In contrast, student loan borrowers who want to use rehabilitation to remove their loans from default do not have these options.

Borrowers entering a rehabilitation agreement must call to request a rehabilitation agreement, manually submit a copy of their tax transcript or most recent tax return, then physically mail or fax(!) in a rehabilitation agreement, and manually send in payments by mail. There is no online platform to apply for rehabilitation, match income tax return information to document income and set payments, upload other income documentation as needed, execute rehabilitation agreements, set up autopay, or pay each month by credit card. Further, there is no way for borrowers to see that their payments were received and to track their progress toward successful rehabilitation. As a result, rehabilitating defaulted student loans is a much more onerous, inefficient, and error-ridden process than enrolling in repayment plans and making regular on-time payments on loans in repayment.

These friction points prevent rehabilitation from serving as an indicator for whether borrowers will be able to comply with the requirements of their student loan repayment moving forward, given they might have been able to complete the rehabilitation and successfully repay their loans had they only been able to benefit from the same streamlining process improvements that borrowers with nondefaulted loans enjoy. Additionally, many borrowers and legal aid advocates report that materials they have faxed and mailed to support rehabilitation are not timely received or are lost. Moreover, the lack of online, automated processes increases the costs to the Department to process manual applications and payments for millions of borrowers, and increases the amount of time Department contractors must spend on the phone with borrowers seeking rehabilitation.

In order to achieve Congress's intent to make rehabilitation more accessible, we propose that the RISE Committee and the Department of Education include regulatory language that creates the following options:

- Allow defaulted student loan borrowers to opt into sharing their IRS data with the Department of Education for the purpose of facilitating rehabilitation agreements.
- Allow defaulted student loan borrowers to request and execute rehabilitation agreements online, including allowing borrowers to import/match IRS income information and to upload alternative documentation of income to calculate their rehabilitation payments.

- Allow borrowers who execute a rehabilitation agreement to request in their agreement that they be enrolled in IDR upon successful completion of their rehabilitation agreement and to provide consent to IRS income-data sharing to facilitate the calculation of their IDR payment.
- Allow defaulted student loan borrowers to make online payments towards their rehabilitation agreements and enroll in autopay.
- Allow defaulted student loan borrowers to use credit cards to make payments towards their rehabilitation agreements.
- Create a way for borrowers to see their progress towards completing a rehabilitation agreement, to clearly see when payment is due, and to see how much is owed each month.