Seeking to Preserve Access to Income-Driven Repayment Plans, Senator Requests ED Halt New Verification Measures

By Hunter B. Martin, NASFAA Staff Reporter

Sen. Patty Murray (D-Wash.) released a letter on Wednesday requesting the Department of Education (ED) "immediately suspend" plans to implement verification measures for student loan borrowers enrolling in income-driven repayment plans, after receiving new information from the Government Accountability Office (GAO) that she said invalidates ED's concerns over fraud.

Murray's letter followed an Office of Inspector General (OIG) report published earlier this month, in which ED announced a 12-month pilot program that would address errors or fraud — and potentially implement additional procedures that could be used to verify family income and size — when borrowers apply for income-driven repayment (IDR) plans.

"Verification ensnares students in a jungle of red tape; more than one in five students selected for verification fail to complete it," Murray wrote. "New information provided by GAO makes clear [ED]'s efforts to impose verification procedures on borrowers are based on unsupported assumptions, and I strongly urge [ED] to reverse course."

The OIG report came after GAO published a report in July that recommended ED take additional steps to verify reported family income and size to avoid errors or fraud when borrowers apply for income-driven repayment plans. At the time, Education Secretary Betsy DeVos released a statement calling for a review of the verification process, claiming there is "significant risk in the federal student loan portfolio."

"Misrepresenting income or family size is wrong, and we must have a system in place to ensure that dishonest people do not get away with it," DeVos said. "We didn't create that problem, but rest assured we will fix it."

However, Murray's letter claimed ED was reacting "based on flawed assumptions" made about errors in reported family income and size as a result of student borrowers purposefully defrauding the federal government and also appeared to be using the GAO report "as justification for beginning policies that could be harmful to federal student loan borrowers."

According to Murray, new information from GAO clarified there are many reasons for errors in applications as a result of the "complicated student loan repayment system," or "borrower confusion" — some of which she said are beyond the borrower's control. Murray included the GAO letter containing updated information in her letter to DeVos.

In the supplemental letter, GAO found no additional policy changes or pilot programs were needed to verify reported family income and size because a proposal in the fiscal year 2020 budget would already allow the Internal Revenue Service (IRS) to communicate directly with ED to disclose borrowers' tax return information for the purpose of applying for federal financial aid programs.

ED has previously expressed support for the bill — the bipartisan, NASFAA-supported Faster Access to Federal Student Aid (FAFSA) Act — according to Murray. If the FAFSA Act were to pass, GAO would consider its July report recommendations adopted. However, when GAO followed up with ED about new legislative proposals, ED declined to provide more information.

Using the new GAO information, Murray requested that ED halt efforts to create verification barriers for borrowers until a comprehensive review can be conducted.

The federal student loan repayment system currently has five different IDR plans and as of March 2018, 29% of borrowers, and 49% of all dollars in repayment, were enrolled in an IDR plan, according to College Board. However, IDR plans require borrowers to re-enroll annually. The process is often viewed as cumbersome and can take up to 60 days for servicers to review applications.

“Without IDR, many struggling borrowers would fall further behind or end up delinquent or default on their loans. Ensuring access to IDR for at risk borrowers is vital to promoting successful repayment outcome in the federal loan portfolio,” Murray wrote. “[ED] should not embark on a dangerous new project without first investigating the fact.”

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