August 6, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Chuck Schumer
Minority Leader
United States Senate
322 Hart Senate Office Building
Washington, DC 20510

Dear Leader McConnell and Minority Leader Schumer,

On behalf of the National Association of Student Financial Aid Administrators (NASFAA), I write to urge you to extend the student loan borrower relief provisions originally granted through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, including the suspension of payments and interest accrual, before these important benefits expire on September 30, 2020.

Borrower relief is vital to the student financial aid community and the students those within it serve, and we are alarmed to see the Health, Economic Assistance, Liability Protection and Schools (HEALS) Act does not extend the existing CARES Act measures. While proposals to simplify repayment plans, such as the one included in the HEALS Act, offer much-needed policy reform for student loan borrowers, this approach is not an appropriate solution in a time of crisis to provide immediate borrower relief. Undertaking such a substantial change to the current repayment system in less than two months and without community input is a recipe for chaotic implementation and borrower confusion during a national emergency.

NASFAA is concerned about the 40 million borrowers who, on October 1, will go back into repayment after six months of suspended payments. This cliff is even more problematic given record high unemployment rates and the continued, growing spread of COVID-19. The economic impact of the pandemic on students and families is ongoing, and many student loan borrowers, including some who were successfully making their monthly payments before this emergency, will not have regained their financial footing when the payment suspension expires at the end of September. Without an extension, borrowers who have been most impacted by the pandemic may fall into delinquency or default, or be subject to wage garnishment.

Income-driven repayment (IDR) plans do offer important options for borrowers, but only for those who proactively enroll. It is also important to note that IDR plans, such as the one included in the HEALS Act, are already available to borrowers who seek them; it is not a new

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benefit or point of relief to borrowers in the midst of this emergency. This crisis calls for the continuation of widespread, automatic relief, not a pulling back of borrower benefits, which is what the HEALS Act would do.

In addition to the limited nature of the proposed borrower relief, NASFAA also has concerns about how such a large policy change could be successfully implemented by October 1, 2020. The HEALS Act waives a crucial piece of the policy-development process — negotiated rulemaking — thereby effectively cutting stakeholders out of a significant higher education policy reform that will last well beyond the pandemic. Important questions and discussions occur during the negotiated rulemaking process that could, in this case, include topics related to borrower eligibility, acceptable documentation of income, verification of income, servicer processing timelines, and borrower communications. Further, we are unsure whether servicers could implement these changes in under two months, which could leave borrowers who seek to enroll in a new payment plan waiting weeks or months for their applications to be processed.

The HEALS Act proposal to consolidate existing repayment plans is a smart, laudable long-term solution that will help simplify the repayment process for millions of borrowers. In fact, NASFAA has previously gone on record supporting repayment simplification, and will continue to do so in the future. However, it should be implemented deliberately and thoughtfully, with input from the higher education community, as part of a reauthorization of the Higher Education Act.

During this crisis, struggling borrowers need immediate, automatic solutions that allow them to focus limited funds on necessities. Extending the payment suspension provided in the CARES Act until September 30, 2021 — or until the unemployment rate has fallen and remained below 8% for three consecutive months — would do just that. The automatic nature of this extension will ensure that the most vulnerable borrowers and those hardest-hit by COVID-19 will be able to continue accessing relief without taking action or filling out forms. An automatic extension would also ensure that student loan servicers are not overwhelmed beyond their capacity due to an influx of borrowers needing to enroll in IDR plans because of pandemic-related income loss.

Importantly, to ensure all struggling borrowers are able to access relief during the pandemic, the CARES Act provisions should be extended to all federal student loans, including Federal Family Education Loans (FFEL), Federal Perkins Loans, and health education loans through the Department of Health and Human Services. We also request that Congress expand the post-graduation grace period for borrowers entering repayment by an additional six months — to a total of one year — to help borrowers who have recently completed programs as they navigate the worst employment market in decades.

To support student loan borrowers amid this national emergency, we urge you to extend the existing CARES Act relief provisions in the next COVID-19 supplemental legislation. We

appreciate the support that you have already provided to student loan borrowers, and we look forward to working with you at the appropriate time to address long-term solutions to the student loan repayment system.

Regards,

Justin Draeger, President & CEO